

THIS FILING IS

Item 1: An Initial (Original) Submission OR Resubmission No. _____

Form 1 Approved
OMB No.1902-0021
(Expires 11/30/2022)
Form 1-F Approved
OMB No.1902-0029
(Expires 11/30/2022)
Form 3-Q Approved
OMB No.1902-0205
(Expires 11/30/2022)



FERC FINANCIAL REPORT

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

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

Exact Legal Name of Respondent (Company)

Texas-New Mexico Power Company

Year/Period of Report

End of 2020/Q4

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

GENERAL INFORMATION

I. Purpose

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

II. Who Must Submit

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

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

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

III. What and Where to Submit

(a) Submit FERC Forms 1 and 3-Q electronically through the forms submission software. Retain one copy of each report for your files. Any electronic submission must be created by using the forms submission software provided free by the Commission at its web site: <http://www.ferc.gov/docs-filing/forms/form-1/elec-subm-soft.asp>. The software is used to submit the electronic filing to the Commission via the Internet.

(b) The Corporate Officer Certification must be submitted electronically as part of the FERC Forms 1 and 3-Q filings.

(c) Submit immediately upon publication, by either eFiling or mail, two (2) copies to the Secretary of the Commission, the latest Annual Report to Stockholders. Unless eFiling the Annual Report to Stockholders, mail the stockholders report to the Secretary of the Commission at:

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

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

The CPA Certification Statement should:

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

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

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

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

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

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

- (f) Filers are encouraged to file their Annual Report to Stockholders, and the CPA Certification Statement using eFiling. To further that effort, new selections, "Annual Report to Stockholders," and "CPA Certification Statement" have been added to the dropdown "pick list" from which companies must choose when eFiling. Further instructions are found on the Commission's website at <http://www.ferc.gov/help/how-to.asp>.

- (g) Federal, State and Local Governments and other authorized users may obtain additional blank copies of FERC Form 1 and 3-Q free of charge from <http://www.ferc.gov/docs-filing/forms/form-1/form-1.pdf> and <http://www.ferc.gov/docs-filing/forms.asp#3Q-gas>.

IV. When to Submit:

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

a) FERC Form 1 for each year ending December 31 must be filed by April 18th of the following year (18 CFR § 141.1), and

b) FERC Form 3-Q for each calendar quarter must be filed within 60 days after the reporting quarter (18 C.F.R. § 141.400).

V. Where to Send Comments on Public Reporting Burden.

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

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

GENERAL INSTRUCTIONS

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

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

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

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

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

termination date of the contract defined as the earliest date either buyer or seller can unilaterally cancel the contract.

OLF - Other Long-Term Firm Transmission Service. Report service provided under contracts which do not conform to the terms of the Open Access Transmission Tariff. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. For all transactions identified as OLF, provide in a footnote the termination date of the contract defined as the earliest date either buyer or seller can unilaterally get out of the contract.

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

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

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

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

DEFINITIONS

I. Commission Authorization (Comm. Auth.) -- The authorization of the Federal Energy Regulatory Commission, or any other Commission. Name the commission whose authorization was obtained and give date of the authorization.

II. Respondent -- The person, corporation, licensee, agency, authority, or other Legal entity or instrumentality in whose behalf the report is made.

EXCERPTS FROM THE LAW

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

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

(3) 'Corporation' means any corporation, joint-stock company, partnership, association, business trust, organized group of persons, whether incorporated or not, or a receiver or receivers, trustee or trustees of any of the foregoing. It shall not include 'municipalities, as hereinafter defined;

(4) 'Person' means an individual or a corporation;

(5) 'Licensee, means any person, State, or municipality Licensed under the provisions of section 4 of this Act, and any assignee or successor in interest thereof;

(7) 'municipality means a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the Laws thereof to carry and the business of developing, transmitting, unitizing, or distributing power;

(11) "project' means. a complete unit of improvement or development, consisting of a power house, all water conduits, all dams and appurtenant works and structures (including navigation structures) which are a part of said unit, and all storage, diverting, or fore bay reservoirs directly connected therewith, the primary line or lines transmitting power there from to the point of junction with the distribution system or with the interconnected primary transmission system, all miscellaneous structures used and useful in connection with said unit or any part thereof, and all water rights, rights-of-way, ditches, dams, reservoirs, Lands, or interest in Lands the use and occupancy of which are necessary or appropriate in the maintenance and operation of such unit;

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

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

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

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

General Penalties

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

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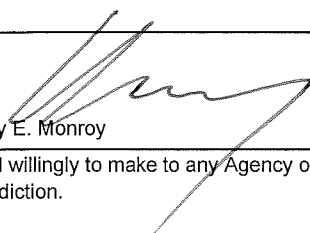
**FERC FORM NO. 1/3-Q:
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER**

IDENTIFICATION		
01 Exact Legal Name of Respondent Texas-New Mexico Power Company	02 Year/Period of Report End of <u>2020/Q4</u>	
03 Previous Name and Date of Change (if name changed during year) <p align="center">/ /</p>		
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) 04/01/2021

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  Henry E. Monroy	04 Date Signed (Mo, Da, Yr) 04/01/2021
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.

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

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)
37	Other Deferred Credits	269	
38	Accumulated Deferred Income Taxes-Accelerated Amortization Property	272-273	None
39	Accumulated Deferred Income Taxes-Other Property	274-275	
40	Accumulated Deferred Income Taxes-Other	276-277	
41	Other Regulatory Liabilities	278	
42	Electric Operating Revenues	300-301	
43	Regional Transmission Service Revenues (Account 457.1)	302	None
44	Sales of Electricity by Rate Schedules	304	
45	Sales for Resale	310-311	None
46	Electric Operation and Maintenance Expenses	320-323	
47	Purchased Power	326-327	None
48	Transmission of Electricity for Others	328-330	
49	Transmission of Electricity by ISO/RTOs	331	None
50	Transmission of Electricity by Others	332	
51	Miscellaneous General Expenses-Electric	335	
52	Depreciation and Amortization of Electric Plant	336-337	
53	Regulatory Commission Expenses	350-351	
54	Research, Development and Demonstration Activities	352-353	None
55	Distribution of Salaries and Wages	354-355	
56	Common Utility Plant and Expenses	356	None
57	Amounts included in ISO/RTO Settlement Statements	397	None
58	Purchase and Sale of Ancillary Services	398	None
59	Monthly Transmission System Peak Load	400	
60	Monthly ISO/RTO Transmission System Peak Load	400a	None
61	Electric Energy Account	401	None
62	Monthly Peaks and Output	401	N/A ERCOT Mkt
63	Steam Electric Generating Plant Statistics	402-403	None
64	Hydroelectric Generating Plant Statistics	406-407	None
65	Pumped Storage Generating Plant Statistics	408-409	None
66	Generating Plant Statistics Pages	410-411	None

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	
71	Footnote Data	450	
	<p>Stockholders' Reports Check appropriate box:</p> <p><input type="checkbox"/> Two copies will be submitted</p> <p><input checked="" type="checkbox"/> No annual report to stockholders is prepared</p>		

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/01/2021	Year/Period of Report End of <u>2020/Q4</u>
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GENERAL INFORMATION

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

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

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

Texas
April 18, 1963

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

N/A

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

Texas
Electric

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

- (1) Yes...Enter the date when such independent accountant was initially engaged:
(2) No

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 <i>(Mo, Da, Yr)</i> 04/01/2021	Year/Period of Report End of <u>2020/Q4</u>
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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.

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

1. Report below the name, title and salary for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.
 2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1	Chief Executive Officer	Patricia K. Collawn	951,923
2			
3	Senior Vice President, General Council and Secretary	Patrick V. Apodaca	379,358
4			
5	Executive Vice President,		
6	Corporate Development and Finance (eff 1/21/20)		
7	Executive Vice President,		
8	Chief Financial Officer (until 1/20/20)	Charles N. Eldred	530,550
9			
10	Senior Vice President,		
11	Chief Financial Officer (eff 1/21/20)		
12	Vice President,		
13	Controller and Treasurer (until 1/20/20)	Joseph D. Tarry	390,194
14			
15	Vice President, Corporate Controller (eff 1/21/20)	Henry E. Monroy	251,124
16			
17	President, Texas Operations	James N. Walker	252,638
18			
19	Vice President, Regulatory Affairs	Stacy R. Whitehurst	190,179
20			
21	Vice President, Operations	Evans Spanos	196,612
22			
23	Vice President, Engineering and Technical Services	Keith C. Nix	211,026
24			
25	Vice President, Treasurer (eff 2/1/21)		
26	Vice President, Chief Information Officer (until 1/31/21)	Elisabeth A. Eden	320,323
27			
28	Vice President, Human Resources (eff 1/21/20)	Rebecca R. Teague	238,325
29			
30	Senior Vice President, Utility Operations	Chris M. Olson	339,231
31			
32	Vice President, Chief Information Officer (eff 2/1/21)		
33	Vice President, Treasurer (until 1/31/21)	Mike M. Mertz	319,123
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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) 04/01/2021	Year/Period of Report 2020/Q4
FOOTNOTE DATA			

Schedule Page: 104 Line No.: 1 Column: c
Officer compensation amounts in column (c) are consolidated amounts for PNM Resources, Inc.

DIRECTORS

1. 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.

2. 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,	414 Silver S.W.
11	Corporate Development and Finance (eff 1/21/20)	Albuquerque, NM 87102-3289
12	Executive Vice President,	
13	Chief Financial Officer (until 1/20/20)	
14		
15	James Walker	Texas-New Mexico Power Company
16	President	557 North Garden Ridge Blvd.
17		Lewisville, TX 75067
18		
19	Chris M Olson	PNM Resources
20	Senior Vice President, Utility Operations	414 Silver S.W.
21		Albuquerque, NM 87102-3289
22		
23	Joseph D. Tarry	PNM Resources
24	Senior Vice President,	414 Silver S.W.
25	Chief Financial Officer (eff 1/21/20)	Albuquerque, NM 87102-3289
26	Vice President,	
27	Controller and Treasurer (until 1/20/20)	
28		
29		
30	Note: Texas-New Mexico Power Company does not have	
31	an Executive Committee	
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Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report 04/01/2021	Year/Period of Report End of <u>2020/Q4</u>
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IMPORTANT CHANGES DURING THE QUARTER/YEAR

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

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

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

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/01/2021	Year/Period of Report 2020/Q4
Texas-New Mexico Power Company			
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 123.130.

Item 3 - None

Item 4 - Refer to Footnote 8 on page 123.40 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 matures on September 23, 2022 and contains 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 April 24, 2020, TNMP entered into 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 customary covenants, including a covenant that requires TNMP to maintain a debt-to-capitalization ratio of less than or equal to 65%, customary events of default, a cross-default provision, and a change-of-control provision. 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. Information concerning the funding dates, maturities and interest rates on the TNMP 2020 Bonds issued in April and July 2020 are provided on pages 123.35.

See Note 7 to the Consolidated Financial Statements on page 123.29.

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 20, 2021, and the average award was 2.99% of base salary.

Item 9 - See notes 16 and 17 to the Consolidated Financial Statements on pages 123.80 and 123.95

Item 10 - None

Item 11 - (Reserved.)

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) 04/01/2021	Year/Period of Report 2020/Q4
IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)			

Item 12 - No annual report is issued.

Item 13 - Charles N. Eldred, Executive Vice President, Corporate Development and Finance (effective January 21, 2020); Joseph D. Tarry, Senior Vice President, Chief Financial Officer (effective January 21, 2020); Henry E. Monroy, Vice President, Corporate Controller (effective January 21, 2020); Elisabeth A. Eden, Vice President, Treasurer (effective February 1, 2021); Rebecca R. Teague, Vice President, Human Resources (effective January 21, 2020); Mike M. Mertz, Vice President, Chief Information Officer (effective February 1, 2021)

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) 04/01/2021	Year/Period of Report End of 2020/Q4
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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	200-201	2,211,513,704	1,933,611,473
3	Construction Work in Progress (107)	200-201	61,308,348	42,495,881
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		2,272,822,052	1,976,107,354
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	597,303,090	562,888,284
6	Net Utility Plant (Enter Total of line 4 less 5)		1,675,518,962	1,413,219,070
7	Nuclear Fuel in Process of Ref., Conv., Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		1,675,518,962	1,413,219,070
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	OTHER PROPERTY AND INVESTMENTS			
18	Nonutility Property (121)		2,239,733	2,239,733
19	(Less) Accum. Prov. for Depr. and Amort. (122)		0	0
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	0	0
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		163,686	177,928
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		0	0
29	Special Funds (Non Major Only) (129)		953,764	0
30	Long-Term Portion of Derivative Assets (175)		0	0
31	Long-Term Portion of Derivative Assets - Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		3,357,183	2,417,661
33	CURRENT AND ACCRUED ASSETS			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		0	0
36	Special Deposits (132-134)		5,000	5,000
37	Working Fund (135)		0	0
38	Temporary Cash Investments (136)		14,800,000	1,000,000
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		25,171,195	25,442,180
41	Other Accounts Receivable (143)		3,703,002	2,713,282
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		0	0
43	Notes Receivable from Associated Companies (145)		0	0
44	Accounts Receivable from Assoc. Companies (146)		0	0
45	Fuel Stock (151)	227	0	0
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	5,944,535	5,703,940
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	0	0

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		0	0
54	Stores Expense Undistributed (163)	227	0	0
55	Gas Stored Underground - Current (164.1)		0	0
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		1,606,577	1,284,318
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		287	87
60	Rents Receivable (172)		0	0
61	Accrued Utility Revenues (173)		11,780,000	10,814,000
62	Miscellaneous Current and Accrued Assets (174)		0	0
63	Derivative Instrument Assets (175)		0	0
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
65	Derivative Instrument Assets - Hedges (176)		0	0
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176)		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		63,010,596	46,962,807
68	DEFERRED DEBITS			
69	Unamortized Debt Expenses (181)		6,963,927	5,833,707
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	71,124,364	91,250,895
73	Prelim. Survey and Investigation Charges (Electric) (183)		2,692,948	1,939,897
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		126,245	-9,897
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	226,807,233	226,736,342
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		28,913,663	30,211,889
82	Accumulated Deferred Income Taxes (190)	234	34,822,391	33,142,556
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		371,450,771	389,105,389
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		2,113,337,512	1,851,704,927

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	63,569	63,569
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		66,224,517	66,224,517
7	Other Paid-In Capital (208-211)	253	618,941,936	547,941,936
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	140,489,952	140,407,674
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	0	0
16	Total Proprietary Capital (lines 2 through 15)		825,719,974	754,637,696
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	843,198,000	658,198,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	0	0
21	Other Long-Term Debt (224)	256-257	0	0
22	Unamortized Premium on Long-Term Debt (225)		17,243,136	18,018,109
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		0	0
24	Total Long-Term Debt (lines 18 through 23)		860,441,136	676,216,109
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		13,447,428	10,636,391
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		1,343,341	2,612,516
29	Accumulated Provision for Pensions and Benefits (228.3)		1,827,412	5,991,480
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		0	0
32	Long-Term Portion of Derivative Instrument Liabilities		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		703,477	880,804
35	Total Other Noncurrent Liabilities (lines 26 through 34)		17,321,658	20,121,191
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		0	15,000,000
38	Accounts Payable (232)		33,620,480	20,598,100
39	Notes Payable to Associated Companies (233)		0	0
40	Accounts Payable to Associated Companies (234)		5,882,671	5,419,311
41	Customer Deposits (235)		0	0
42	Taxes Accrued (236)	262-263	31,881,917	33,546,874
43	Interest Accrued (237)		9,655,843	8,520,631
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0

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) 04/01/2021	Year/Period of Report end of 2020/Q4
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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) (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)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		422,290	507,062
48	Miscellaneous Current and Accrued Liabilities (242)		1,665,899	2,209,025
49	Obligations Under Capital Leases-Current (243)		4,590,927	3,602,117
50	Derivative Instrument Liabilities (244)		0	0
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		0	0
52	Derivative Instrument Liabilities - Hedges (245)		0	0
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		87,720,027	89,403,120
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		7,443,724	0
57	Accumulated Deferred Investment Tax Credits (255)	266-267	0	0
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	6,801,905	1,259,096
60	Other Regulatory Liabilities (254)	278	127,697,541	136,774,037
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	0	0
63	Accum. Deferred Income Taxes-Other Property (282)		148,030,428	141,745,265
64	Accum. Deferred Income Taxes-Other (283)		32,161,119	31,548,413
65	Total Deferred Credits (lines 56 through 64)		322,134,717	311,326,811
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		2,113,337,512	1,851,704,927

STATEMENT OF INCOME

Quarterly

1. 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.
2. 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.
3. 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.
4. 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.
5. If additional columns are needed, place them in a footnote.

Annual or Quarterly if applicable

5. Do not report fourth quarter data in columns (e) and (f)
6. 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.
7. 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)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	383,318,965	363,922,430		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	159,248,678	148,415,887		
5	Maintenance Expenses (402)	320-323	16,015,980	14,120,973		
6	Depreciation Expense (403)	336-337	77,411,278	69,998,443		
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337	634	659		
8	Amort. & Depl. of Utility Plant (404-405)	336-337	918,116	1,695,173		
9	Amort. of Utility Plant Acq. Adj. (406)	336-337				
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)		8,596,620	11,852,936		
11	Amort. of Conversion Expenses (407)					
12	Regulatory Debits (407.3)		561,111	530,498		
13	(Less) Regulatory Credits (407.4)		2,176	27,153		
14	Taxes Other Than Income Taxes (408.1)	262-263	31,631,035	30,703,331		
15	Income Taxes - Federal (409.1)	262-263	11,167,110	10,616,567		
16	- Other (409.1)	262-263	1,987,667	1,894,393		
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	23,132,004	22,129,298		
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	30,939,474	29,779,239		
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	233,855		
22	(Less) Gains from Disposition of Allowances (411.8)					
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)		74,502	73,127		
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		299,747,762	282,458,748		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117, line 27		83,571,203	81,463,682		

STATEMENT OF INCOME FOR THE YEAR (Continued)

- 9. Use page 122 for important notes regarding the statement of income for any account thereof.
- 10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
- 11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purches, and a summary of the adjustments made to balance sheet, income, and expense accounts.
- 12. If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122.
- 13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
- 14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
- 15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		Line No.
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	
						1
383,318,965	363,922,430					2
						3
159,248,678	148,415,887					4
16,015,980	14,120,973					5
77,411,278	69,998,443					6
634	659					7
918,116	1,695,173					8
						9
8,596,620	11,852,936					10
						11
561,111	530,498					12
2,176	27,153					13
31,631,035	30,703,331					14
11,167,110	10,616,567					15
1,987,667	1,894,393					16
23,132,004	22,129,298					17
30,939,474	29,779,239					18
						19
55,838						20
515	233,855					21
						22
						23
74,502	73,127					24
299,747,762	282,458,748					25
83,571,203	81,463,682					26

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL		Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
			Current Year (c)	Previous Year (d)		
27	Net Utility Operating Income (Carried forward from page 114)		83,571,203	81,463,682		
28	Other Income and Deductions					
29	Other Income					
30	Nonutility Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)		1,231,184	726,367		
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		1,322,013	734,259		
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)		50,202	84,608		
38	Allowance for Other Funds Used During Construction (419.1)		4,295,633	2,822,870		
39	Miscellaneous Nonoperating Income (421)		2,569,509	1,592,176		
40	Gain on Disposition of Property (421.1)		12	57,270		
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		6,824,527	4,549,032		
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)		1,696	28,133		
44	Miscellaneous Amortization (425)					
45	Donations (426.1)		102,105	99,129		
46	Life Insurance (426.2)		14,242	27,689		
47	Penalties (426.3)		86,750	30,000		
48	Exp. for Certain Civic, Political & Related Activities (426.4)		164,833	261,585		
49	Other Deductions (426.5)		95,303			
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		464,929	446,536		
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	881,490	260,157		
54	Income Taxes-Other (409.2)	262-263	44,854	29,041		
55	Provision for Deferred Inc. 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 Deductions (Total of lines 52-58)		961,173	289,198		
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		5,398,425	3,813,298		
61	Interest Charges					
62	Interest on Long-Term Debt (427)		30,215,513	28,591,766		
63	Amort. of Debt Disc. and Expense (428)		601,660	839,437		
64	Amortization of Loss on Reaquired Debt (428.1)		1,298,226	1,298,226		
65	(Less) Amort. of Premium on Debt-Credit (429)					
66	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)					
67	Interest on Debt to Assoc. Companies (430)		2,696	42,427		
68	Other Interest Expense (431)		371,671	711,773		
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		2,136,367	2,408,494		
70	Net Interest Charges (Total of lines 62 thru 69)		30,353,399	29,075,135		
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		58,616,229	56,201,845		
72	Extraordinary Items					
73	Extraordinary Income (434)					
74	(Less) Extraordinary Deductions (435)			495,575		
75	Net Extraordinary Items (Total of line 73 less line 74)			-495,575		
76	Income Taxes-Federal and Other (409.3)	262-263		-104,071		
77	Extraordinary Items After Taxes (line 75 less line 76)			-391,504		
78	Net Income (Total of line 71 and 77)		58,616,229	55,810,341		

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STATEMENT OF RETAINED EARNINGS

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

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Period		140,407,674	139,862,662
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	(55,265,329)
11				
12				
13				
14				
15	TOTAL Debits to Retained Earnings (Acct. 439)		-58,533,951	(55,265,329)
16	Balance Transferred from Income (Account 433 less Account 418.1)		58,616,229	55,810,341
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 (Acct. 437)			
30	Dividends Declared-Common Stock (Account 438)			
31				
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 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)		140,489,952	140,407,674
	APPROPRIATED RETAINED EARNINGS (Account 215)			
39				
40				

STATEMENT OF RETAINED EARNINGS

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

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)			
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)			
46	TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 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)		140,489,952	140,407,674
	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 lines 49 thru 52)			

STATEMENT OF CASH FLOWS

(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.
(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.
(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.
(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.

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)	58,616,229	55,810,341
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	78,404,530	71,767,402
5	Amortization of Debt Expense & Loss on Recquired Debt	1,238,209	1,316,465
6	Amortization of Regulatory Assets & Liabilities	9,130,578	2,037,197
7			
8	Deferred Income Taxes (Net)	-7,772,641	-7,649,940
9	Investment Tax Credit Adjustment (Net)		
10	Net (Increase) Decrease in Receivables	-695,016	-2,080,736
11	Net (Increase) Decrease in Inventory	-240,595	-966,805
12	Net (Increase) Decrease in Allowances Inventory		
13	Net Increase (Decrease) in Payables and Accrued Expenses	1,214,199	1,640,083
14	Net (Increase) Decrease in Other Regulatory Assets	7,980,853	11,171,990
15	Net Increase (Decrease) in Other Regulatory Liabilities	1,906,727	-3,489,211
16	(Less) Allowance for Other Funds Used During Construction	4,295,633	2,882,870
17	(Less) Undistributed Earnings from Subsidiary Companies		
18	Other: Net (Increase) Decrease in Current Assets	-1,797,491	3,244,771
19	Other: Net (Increase) Decrease in Deferred Debits	1,358,039	7,910,085
20	Other: Net Increase (Decrease) in Deferred Credits	3,155,955	-902,665
21	Regulatory Disallowances		495,575
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	148,203,943	137,421,682
23			
24	Cash Flows from Investment Activities:		
25	Construction and Acquisition of Plant (including land):		
26	Gross Additions to Utility Plant (less nuclear fuel)	-317,796,132	-251,121,863
27	Gross Additions to Nuclear Fuel		
28	Gross Additions to Common Utility Plant		
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction	4,295,633	2,822,870
31	Capitalized interest	-43,680	
32			
33			
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-322,135,445	-253,944,733
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)		
45	Proceeds from Sales of Investment Securities (a)		

STATEMENT OF CASH FLOWS

(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.
 (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.
 (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.
 (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.

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)
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)	-322,135,445	-253,944,733
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)	185,000,000	305,000,000
62	Preferred Stock		
63	Common Stock		
64	Other (provide details in footnote):		
65	Equity Contributions from Parent	71,000,000	80,000,000
66	Net Increase in Short-Term Debt (c)		
67	Other (provide details in footnote):		
68	Net (Decrease) Increase in Affiliated Short-Term Debt		-100,000
69	Proceeds from Transmission Interconnection Arrangements	7,402,000	
70	Cash Provided by Outside Sources (Total 61 thru 69)	263,402,000	384,900,000
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)		-207,302,000
74	Preferred Stock		
75	Common Stock		
76	Other (provide details in footnote):	-2,136,547	-2,309,620
77			
78	Net Decrease in Short-Term Debt (c)	-15,000,000	-2,500,000
79			
80	Dividends on Preferred Stock		
81	Dividends on Common Stock	-58,533,951	-55,265,329
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	187,731,502	117,523,051
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	13,800,000	1,000,000
87			
88	Cash and Cash Equivalents at Beginning of Period	1,000,000	
89			
90	Cash and Cash Equivalents at End of period	14,800,000	1,000,000

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/01/2021	Year/Period of Report 2020/Q4
Texas-New Mexico Power Company			
FOOTNOTE DATA			

Schedule Page: 120 Line No.: 4 Column: b

	<u>December-31</u> 2020	<u>December-31</u> 2019
Depreciation Expense (Page 219, line 3 (b))	77,411,278	69,998,443
Depreciation Expense for ARO	634	659
Accretion Expense	74,502	73,127
Amortization & Depletion of Utility Plant	918,116	1,695,173
Total (Page 120, line 4 (b) (c))	<u>78,404,530</u>	<u>71,767,402</u>

Schedule Page: 120 Line No.: 76 Column: b

	<u>December-31</u> 2020	<u>December-31</u> 2019
Debt Issuance Costs	(2,136,547)	(2,309,620)
	<u>(2,136,547)</u>	<u>(2,309,620)</u>

Schedule Page: 120 Line No.: 90 Column: b

	<u>December-31</u> 2020	<u>December-31</u> 2019
Temporary Cash Investments (Account 136)	14,800,000	1,000,000
	<u>14,800,000</u>	<u>1,000,000</u>

Supplemental Cash Flow disclosures:

Interest paid, net of capitalized interest	28,114,274	28,055,484
Income taxes paid (refunded), net	16,789,589	13,610,783

Supplemental Noncash Investing and Financing Activities:

(Increase) decrease in accrued plant additions	(11,415,449)	5,035,000
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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 04/01/2021	Year/Period of Report End of <u>2020/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	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/01/2021	Year/Period of Report 2020/Q4
Texas-New Mexico Power Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

GLOSSARY

Definitions:

2017 IRP	PNM's 2017 IRP
2020 IRP	PNM's 2020 IRP
2020 DCOS	TNMP's application for a distribution cost recovery factor filed on April 6, 2020
ABCWUA	Albuquerque Bernalillo County Water Utility Authority
ABO	Accumulated Benefit Obligation
ACE Rule	Affordable Clean Energy Rule
AEP OnSite Partners	AEP OnSite Partners, LLC, a subsidiary of American Electric Power, Inc.
Afton	Afton Generating Station
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
AMI	Advanced Metering Infrastructure
AMS	Advanced Meter System
Anaheim	City of Anaheim, California
AOCI	Accumulated Other Comprehensive Income
APBO	Accumulated Postretirement Benefit Obligation
APS	Arizona Public Service Company, the operator and a co-owner of PVNGS and Four Corners
ARO	Asset Retirement Obligation
ARP	Alternative Revenue Program
ASU	Accounting Standards Update
August 2016 RD	Recommended Decision in PNM's NM 2015 Rate Case issued by the Hearing Examiner on August 4, 2016
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
BTMU	MUFG Bank Ltd., formerly the Bank of Tokyo-Mitsubishi UFJ, Ltd.
BTMU Term Loan	NM Capital's \$125.0 Million Unsecured Term Loan
BTU	British Thermal Unit
CAA	Clean Air Act
CARES Act	Coronavirus Aid, Relief, and Economic Security Act

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/01/2021	Year/Period of Report 2020/Q4
Texas-New Mexico Power Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

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
CO2	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
December 2018 Compliance Filing	PNM's December 31, 2018 filing with the NMPRC regarding SJGS
DOE	United States Department of Energy
DOI	United States Department of Interior
EGU	Electric Generating Unit
EIM	California Independent System Operator Western Energy Imbalance Market
EPA	United States Environmental Protection Agency
EPE	El Paso Electric Company
ERCOT	Electric Reliability Council of Texas
ESA	Endangered Species Act
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
FCC	Federal Communications Commission
FERC	Federal Energy Regulatory Commission
FIP	Federal Implementation Plan
Four Corners	Four Corners Power Plant
Four Corners	PNM's January 8, 2021 application for approval for the abandonment of Four Corners and issuance

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/01/2021	Year/Period of Report 2020/Q4
Texas-New Mexico Power Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

Abandonment Application	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
IRC	Internal Revenue Code
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
ISFSI	Independent Spent Fuel Storage Installation
kV	Kilovolt
KW	Kilowatt
KWh	Kilowatt Hour
La Joya Wind I	La Joya Wind Facility generating 166 MW of output that became operational in February 2021
La Joya Wind II	La Joya Wind Facility generating 140 MW of output that is expected to be operational in March 2021
La Luz	La Luz Generating Station
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

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/01/2021	Year/Period of Report 2020/Q4
Texas-New Mexico Power Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

Merger Agreement	The Agreement and Plan of Merger, dated October 20, 2020, between PNMR, Avangrid and Merger Sub
Merger Backstop Revolving Facility	\$300.0 million 364-day revolving credit facility
Merger Backstop Term Loan	\$50.0 million 364-day delayed-draw term loan credit facility
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)
MMBTU	Million BTUs
Moody's	Moody's Investor Services, Inc.
MSR	M-S-R Public Power Agency
MW	Megawatt
MWh	Megawatt Hour
NAAQS	National Ambient Air Quality Standards
Navajo Acts	Navajo Nation Air Pollution Prevention and Control Act, Navajo Nation Safe Drinking Water Act, and Navajo Nation Pesticide Act
NDT	Nuclear Decommissioning Trusts for PVNGS
NEC	Navopache Electric Cooperative, Inc.
NEE	New Energy Economy
NEPA	National Environmental Policy Act
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	NM Capital Utility Corporation, an unregulated wholly-owned subsidiary of PNMR, now known as 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
NMMMD	The Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department
NMPRC	New Mexico Public Regulation Commission

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Texas-New Mexico Power Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

NMRD	Partners, LLC
NOx	Nitrogen Oxides
NOPR	Notice of Proposed Rulemaking
NPDES	National Pollutant Discharge Elimination System
NRC	United States Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NSR	New Source Review
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
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 Senior Unsecured Note Agreement	PNM's Agreement for the sale of Senior Unsecured Notes, aggregating \$450.0 million
PNM 2017 Term Loan	PNM's \$200.0 Million Unsecured Term Loan
PNM 2018 SUNs	PNM's Senior Unsecured Notes issued under the PNM 2017 Senior Unsecured Note Agreement
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 Floating Rate PCRBS	PNM's \$100.3 million PCRBS remarketed on July 1, 2020

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Texas-New Mexico Power Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

PNM Revolving Credit Facility	PNM's \$400.0 Million Unsecured Revolving Credit Facility
PNMR	PNM Resources, Inc. and Subsidiaries
PNMR 2015 Term Loan	PNMR's \$150.0 Million Three-Year Unsecured Term Loan that matured on March 9, 2018
PNMR 2016 One-Year Term Loan	PNMR's \$100.0 Million One-Year Unsecured Term Loan that matured on December 14, 2018
PNMR 2016 Two-Year Term Loan	PNMR's \$100.0 Million Two-Year Unsecured Term Loan that matured on December 21, 2018
PNMR 2018 One-Year Term Loan	PNMR's \$150.0 Million One-Year Unsecured Term Loan that matured on December 13, 2019
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 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
RCT	Reasonable Cost Threshold
REA	New Mexico's Renewable Energy Act of 2004

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NOTES TO FINANCIAL STATEMENTS (Continued)			

REC	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
S&P	Standard and Poor's Ratings Services
SCE	Southern California Edison Company
SCPPA	Southern California Public Power Authority
SCR	Selective Catalytic Reduction
SEC	United States Securities and Exchange Commission
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
SJGS RA	San Juan Project Restructuring Agreement
SNCR	Selective Non-Catalytic Reduction
SO2	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
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

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NOTES TO FINANCIAL STATEMENTS (Continued)			

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 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.
Tucson	Tucson Electric Power Company
UAMPS	Utah Associated Municipal Power Systems
U.S.	The United States of America
US Supreme Court	United States Supreme Court
Valencia	Valencia Energy Facility
VIE	Variable Interest Entity
WACC	Weighted Average Cost of Capital
WEG	WildEarth Guardians
Western Spirit Line	A 165-mile 345-kV transmission line that PNM has agreed to purchase, subject to certain conditions being met prior to closing
Westmoreland	Westmoreland Coal Company
Westmoreland Loan	\$125.0 Million of funding provided by NM Capital to WSJ
WFB LOC	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) 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); (3) accumulated provisions for injuries and damages are recorded net of expected insurance proceeds for FERC, but not for GAAP; (4) debt issuance costs are classified as a reduction of long-term debt under GAAP, but not for FERC purposes; (5) certain components of the costs of pension and OPEB plans are recorded as regulatory liabilities 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 income for GAAP, but charged to Account 926 (Employee Pensions and Benefits) for FERC; (6) leases are recorded differently for GAAP and FERC (see additional discussion below); (7) implementation costs for cloud computing service arrangements are treated as deferred costs for GAAP and are capitalized for FERC. Amortization of these costs are included with depreciation & amortization for FERC, but not for GAAP; (8) the current portion of long-term debt is shown in current liabilities under GAAP, but not for FERC purposes; (9) 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. A119-1-000
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	2,254,515,506
Operating leases	7,206,336
Financing leases	11,100,210
Total Utility Plant	2,272,822,052
Obligations under operating leases	4,779,233
Obligations under financing leases	8,668,195
Total non-current lease obligations	13,447,428
Obligations under operating leases	2,193,422
Obligations under financing leases	2,397,505
Total current lease obligations	4,590,927

* Refer to Footnote 8 on page 123.40 for additional information regarding leases.

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A reconciliation of FERC Form 1 earnings to GAAP for the year ended December 31, 2020 is as follows:

	Earnings (in thousands)
Form 1 Earnings	58,616
Impacts of converting leases from FERC to GAAP	(31)
GAAP Earnings	58,585

The following Notes to Consolidated Financial Statements (see pages 123.11 – 123.132) 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 2019 and 2018 Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2020 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 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.

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Accounting for the Effects of Certain Types of Regulation

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

Certain of the Company's operations are regulated by the NMPRC, PUCT, and FERC and the provisions of GAAP for rate-regulated enterprises are applied to the regulated operations. Regulators may assign costs to accounting periods that differ from accounting methods applied by non-regulated utilities. When it is probable that regulators will permit recovery of costs through future rates, costs are deferred as regulatory assets that otherwise 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, 2020 and 2019 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

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

	Year ended December 31,		
	2020	2019	2018
PNM			
Electric plant	2.47 %	2.47 %	2.40 %
Common, intangible, and general plant	7.65 %	7.91 %	8.18 %
TNMP	3.95 %	4.04 %	3.49 %

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, 2020, 2019, and 2018, PNM recorded \$3.0 million, \$5.0 million, and \$6.1 million of debt AFUDC at annual rates of 2.40%, 2.99%, and 3.19% and \$7.0 million, \$6.7 million, and \$8.2 million of equity AFUDC at annual rates of 3.42%, 3.95%, and 4.25%. For the years ended December 31, 2020, 2019, and 2018, TNMP recorded \$2.1 million, \$2.4 million, and \$2.3 million of debt AFUDC at rates of 2.20%, 3.23%, and 3.32% and \$4.3 million, \$2.8 million, and \$2.2 million of equity AFUDC at rates of 4.42%, 3.78%, and 3.29%.

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	
	2020	2019	2020	2019	2020	2019
	(In thousands)					
Coal	\$ 12,012	\$ 24,914	\$ 12,012	\$ 24,914	\$ —	\$ —
Materials and supplies	54,405	53,015	48,460	47,311	5,945	5,704
	\$ 66,417	\$ 77,929	\$ 60,472	\$ 72,225	\$ 5,945	\$ 5,704

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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). 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 that is less than cost at the end of each quarter. Effective January 1, 2018, the Company adopted *Accounting Standards Update 2016-01 – Financial Instruments (Subtopic 825-10)*, which eliminates the requirement to classify investments in equity securities with readily determinable fair values into trading or available-for-sale categories and requires those equity securities to be measured at fair value with changes in fair value recognized in earnings rather than in OCI. On January 1, 2018, PNM recorded a cumulative effect adjustment to reclassify unrealized holding gains on equity securities held in the NDT and coal mine reclamation trusts from AOCI to retained earnings on the Consolidated Balance Sheets. For the years ended December 31, 2020, 2019 and 2018, PNM recorded impairment losses on the available-for-sale debt securities of \$3.2 million, \$5.7 million and \$13.7 million. No gains or losses are deferred as regulatory assets or liabilities. See Notes 3 and 9. All investments are held in PNM's name and are in the custody of major financial institutions. The specific identification method is used to determine the cost of securities disposed of, with realized gains and losses reflected in other income and deductions.

On January 1, 2020, the Company adopted *Accounting Standards Update 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changed the way entities recognize impairments of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over the remaining lives of the assets. The majority of the amendments made by the new standard were required to be applied using a modified retrospective approach. The amendments in ASU 2016-13 also required entities to separately measure and realize an impairment for credit losses on available-for-sale debt securities for which carrying value exceeded fair value, unless such securities have been determined to be other than temporarily impaired and the entire decrease in value had been realized as an impairment. The amendments relating to available-for-sale debt securities were required to be applied prospectively on the date of adoption. 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. Adoption of the standard did not result in the Company recording a cumulative effect adjustment or impact the Company's accounting for its available-for-sale debt securities. 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.

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Revenue Recognition

See Note 4 for a discussion of electric operating revenues.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consists primarily of trade receivables from customers. In the normal course of business, credit is extended to customers on a short-term basis. PNM 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. See Note 4. TNMP has a regulatory mechanism to recover uncollectible amounts from REPs as a regulatory asset and as a result has no allowance for credit losses on trade receivables. As discussed in Note 17, both PNM and TNMP suspended disconnecting certain customers for past due bills, waived late fees during the pandemic, and have been provided regulatory mechanisms to recover bad debt expense and other costs resulting from COVID-19.

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 7 and Note 9.

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

Decommissioning and Reclamation Costs

PNM is only required to recognize and measure decommissioning liabilities for tangible long-lived assets for which a legal obligation exists. Nuclear decommissioning costs and related accruals are based on periodic site-specific estimates of the costs for removing all radioactive and other structures at PVNGS and are dependent upon numerous assumptions, including estimates of future decommissioning costs at current price levels, inflation rates, and discount rates. PNM's accruals for PVNGS Units 1, 2, and 3, including portions held under leases, have been made based on such estimates, the guidelines of the NRC, and the PVNGS license periods. 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.

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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, 2020, 2019, and 2018, as well as the amounts of environmental liabilities at December 31, 2020 and 2019 were insignificant.

Pension and Other Postretirement Benefits

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

Stock-Based Compensation

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

Income Taxes

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

The Company makes an estimate of its anticipated effective tax rate for the year as of the end of each quarterly period within its fiscal year. In interim periods, income tax expense is calculated by applying the anticipated annual effective tax rate to year-to-date earnings before taxes, which includes the earnings attributable to the Valencia non-controlling interest. Certain unusual

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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.

New Accounting Pronouncements

Information concerning recently issued accounting pronouncements that have not been adopted by the Company is presented below. The Company does not expect difficulty in adopting these standards by their required effective dates.

Accounting Standards Update 2019-12 – Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12 as part of its initiative to reduce complexity in accounting standards. The amendments in ASU 2019-12 simplify accounting for income taxes by removing several accounting exceptions to accounting for income taxes. ASU 2019-12 also eliminates or simplifies other income tax accounting requirements, including a requirement that entities recognize franchise tax (or similar tax) that is partially based on income as an income-based tax. ASU 2019-12 is effective for the Company beginning on January 1, 2021 and allows for early adoption. ASU 2019-12 is to be applied prospectively or retrospectively in the period of adoption depending on the type of amendment. The Company is in the process of analyzing the impacts of this new standard.

(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.

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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.

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

At December 31, 2020:

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

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

At December 31, 2019:

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

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2018	Corporate			PNMR
	PNM	TNMP	and Other	Consolidated
(In thousands)				
Electric operating revenues	\$ 1,091,965	\$ 344,648	\$ —	\$ 1,436,613
Cost of energy	314,036	85,690	—	399,726
Utility margin	777,929	258,958	—	1,036,887
Other operating expenses	481,030	96,272	(17,650)	559,652
Depreciation and amortization	151,866	66,189	23,133	241,188
Operating income (loss)	145,033	96,497	(5,483)	236,047
Interest income	13,089	—	2,451	15,540
Other income (deductions)	(17,312)	4,065	(2,039)	(15,286)
Interest charges	(76,458)	(32,091)	(18,695)	(127,244)
Segment earnings (loss) before income taxes	64,352	68,471	(23,766)	109,057
Income taxes (benefit)	(5,971)	16,880	(3,134)	7,775
Segment earnings (loss)	70,323	51,591	(20,632)	101,282
Valencia non-controlling interest	(15,112)	—	—	(15,112)
Subsidiary preferred stock dividends	(528)	—	—	(528)
Segment earnings (loss) attributable to PNMR	\$ 54,683	\$ 51,591	\$ (20,632)	\$ 85,642
At December 31, 2018:				
Total Assets	\$ 5,035,883	\$ 1,665,177	\$ 164,491	\$ 6,865,551
Goodwill	\$ 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.

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Major Customers

No individual customer accounted for more than 10% of the electric operating revenues of PNMR or PNM. Three REPs accounted for more than 10% of the electric operating revenues of TNMP, as follows:

	Year Ended December 31,		
	2020	2019	2018
REP A	21 %	22 %	21 %
REP B	18 %	17 %	15 %
REP C	11 %	12 %	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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	Accumulated Other Comprehensive Income (Loss)				
	PNM			PNMR	
	Unrealized Gains on Available- for-Sale Securities	Pension Liability Adjustment	Total	Fair Value Adjustment for Cash Flow Hedges	Total
(In thousands)					
Balance at December 31, 2017, as originally reported	\$ 13,169	\$ (110,262)	\$(97,093)	\$ 1,153	\$(95,940)
Cumulative effect adjustment (Note 9)	(11,208)	—	(11,208)	—	(11,208)
Balance at January 1, 2018, as adjusted	1,961	(110,262)	(108,301)	1,153	(107,148)
Amounts reclassified from AOCI (pre-tax)	(3,819)	7,568	3,749	216	3,965
Income tax impact of amounts reclassified	970	(1,922)	(952)	(56)	(1,008)
Other OCI changes (pre-tax)	3,790	(10,382)	(6,592)	570	(6,022)
Income tax impact of other OCI changes	(963)	2,637	1,674	(145)	1,529
Net after-tax change	(22)	(2,099)	(2,121)	585	(1,536)
Balance at December 31, 2018	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
Balance at December 31, 2019	10,638	(109,693)	(99,055)	(322)	(99,377)
Amounts reclassified from AOCI (pre-tax)	(9,497)	8,300	(1,197)	(1,740)	(2,937)
Income tax impact of amounts reclassified	2,412	(2,108)	304	442	746
Other OCI changes (pre-tax)	22,586	6,149	28,735	1,271	30,006
Income tax impact of other OCI changes	(5,736)	(1,562)	(7,298)	(323)	(7,621)
Net after-tax change	9,765	10,779	20,544	(350)	20,194
Balance at December 31, 2020	\$ 20,403	\$ (98,914)	\$(78,511)	\$ (672)	\$(79,183)

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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

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 adopted ASU 2014-09 – *Revenue from Contracts with Customers (Topic 606)* as of January 1, 2018, its required effective date, using the modified retrospective method of adoption. The adoption of ASU 2014-09 did not result in changes to the nature, amount, and timing of the Company's existing revenue recognition processes or information technology infrastructure. Therefore, the adoption of ASU 2014-09 had no effect on the amount of revenue recorded in 2018 compared to the amount that would have been recorded under prior GAAP, no effect on total electric operating revenues or any other caption within the Company's financial statements, and no cumulative effect adjustment was recorded. Additional disclosures to further disaggregate 2020, 2019 and 2018 revenues are presented below.

The Company adopted ASU 2018-18 – *Collaborative Arrangements (Topic 808)* in 2019, ahead of its required effective date, using the retrospective method of adoption. 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, 2020, 2019, and 2018 none of the joint owners in its collaborative arrangements were customers under Topic 606. Therefore, the adoption of this standard did not impact the financial statements. The Company will continue to evaluate transactions between collaborative arrangement participants in future periods under the requirements of the new standard.

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

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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 (Note 16). 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.

Transmission Cost of Service (“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.

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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.

Disaggregation of Revenues

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

Year Ended December 31, 2020	PNM	TNMP	PNMR Consolidated
	(In thousands)		
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
Total Electric Operating Revenues	\$ 1,139,834	\$ 383,178	\$ 1,523,012

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Year Ended December 31, 2019

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
Total Electric Operating Revenues	\$ 1,093,822	\$ 363,781	\$ 1,457,603

Year Ended December 31, 2018

Electric Operating Revenues:

Contracts with customers:

Retail electric revenue

Residential	\$ 433,009	\$ 130,288	\$ 563,297
Commercial	408,333	111,261	519,594
Industrial	61,119	17,317	78,436
Public authority	21,688	5,609	27,297
Economy energy service	26,764	—	26,764
Transmission	54,280	66,991	121,271
Miscellaneous	14,098	8,983	23,081
Total revenues from contracts with customers	1,019,291	340,449	1,359,740
Alternative revenue programs	(2,443)	4,199	1,756
Other electric operating revenues	75,117	—	75,117
Total Electric Operating Revenues	\$ 1,091,965	\$ 344,648	\$ 1,436,613

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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 \$86.2 million and \$59.3 million at December 31, 2020 and 2019 resulting from contracts with customers. All of TNMP's accounts receivable results from contracts with customers. On January 1, 2020, the Company adopted *Accounting Standards Update 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. As a result of the adoption of the new standard and economic conditions resulting from the COVID-19 pandemic, PNM updated its allowance for accounts receivable balances and recorded incremental credit losses of \$7.2 million in the year ended December 31, 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 additional discussion of ASU 2016-13 in Note 9 and the related regulatory treatment in Note 17.

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). The Company has 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. PNM'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 PNM. Information regarding the computation of earnings per share and dividends per share is as follows:

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	Year Ended December 31,		
	2020	2019	2018
	(In thousands, except per share amounts)		
Net Earnings Attributable to PNMR	\$ 172,775	\$ 77,362	\$ 85,642
Average Number of Common Shares:			
Outstanding during year	79,941	79,654	79,654
Vested awards of restricted stock	216	277	236
Average Shares – Basic	80,157	79,931	79,890
Dilutive Effect of Common Stock Equivalents:			
PNMR 2020 Forward Equity Sale Agreements	106	—	—
Stock options and restricted stock	40	59	122
Average Shares – Diluted	80,303	79,990	80,012
Net Earnings Attributable to PNMR Per Share of Common Stock:			
Basic	\$ 2.16	\$ 0.97	\$ 1.07
Diluted	\$ 2.15	\$ 0.97	\$ 1.07
Dividends Declared per Common Share	\$ 1.2500	\$ 1.1775	\$ 1.0850

(6) Stockholders' Equity

Common Stock and Equity Contributions

On December 15, 2020 PNMR physically settled all shares under the PNMR 2020 Forward Equity Sale Agreements by issuing 6.2 million shares to the forward purchasers at a price of \$45.805 per share aggregating net proceeds of \$283.1 million. In addition, PNMR recorded a net \$0.1 million for equity issuance costs reimbursed by the lead underwriter. Following this settlement, no shares of PNMR's common stock remain subject to future settlement under the PNMR 2020 Forward Equity Sale Agreements. See Note 7. Neither PNM nor TNMP issued any common stock during the year ended December 31, 2020. PNMR, PNM, and TNMP did not issue any common stock during the years ended December 31, 2019 and 2018.

PNMR funded \$230.0 million, zero, and zero of cash equity contributions to PNM in 2020, 2019, and 2018, respectively. PNMR also funded \$71.0 million, \$80.0 million, and \$30.0 million of cash equity contributions to TNMP in 2020, 2019, and 2018, 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

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that expires 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 \$40.7 million, zero, and \$77.4 million in 2020, 2019, and 2018. TNMP declared and paid cash dividends to PNMR of \$58.5 million, \$55.3 million, and \$41.9 million in 2020, 2019, and 2018.

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. 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, 2020, 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 \$423.7 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.

(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. Prior to July 2018, each of the Company's revolving credit facilities and term loans contained a single financial covenant, which required the maintenance of a debt-to-capitalization ratio of less than or equal to 65%. In July 2018, the PNMR and the PNMR Development agreements were each amended such that each is now required to maintain a debt-to-capitalization ratio of less than or equal to 70%. The debt-to-capitalization ratio requirement remains at less than or equal to 65% for the PNM and TNMP agreements. The Company's revolving credit facilities and term loans generally also contain customary covenants, events of default, cross-default provisions, and change-of-control provisions.

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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 the \$150.0 million PNMR 2015 Term Loan, which matured and was repaid on March 9, 2018.

As discussed in Note 16, at January 1, 2018, NM Capital, a wholly-owned subsidiary of PNMR, had outstanding \$50.1 million of the \$125.0 million term loan agreement (the "BTMU Term Loan") with BTMU. PNMR, as parent company of NM Capital, guaranteed NM Capital's obligations to BTMU. NM Capital utilized the proceeds of the BTMU Term Loan to provide funding of \$125.0 million (the "Westmoreland Loan") to a ring-fenced, bankruptcy-remote, special-purpose entity subsidiary of Westmoreland to finance Westmoreland's purchase of SJCC. The BTMU Term Loan agreement required that NM Capital utilize all amounts, less taxes and fees, it received under the Westmoreland Loan to repay the BTMU Term Loan. On May 22, 2018, the full principal balance outstanding under the Westmoreland Loan of \$50.1 million was repaid. NM Capital used a portion of the proceeds to repay all remaining principal of \$43.0 million owed under the BTMU Term Loan. These payments effectively terminated the loan agreements. In addition, PNMR's guarantee of NM Capital's obligations was also effectively terminated. See Note 10.

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.

At January 1, 2018, PNMR had outstanding two term loan agreements: (1) a \$100.0 million term loan agreement (the "PNMR 2016 One-Year Term Loan") and (2) a \$100.0 million term loan agreement (the "PNMR 2016 Two-Year Term Loan") that matured in December 2018. In December 2018, both the PNMR 2016 One-Year Term Loan (as extended) and the PNMR 2016 Two-Year Term Loan were repaid.

On March 9, 2018, PNMR issued \$300.0 million aggregate principal amount of 3.25% SUNs (the "PNMR 2018 SUNs"), which mature on March 9, 2021. The proceeds from the offering were used to repay the \$150.0 million PNMR 2015 Term Loan that was due on March 9, 2018 and to reduce borrowings under the PNMR Revolving Credit Facility. PNMR intends to utilize the remaining \$220.0 million of capacity under the PNMR 2020 Delayed-Draw Term Loan, discussed below, to repay an equivalent amount of the PNMR 2018 SUNs. As PNMR can demonstrate the intent and ability to extend that portion of the \$300.0 million SUNs through January 31, 2022, \$220.0 million of the PNMR 2018 SUNs is reflected as long-term debt in the Consolidated Balance Sheet at December 31, 2020.

On November 26, 2018, PNMR Development entered into a \$90.0 million term loan agreement (the "PNMR Development Term Loan"), among PNMR Development and KeyBank, N.A., as administrative agent and sole lender. Proceeds from the PNMR Development Term Loan were used to repay short-term borrowings under the PNMR Development's revolving credit facility and to repay borrowings under its intercompany loan from PNMR. On November 25, 2020 the PNMR Development Term Loan was amended to reduce the balance from \$90.0 million to \$65.0 million and the maturity was subsequently extended to January 31, 2022.

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The PNMR Development Term Loan bears interest at a variable rate, which was 1.52% on December 31, 2020. PNMR, as parent company of PNMR Development, continues to guarantee PNMR Development's obligations under the loan.

On December 14, 2018, PNMR entered into a \$150.0 million term loan agreement (the "PNMR 2018 One-Year Term Loan") among PNMR, the lenders identified therein, and MUFG Bank, Ltd., as administrative agent. The proceeds from the PNMR 2018 One-Year Term Loan were used to repay the PNMR 2016 One-Year Term Loan (as extended), a portion of the PNMR 2016 Two-Year Term Loan, and for general corporate purposes. On December 13, 2019, the PNMR 2018 One-Year Term Loan was extended to June 11, 2021 (as extended, the "PNMR 2019 Term Loan"). The PNMR 2019 Term Loan bears interest at a variable rate, which was 1.11% at December 31, 2020.

On December 21, 2018, PNMR entered into a \$50.0 million term loan agreement (the "PNMR 2018 Two-Year Term Loan"), between PNMR and Bank of America, N.A. as sole lender. Proceeds from the PNMR 2018 Two-Year Term Loan were used to repay the remaining amount owed under the PNMR 2016 Two-Year Term Loan and for general corporate purposes. 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 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 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 had 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 is not triggered by the execution of the Merger Agreement.

To ensure sufficient liquidity pending lender consent to the signing of the Merger Agreement, on October 20, 2020, PNMR entered into backstop credit facilities related to the Merger between PNMR, the lenders party thereto, and MUFG Bank, Ltd., as administrative agent. The \$300.0 million 364-day revolving credit facility ("Merger Backstop Revolving Facility") was available to provide liquidity to refinance the PNMR Revolving Credit Facility, if needed, and the \$50.0 million, 364-day delayed-draw term loan ("Merger Backstop Term Loan") was available to provide liquidity to refinance any of the applicable PNMR term loans or TNMP and PNMR Development credit facilities, if needed, and to fund other corporate purposes.

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The Merger Backstop Revolving Facility expired upon the execution of the necessary waiver amendments (discussed below). Had PNMR made borrowings under the Merger Backstop Term Loan, those borrowings would have matured on the earliest of the closing of the Merger or October 19, 2021 and would have borne interest at a variable rate based on a pricing grid. As PNMR did not make any borrowings under the Merger Backstop Term Loan by the commitment termination date of December 18, 2020, the Merger Backstop Term Loan expired according to its terms.

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. The amended Change of Control definition under the PNMR, TNMP, and PNMR Development debt agreements will, however, be triggered again upon the closing of the merger transaction. Prior to the closing of the Merger, the Company intends to coordinate with the lenders and Avangrid to either amend the definition of Change of Control permitting Avangrid ownership of the Company; or to refinance or enter into new debt agreements that would include Avangrid as owners of the Company. The Change of Control provisions in the PNM debt agreements are not triggered by the close of the Merger.

The documents governing TNMP's aggregate \$750.0 million of outstanding First Mortgage Bonds ("TNMP FMBs") obligated TNMP to offer, within 30 business days following the signing of the Merger Agreement, to prepay all \$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 TNMP FMBs require TNMP to make another offer, within 30 business days of closing of the Merger, to prepay all outstanding TNMP FMBs at par. TNMP will make such offer to prepay the TNMP FMBs in accordance with the terms of the TNMP FMBs; however, holders of the TNMP FMBs are not required to tender their TNMP FMBs and may accept or reject such offer to prepay.

The 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.

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 bears interest at a variable rate, which was 1.25% at December 31, 2020, and matures on January 31, 2022.

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. Draws on the PNMR 2020 Delayed-Draw Term Loan, aggregating \$80.0 million, bear interest at a variable rate, which was 1.40% at December 31, 2020, and mature on January 31, 2022. PNMR expects to use 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.

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

PNM

At January 1, 2018, PNM had a \$200.0 million term loan agreement (the "PNM 2017 Term Loan") between PNM and

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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.

On July 28, 2017, PNM entered into an agreement (the "PNM 2017 Senior Unsecured Note Agreement") with institutional investors for the sale of \$450.0 million aggregate principal amount of eight series of Senior Unsecured Notes (the "PNM 2018 SUNs") offered in private placement transactions. On May 14, 2018, PNM issued \$350.0 million of the PNM 2018 SUNs under that agreement (at fixed annual interest rates ranging from 3.15% to 4.50% for terms between 5 and 30 years) and used the proceeds to repay an equal amount of PNM's 7.95% SUNs that matured on May 15, 2018. On July 31, 2018, PNM issued the remaining \$100.0 million of the PNM 2018 SUNs (at fixed annual interest rates of 3.78% and 4.60% for terms of 10 and 30 years) and used the proceeds to repay an equal amount of PNM's 7.50% SUNs on August 1, 2018. The PNM 2017 Senior Unsecured Note Agreement includes customary covenants, including a covenant that requires the maintenance of a debt-to-capitalization ratio of less than or equal to 65%, customary events of default, including a cross-default provision, and covenants regarding parity of financial covenants, liens and guarantees with respect to PNM's material credit facilities. In the event of a change of control, PNM will be required to offer to prepay the PNM 2018 SUNs at par. As discussed above, the change of control provisions in the PNM debt agreements are not triggered by the close of the Merger. PNM has the right to redeem any or all of the PNM 2018 SUNs prior to their respective maturities, subject to payment of a customary make-whole premium.

On April 9, 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 years ended December 31, 2019 and 2018. During the years ended December 31, 2019 and December 31, 2018, PNM recognized \$3.3 million and \$2.4 million of interest expense under the agreement. All 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 identified therein, 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. The PNM 2019 \$40.0 million Term Loan bears interest at a variable rate, which was 0.80% at December 31, 2020, and must be repaid on or before June 18, 2021.

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, 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

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2020 SUNs to repay 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 customary covenants, including a covenant that requires PNM to maintain a debt-to-capitalization ratio of less than or equal to 65%, customary events of default, including a cross-default provision, and covenants regarding parity of financial covenants, liens and guarantees with respect to PNM's material credit facilities. In the event of a change of control, PNM will be required to offer to prepay the PNM 2020 SUNs at par. As discussed above, the change of control provisions in the PNM debt agreements are not triggered by the close 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 \$40.0 million of outstanding PCRBs, which have a final maturity of June 1, 2040 and two series of outstanding PCRBs of \$39.3 million and \$21.0 million, which have a final maturity of June 1, 2043. These PCRBs, aggregating \$100.3 million, were subject to mandatory tender on June 1, 2020. 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. PNM Floating Rate PCRBs in the weekly mode bear interest at rates that are reset weekly, giving investors the option to return the PCRBs for remarketing to new investors upon 7 days' notice. At December 31, 2020, this rate was 0.19%. A corresponding portion of the borrowing capacity under the PNM Revolving Credit Facility is reserved to support the investors' option to return the PNM Floating Rate PCRBs upon 7 days' notice.

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"). Information concerning the funding dates, mandatory tender dates, and interest rates on the PNM 2020 Fixed Rate PCRBs are provided below.

On April 1, 2020, the NMPRC approved PNM's request to issue approximately \$361 million of Securitized Bonds upon the retirement of SJGS in 2022. The NMPRC's approval of the issuance of these Securitized Bonds is currently being appealed to the NM Supreme Court. See SJGS Abandonment Application in Note 17.

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 June 28, 2018, TNMP entered into an agreement under which TNMP issued \$60.0 million aggregate principal amount of 3.85% first mortgage bonds, due 2028.

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 results 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 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 borrowing under the

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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 borrowing under the TNMP Revolving Credit Facility and for general corporate purposes. The terms of the indenture governing the TNMP 2019 Bonds include customary covenants, including a covenant that requires TNMP to maintain a debt-to-capitalization ratio of less than or equal to 65%, customary events of default, a cross-default provision, and a change-of-control provision. 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.

On April 24, 2020, TNMP entered into 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 customary covenants, including a covenant that requires TNMP to maintain a debt-to-capitalization ratio of less than or equal to 65%, customary events of default, a cross-default provision, and a change-of-control provision. 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. Information concerning the funding dates, maturities and interest rates on the TNMP 2020 Bonds issued in April and July 2020 are provided below.

Interest Rate Hedging Activities

At January 1, 2018, PNMR had a hedging agreement that effectively established a fixed interest rate of 1.927% for borrowings under the PNMR 2015 Term Loan through its maturity on March 9, 2018. 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 are accounted for as cash flow hedges and had fair values of \$0.9 million and \$0.4 million that are included in other current liabilities on the Consolidated Balance Sheets at December 31, 2020 and 2019. As discussed in Note 3, changes in the fair value of the cash flow hedges are deferred in AOCI and amounts reclassified to the Condensed Consolidated Statement of Earnings are 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.

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. PNM and TNMP had no borrowings from PNMR at December 31, 2020 and 2019, and no borrowings at February 19, 2021. PNMR Development had \$0.3 million and zero in short-term borrowings outstanding from PNMR at December 31, 2020 and 2019 and \$0.4 million at February 19, 2021.

Short-term Debt and Liquidity

Currently, the PNMR Revolving Credit Facility has a financing capacity of \$300.0 million and the PNM Revolving Credit Facility has a financing capacity of \$400.0 million. 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

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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 has a \$40.0 million revolving credit facility that was expected to expire on February 23, 2021. On February 22, 2021, PNMR Development extended the facility to January 31, 2022. PNMR Development has the option, subject to lender approval, to further increase the capacity of this facility to \$50.0 million upon 15-days advance notice. The PNMR Development Revolving Credit Facility bears interest at a variable rate and contains terms similar to the PNMR Revolving Credit Facility. PNMR has guaranteed the obligations of PNMR Development under the facility. PNMR Development uses the facility to finance its participation in NMRD and for other activities. 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.

Short-term debt outstanding consists of:

Short-term Debt	December 31,	
	2020	2019
	(In thousands)	
PNM:		
PNM Revolving Credit Facility	\$ —	\$ 48,000
PNM 2017 New Mexico Credit Facility	10,000	10,000
	<u>10,000</u>	<u>58,000</u>
TNMP Revolving Credit Facility	—	15,000
PNMR:		
PNMR Revolving Credit Facility	12,000	112,100
PNMR Development Revolving Credit Facility	10,000	—
	<u>\$ 32,000</u>	<u>\$ 185,100</u>

In addition to the above borrowings, PNMR, PNM, and TNMP had letters of credit outstanding of \$4.7 million, \$2.2 million, and zero at December 31, 2020 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, 2020, interest rates on outstanding borrowings were 1.66% for the PNMR Revolving Credit Facility, 1.41% for the PNM 2017 New Mexico Credit Facility, and 1.15% for the PNMR Development Revolving Credit Facility. There were no borrowings outstanding under the PNM and TNMP Revolving Credit Facilities at December 31, 2020.

At February 19, 2021, PNMR, PNM, TNMP, and PNMR Development had \$257.7 million, \$397.8 million, \$47.6 million, and \$30.0 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 19, 2021, on a consolidated basis, was \$773.1 million for PNMR. Availability under PNM's Revolving Credit Facility and total availability at PNMR, on a consolidated basis, does not reflect a reduction of \$100.3 million that PNM has reserved to provide liquidity support for the PNM Floating Rate PCRBs. At February 19, 2021, PNMR, PNM, and TNMP had invested cash of \$0.9 million, \$32.6 million, and zero.

Long-Term Debt

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As discussed above, in June 2020, PNM purchased an aggregate amount of \$100.3 million PCRBs using borrowings under the PNM Revolving Credit Facility. In July 2020, PNM remarketed the PCRBs in the weekly mode and used the proceeds to repay the borrowings under the PNM Revolving Credit Facility. A corresponding amount of the PNM Revolving Credit Facility is reserved to support the investors' option to return the PCRBs upon 7 days' notice. As PNM can demonstrate the intent and ability to keep the PNM Floating Rate PCRBs outstanding through at least the October 31, 2023 maturity of the PNM Revolving Credit Facility, PNM Floating Rate PCRBs, aggregating \$100.3 million, are reflected as long-term debt in the Consolidated Balance Sheets at December 31, 2020.

Also discussed above, PNMR intends to use the remaining capacity of \$220.0 million under the PNMR 2020 Delayed-Draw Term Loan to repay an equivalent amount of the PNMR 2018 SUNs. As PNMR can demonstrate the intent and ability to extend that portion of the \$300.0 million SUNs through January 31, 2022, \$220.0 million of the PNMR 2018 SUNs is reflected as long-term debt in the Consolidated Balance Sheet at December 31, 2020.

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

December 31, 2020		December 31, 2019	
Principal	Unamortized Discounts, (Premiums), and Issuance Costs, net	Principal	Unamortized Discounts, (Premiums), and Issuance Costs, net
(In thousands)			

PNM Debt

Senior Unsecured Notes, Pollution Control Revenue Bonds:

1.875% due April 2033, mandatory tender - October 1, 2021	\$ 146,000	\$ 301	\$ 146,000	\$ 662
6.25% due January 2038	—	—	36,000	205
2.125% due June 2040, mandatory tender - June 1, 2022	37,000	135	37,000	224
5.20% due June 2040, mandatory tender - June 1, 2020	—	—	40,045	17
5.90% due June 2040	—	—	255,000	1,857
6.25% due June 2040	—	—	11,500	84
2.45% due September 2042, mandatory tender - June 1, 2022	20,000	50	20,000	85
2.40% due June 2043, mandatory tender - June 1, 2020	—	—	39,300	50
5.20% due June 2043, mandatory tender - June 1, 2020	—	—	21,000	10
Floating rate, weekly-mode	100,345	798	—	—
1.05% due January 2038, mandatory tender - June 1, 2022	36,000	226	—	—
1.20% due June 2040, mandatory tender - June 1, 2022	11,500	72	—	—
1.10% due June 2040, mandatory tender June 1, 2023	130,000	892	—	—
1.15% due June 2040, mandatory tender - June 1, 2024	125,000	894	—	—

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Senior Unsecured Notes:

5.35% due October 2021	160,000	129	160,000	292
3.15% due May 2023	55,000	184	55,000	261
3.45% due May 2025	104,000	457	104,000	562
3.85% due August 2025	250,000	1,375	250,000	1,675
3.68% due May 2028	88,000	457	88,000	518
3.78% due August 2028	15,000	80	15,000	91
3.93% due May 2033	38,000	221	38,000	238
4.22% due May 2038	45,000	275	45,000	291
4.50% due May 2048	20,000	128	20,000	133
4.60% due August 2048	85,000	550	85,000	570
3.21% due April 2030	150,000	1,490	—	—
3.57% due April 2039	50,000	511	—	—
PNM 2019 \$250.0 Million Term Loan due July 2020	—	—	250,000	—
PNM 2019 \$40.0 Million Term Loan due June 2021	40,000	—	40,000	—
	1,705,845	9,225	1,755,845	7,825
Less current maturities	346,000	430	350,345	77
	1,359,845	8,795	1,405,500	7,748

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	December 31, 2020		December 31, 2019	
	Principal	Unamortized Discounts, (Premiums), and Issuance Costs, net	Principal	Unamortized Discounts, (Premiums), and Issuance Costs, net
(In thousands)				
TNMP Debt				
First Mortgage Bonds:				
6.95% due April 2043	93,198	(15,917)	93,198	(16,632)
4.03% due July 2024	80,000	369	80,000	475
3.53% due February 2026	60,000	420	60,000	502
3.22% due August 2027	60,000	380	60,000	437
3.85% due June 2028	60,000	469	60,000	531
3.79% due March 2034	75,000	497	75,000	535
3.92% due March 2039	75,000	514	75,000	542
4.06% due March 2044	75,000	524	75,000	546
3.60% due July 2029	80,000	511	80,000	571
2.73% due April 24, 2030	85,000	784	—	—
3.36% due April 24, 2050	25,000	243	—	—
2.93% due July 15, 2035	25,000	241	—	—
3.36% due July 15, 2050	50,000	490	—	—
	843,198	(10,475)	658,198	(12,493)
Less current maturities	—	—	—	—
	843,198	(10,475)	658,198	(12,493)

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PNMR Debt				
PNMR 3.25% 2018 SUNs due March 2021	300,000	137	300,000	917
PNMR Development Term Loan due January 2022	65,000	—	90,000	42
PNMR 2018 Two-Year Term Loan due December 2020	—	—	50,000	—
PNMR 2019 Term Loan due June 2021	150,000	6	150,000	35
PNMR 2020 Term Loan due January 2022	150,000	—	—	—
PNMR 2020 Delayed-Draw Term Loan due January 2022	80,000	—	—	—
	745,000	143	590,000	994
Less current maturities	230,000	52	140,000	—
	515,000	91	450,000	994
Total Consolidated PNMR Debt	3,294,043	(1,107)	3,004,043	(3,674)
Less current maturities	576,000	482	490,345	77
	<u>\$2,718,043</u>	<u>\$ (1,589)</u>	<u>\$2,513,698</u>	<u>\$ (3,751)</u>

Reflecting mandatory tender dates, long-term debt maturities as of December 31, 2020 are follows:

	<u>PNMR</u>	<u>PNM</u>	<u>TNMP</u>	<u>PNMR Consolidated</u>
	(In thousands)			
2021	\$ 230,000	\$ 346,000	\$ —	\$ 576,000
2022	515,000	104,500	—	619,500
2023	—	285,345	—	285,345
2024	—	125,000	80,000	205,000
2025	—	354,000	—	354,000
Thereafter	—	491,000	763,198	1,254,198
Total	<u>\$ 745,000</u>	<u>\$ 1,705,845</u>	<u>\$ 843,198</u>	<u>\$ 3,294,043</u>

(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

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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.

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. Under the terms of the extended leases, PNM had until January 15, 2020 for the Unit 1 leases and until January 15, 2021 for the Unit 2 lease to provide notices to the lessors of PNM's intent to exercise the purchase options or to return the leased assets to the lessors. On January 3, 2020, PNM filed notice with the NMPRC of 60-day waivers of the deadline to provide notice to purchase or return the assets underlying the PVNGS Unit 1 leases. On March 3, 2020, and April 10, 2020, PNM filed additional notices of waivers of the deadlines. The waivers did not impact the PVNGS Unit 1 leases' current January 15, 2023 expiration dates. PNM's elections are independent for each lease and are irrevocable. 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. Any transfer of the assets underlying the leases will be required to

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comply with NRC licensing requirements. For example, the NRC could limit the transfer of ownership of the assets underlying all or a portion of PNM’s currently leased interests in PVNGS. If a qualified buyer cannot be identified, PNM may be required to retain all or a portion of its currently leased capacity in PVNGS or be exposed to other claims for damages by the lessors. PNM will seek to recover its undepreciated investments, as well as any other obligations related to PVNGS from NM retail customers.

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, 2020, amounts due to the lessors under the circumstances described above would be up to \$154.5 million, payable on January 15, 2021 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 2020 payment for the amount due under the Navajo Nation right-of-way lease was \$7.1 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, 2020 and 2019, the unamortized balance of these rights-of-ways was \$55.8 million and \$60.2 million. During the years ended December 31, 2020, 2019, and 2018, PNM recognized amortization expense associated with these agreements of \$4.4 million, \$3.7 million, and \$3.8 million.

Fleet Vehicles and Equipment

Fleet vehicle and equipment leases commencing on or after January 1, 2019 are classified as financing leases. Fleet vehicle and equipment leases existing as of December 31, 2018 are classified as operating leases. The Company’s fleet vehicle and equipment lease agreements include non-lease components for insignificant administrative and other costs that are billed over the life of the agreement. At December 31, 2020, 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.

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

	December 31, 2020			December 31, 2019		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
(In thousands)						
Operating leases:						
Operating lease assets, net of amortization	\$ 97,461	\$ 7,206	\$ 105,133	\$ 120,585	\$ 9,954	\$ 131,212
Current portion of operating lease liabilities	25,130	2,193	27,460	25,927	2,753	29,068
Long-term portion of operating lease liabilities	75,941	4,779	81,065	97,992	7,039	105,512

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, 2020			December 31, 2019		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
(In thousands)						
Financing leases:						
Non-utility property	\$ 11,453	\$ 13,299	\$ 25,055	\$ 4,857	\$ 4,910	\$ 10,028
Accumulated depreciation	(2,044)	(2,241)	(4,383)	(482)	(466)	(973)
Non-utility property, net	\$ 9,409	\$ 11,058	\$ 20,672	\$ 4,375	\$ 4,444	\$ 9,055
Other current liabilities	\$ 1,993	\$ 2,397	\$ 4,470	\$ 722	\$ 850	\$ 1,637
Other deferred credits	7,176	8,669	15,972	3,333	3,597	7,102

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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, 2020			December 31, 2019		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
Weighted average remaining lease term (years):						
Operating leases	6.23	3.46	6.04	6.70	4.10	6.49
Financing leases	4.78	4.84	4.79	5.64	5.54	5.54
Weighted average discount rate:						
Operating leases	3.93 %	4.06 %	3.94 %	3.89 %	3.95 %	3.90 %
Financing leases	2.76 %	2.84 %	2.80 %	3.68 %	3.65 %	3.64 %

Information for the components of lease expense is as follows:

	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

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	Year Ended December 31, 2019		
	PNMR		
	PNM	TNMP	Consolidated
	(In thousands)		
Operating lease cost	\$ 28,254	\$ 3,341	\$ 31,963
Amounts capitalized	(1,319)	(2,594)	(3,913)
Total operating lease expense	<u>26,935</u>	<u>747</u>	<u>28,050</u>
Financing lease cost:			
Amortization of right-of-use assets	481	466	973
Interest on lease liabilities	92	100	194
Amounts capitalized	(280)	(423)	(704)
Total financing lease expense	293	143	463
Variable lease expense	96	—	96
Short-term lease expense	346	26	414
Total lease expense for the period	<u>\$ 27,670</u>	<u>\$ 916</u>	<u>\$ 29,023</u>

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

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	PNMR			PNMR		
	PNM	TNMP	Consolidated	PNM	TNMP	Consolidated
	(In thousands)					

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

Operating cash flows from operating leases	\$ 26,007	\$ 596	\$ 27,121	\$ 26,392	\$ 935	\$ 27,849
Operating cash flows from financing leases	82	48	136	44	25	71
Finance cash flows from financing leases	557	307	936	183	109	313

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

Operating leases	\$ —	\$ —	\$ —	\$ 143,816	\$ 12,942	\$ 157,816
Financing leases	6,588	8,985	15,614	4,473	4,910	9,645

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Capitalized costs excluded from the operating and financing cash paid for leases above for the year ended December 31, 2020 are \$1.0 million and \$1.1 million at PNM, \$2.4 million and \$1.8 million at TNMP, and \$3.4 million and \$2.8 million at PNMR. These capitalized costs are reflected as investing activities on the Company's Consolidated Statements of Cash Flows for the twelve months ended December 31, 2020. For the year ended December 31, 2019, capitalized costs excluded are \$1.3 million and \$0.3 million at PNM, \$2.6 million and \$0.4 million at TNMP, and \$3.9 million and \$0.7 million at PNMR.

Future expected lease payments are shown below:

	As of December 31, 2020					
	PNM		TNMP		PNMR Consolidated	
	Financing	Operating	Financing	Operating	Financing	Operating
	(In thousands)					
2021	\$ 2,214	\$ 26,572	\$ 2,672	\$ 2,426	\$ 4,970	\$ 29,290
2022	2,159	26,266	2,557	1,987	4,797	28,464
2023	2,095	17,735	2,372	1,481	4,511	19,395
2024	1,434	7,899	1,897	895	3,335	8,841
2025	854	6,946	1,190	690	2,044	7,673
Later years	1,030	27,530	1,120	75	2,150	27,827
Total minimum lease payments	9,786	112,948	11,808	7,554	21,807	121,490
Less: Imputed interest	617	11,877	742	582	1,365	12,965
Lease liabilities as of December 31, 2020	\$ 9,169	\$ 101,071	\$ 11,066	\$ 6,972	\$ 20,442	\$ 108,525

The above tables include \$11.0 million, \$15.6 million, and \$26.7 million for PNM, TNMP, and PNMR at December 31, 2020 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.

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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.

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 (Note 16). 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.

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, 2020, 2019, and 2018, 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 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:

	Economic Hedges	
	December 31,	
	2020	2019
	(In thousands)	
Other current assets	\$ 1,096	\$ 1,089
Other deferred charges	455	1,507
	1,551	2,596
Other current liabilities	(1,096)	(1,089)
Other deferred credits	(455)	(1,507)
	(1,551)	(2,596)
Net	\$ —	\$ —

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. All of the assets and liabilities in the table above at December 31, 2020 and December 31, 2019 result from PNM's hazard sharing arrangements with Tri-State. The hazard sharing arrangements are net-settled upon delivery.

At December 31, 2020 and 2019, PNM had no amounts recognized for the legal right to reclaim cash collateral. However, at December 31, 2020 and 2019, amounts posted as cash collateral under margin arrangements were \$0.5 million and \$0.5 million. At December 31, 2020 and 2019, obligations to return cash collateral were \$0.9 million and \$0.9 million. Cash collateral amounts are included in other current assets and other current liabilities on the Consolidated Balance Sheets.

PNM has a NMPRC-approved hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC. There were no amounts hedged under this plan as of December 31, 2020 or 2019.

The effects of mark-to-market commodity derivative instruments on PNM's revenues and cost of energy during the years ended December 31, 2020 and 2019 were less than \$0.1 million. Commodity derivatives had no impact on OCI for the periods presented.

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, 2020 and 2019, PNM had no such contracts in a net liability position.

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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, 2020 and 2019, the fair value of investment securities included \$379.2 million and \$336.0 million for the NDT and \$60.9 million and \$52.8 million for the coal mine reclamation trusts.

In June 2016, the FASB issued *Accounting Standards Update 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changes the way entities recognize impairments of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over the remaining lives of the assets. The majority of the amendments made by the new standard are required to be applied using a modified retrospective approach. The amendments in ASU 2016-13 also require entities to separately measure and realize an impairment for credit losses on available-for-sale debt securities for which carrying value exceeds fair value, unless such securities have been determined to be other than temporarily impaired and the entire decrease in value has been realized as an impairment. The amendments relating to available-for-sale debt securities are required to be applied prospectively on the date of adoption. 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. The Company adopted ASU 2016-13 on January 1, 2020, its required effective date. Adoption of the standard did not result in the Company recording a cumulative effect adjustment or impact the Company's accounting for its available-for-sale debt securities. All gains and losses resulting from sales and changes in the fair value of equity securities are recognized immediately in earnings.

Gains and losses recognized on the Consolidated Statements of Earnings related to investment securities in the NDT and reclamation trusts are presented in the following table:

	Year ended December 31,		
	2020	2019	2018
	(In thousands)		
Equity securities:			
Net gains from equity securities sold	\$ 5,861	\$ 5,698	\$ 4,864
Net gains (losses) from equity securities still held	17,707	18,319	(10,523)
Total net gains (losses) on equity securities	23,568	24,017	(5,659)
Available-for-sale debt securities:			
Net gains (losses) on debt securities	(1,969)	5,572	(11,517)
Net gains (losses) on investment securities	\$ 21,599	\$ 29,589	\$ (17,176)

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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 \$(3.2) million, \$3.0 million, and \$(9.4) million for the years ended December 31, 2020, 2019 and 2018.

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Proceeds from sales	\$ 590,998	\$ 494,528	\$ 984,533
Gross realized gains	\$ 35,904	\$ 25,760	\$ 19,358
Gross realized (losses)	\$ (28,817)	\$ (17,453)	\$ (16,624)

At December 31, 2020, the available-for-sale debt securities held by PNM, had the following final maturities:

	Fair Value
	(In thousands)
Within 1 year	\$ 33,301
After 1 year through 5 years	89,646
After 5 years through 10 years	89,130
After 10 years through 15 years	14,947
After 15 years through 20 years	9,256
After 20 years	43,730
	<u>\$ 280,010</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

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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, 2020 and 2019. Management of the Company independently verifies the information provided by pricing services.

In August 2018, the FASB issued *Accounting Standards Update 2018-13 – Fair Value Measurements (Topic 820) Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurements*, to improve fair value disclosures. ASU 2018-13 eliminates certain disclosure requirements related to transfers between Levels 1 and 2 of the fair value hierarchy and the requirement to disclose the valuation process for Level 3 fair value measurements. ASU 2018-13 also amends certain disclosure requirements for investments measured at net asset value and requires new disclosures for Level 3 investments, including a new requirement to disclose changes in unrealized gains or losses recorded in OCI related to Level 3 fair value measurements. The Company adopted ASU 2018-13 on January 1, 2020, its required effective date. The Company applied the requirements of the new standard using retrospective application, except for the new disclosures related to Level 3 investments, which are to be applied prospectively. Adoption of the standard did not have a material impact on the Company's disclosures.

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

	GAAP Fair Value Hierarchy			Unrealized Gains
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		
Total				
(In thousands)				
<u>December 31, 2020</u>				
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
	\$ 440,115	\$ 183,330	\$ 256,785	\$ 27,387

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December 31, 2019

Cash and cash equivalents	\$ 15,606	\$ 15,606	\$ —
Equity securities:			
Corporate stocks, common	64,527	64,527	—
Corporate stocks, preferred	9,033	2,212	6,821
Mutual funds and other	49,848	49,786	62
Available-for-sale debt securities:			
U.S. government	48,439	31,389	17,050 \$ 535
International government	15,292	—	15,292 1,193
Municipals	46,642	—	46,642 1,768
Corporate and other	139,445	187	139,258 10,801
	<u>\$ 388,832</u>	<u>\$ 163,707</u>	<u>\$ 225,125 \$ 14,297</u>

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

<u>December 31, 2020</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
	(In thousands)	
PNMR	\$ 3,295,150	\$ 3,355,761
PNM	\$ 1,696,620	\$ 1,602,547
TNMP	\$ 853,673	\$ 1,006,722
<u>December 31, 2019</u>		
PNMR	\$ 3,007,717	\$ 3,142,704
PNM	\$ 1,748,020	\$ 1,795,149
TNMP	\$ 670,691	\$ 753,317

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

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assets of the pension plans. The Company's investment allocation targets in 2020 consist of 35% equities, 15% alternative investments (both of which are considered return generating), and 50% 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, 2020 or 2019.

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

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

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	<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>
December 31, 2019			
PNM Pension Plan			
Participation in PNMR Master Trust Investments:			
Investments categorized within fair value hierarchy	\$ 445,984	\$ 152,158	\$ 293,826
Uncategorized investments	86,675		
Total Master Trust Investments	\$ 532,659		
TNMP Pension Plan			
Participation in PNMR Master Trust Investments:			
Investments categorized within fair value hierarchy	\$ 49,353	\$ 17,335	\$ 32,018
Uncategorized investments	9,974		
Total Master Trust Investments	\$ 59,327		
PNM OPEB Plan			
Cash and cash equivalents	\$ 1,022	\$ 1,022	\$ —
Equity securities:			
Mutual funds	85,727	39,361	46,366
	\$ 86,749	\$ 40,383	\$ 46,366
TNMP OPEB Plan			
Cash and cash equivalents	\$ 275	\$ 275	\$ —
Equity securities:			
Mutual funds	10,635	4,075	6,560
	\$ 10,910	\$ 4,350	\$ 6,560

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

	Total	GAAP Fair Value Hierarchy	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
December 31, 2020	(In thousands)		
PNMR Master Trust			
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	555,873	\$ 270,177	\$ 285,696
Uncategorized investments:			
Private equity funds	12,552		
Hedge funds	52,285		
Real estate funds	33,377		
	\$ 654,087		

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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)
December 31, 2019		(In thousands)	
PNMR Master Trust			
Cash and cash equivalents	\$ 19,982	\$ 19,982	\$ —
Equity securities:			
Corporate stocks, common	68,497	68,497	—
Corporate stocks, preferred	825	—	825
Mutual funds and other	172,326	—	172,326
Fixed income securities:			
U.S. government	90,970	81,014	9,956
International government	5,411	—	5,411
Municipals	6,980	—	6,980
Corporate and other	130,346	—	130,346
Total investments categorized within fair value hierarchy	<u>495,337</u>	<u>\$ 169,493</u>	<u>\$ 325,844</u>
Uncategorized investments:			
Private equity funds	15,827		
Hedge funds	47,618		
Real estate funds	33,204		
	<u>\$ 591,986</u>		

(10) Variable Interest Entities

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

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Valencia

PNM has a PPA to purchase all of the electric capacity and energy from Valencia, a 155 MW natural gas-fired power plant near Belen, New Mexico, through May 2028. A third party built, owns, and operates the facility while PNM is the sole purchaser of the electricity generated. PNM is obligated to pay fixed operation and maintenance and capacity charges in addition to variable operation and maintenance charges under this PPA. For the years ended December 31, 2020, 2019, and 2018, PNM paid \$20.0 million, \$19.9 million, and \$19.6 million for fixed charges and \$1.4 million, \$1.2 million, and \$1.4 million for variable charges. PNM does not have any other financial obligations related to Valencia. The assets of Valencia can only be used to satisfy its obligations and creditors of Valencia do not have any recourse against PNM's assets. During the term of the PPA, PNM has the option, under certain conditions, to purchase and own up to 50% of the plant or the VIE. The PPA specifies that the purchase price would be the greater of 50% of book value reduced by related indebtedness or 50% of fair market value.

PNM sources fuel for the plant, controls when the facility operates through its dispatch, and receives the entire output of the plant, which factors directly and significantly impact the economic performance of Valencia. Therefore, PNM has concluded that the third-party entity that owns Valencia is a VIE and that PNM is the primary beneficiary of the entity since PNM has the power to direct the activities that most significantly impact the economic performance of Valencia and will absorb the majority of the variability in the cash flows of the plant. As the primary beneficiary, PNM consolidates Valencia in its financial statements. Accordingly, the assets, liabilities, operating expenses, and cash flows of Valencia are included in the Consolidated Financial Statements of PNM although PNM has no legal ownership interest or voting control of the VIE. The assets and liabilities of Valencia 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:

	Year Ended December 31		
	2020	2019	2018
	(In thousands)		
Operating revenues	\$ 21,297	\$ 21,073	\$ 21,025
Operating expenses	7,284	6,832	5,913
Earnings attributable to non-controlling interest	\$ 14,013	\$ 14,241	\$ 15,112

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Financial Position

	December 31,	
	2020	2019
	(In thousands)	
Current assets	\$ 3,911	\$ 5,094
Net property, plant and equipment	55,744	58,581
Total assets	59,655	63,675
Current liabilities	646	623
Owners' equity – non-controlling interest	\$ 59,009	\$ 63,052

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.

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

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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, 2020.

(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

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.

In August 2018, the FASB issued *Accounting Standards Update 2018-14 - Compensation Retirement Benefits - Defined*

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Benefit Plans - General (Subtopic 715-20) to improve benefit plan sponsors' disclosures for defined benefit pension and other post-employment benefit plans. ASU 2018-14 removes the requirement to disclose the amounts in other comprehensive income expected to be recognized as benefit cost over the next fiscal year and the requirement to disclose the impact of a one-percentage-point change in the assumed health care cost trend rate. ASU 2018-14 clarifies the disclosure requirements for plans with PBOs and ABOs that are in excess of plan assets and requires an explanation for significant gains and losses related to changes in the benefit obligation during the period be disclosed. The Company has adopted ASU 2018-14 for the period ended December 31, 2020, its required effective date by modifying the disclosures herein as appropriate.

Pension Plans

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

	PNM		TNMP	
	Year Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
	(In thousands)			
PBO at beginning of year	\$ 605,745	\$ 564,258	\$ 65,574	\$ 60,587
Service cost	—	—	—	—
Interest cost	19,941	25,175	2,177	2,686
Actuarial (gain) loss	47,567	61,151	4,459	7,889
Benefits paid	(42,349)	(44,839)	(4,820)	(5,588)
PBO at end of year	630,904	605,745	67,390	65,574
Fair value of plan assets at beginning of year	531,467	489,978	59,367	55,074
Actual return on plan assets	98,412	86,328	11,602	9,881
Employer contributions	—	—	—	—
Benefits paid	(42,349)	(44,839)	(4,820)	(5,588)
Fair value of plan assets at end of year	587,530	531,467	66,149	59,367
Funded status – asset (liability) for pension benefits	\$ (43,374)	\$ (74,278)	\$ (1,241)	\$ (6,207)

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Actuarial (gain) loss results from changes in:

	PNM		TNMP	
	Year Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
	(in thousands)			
Discount rates	\$ 44,960	\$ 66,108	\$ 4,756	\$ 8,006
Demographic experience	2,607	(732)	(54)	394
Mortality rate	—	(4,225)	—	(296)
Other assumptions and experience	—	—	(243)	(215)
	<u>\$ 47,567</u>	<u>\$ 61,151</u>	<u>\$ 4,459</u>	<u>\$ 7,889</u>

The following table presents pre-tax information about net actuarial (gain) loss in AOCI as of December 31, 2020.

	PNM	TNMP
	(In thousands)	
Amounts in AOCI not yet recognized in net periodic benefit cost (income) at beginning of year	\$ 146,391	\$ —
Experience (gain) loss	(21,393)	3,860
Regulatory asset (liability) adjustment	15,211	(3,860)
Amortization recognized in net periodic benefit cost (income)	(8,131)	—
Amounts in AOCI not yet recognized in net periodic benefit cost (income) at end of year	<u>\$ 132,078</u>	<u>\$ —</u>

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

	Year Ended December 31,		
	2020	2019	2018
(In thousands)			
PNM			
Service cost	\$ —	\$ —	\$ —
Interest cost	19,941	25,175	24,270
Expected return on plan assets	(29,453)	(34,103)	(34,686)
Amortization of net (gain) loss	17,860	15,518	16,348
Amortization of prior service cost	(554)	(965)	(965)
Net periodic benefit cost	<u>\$ 7,794</u>	<u>\$ 5,625</u>	<u>\$ 4,967</u>
TNMP			
Service cost	\$ —	\$ —	\$ —
Interest cost	2,177	2,686	2,625
Expected return on plan assets	(3,284)	(3,868)	(3,963)
Amortization of net (gain) loss	1,258	941	1,088
Amortization of prior service cost	—	—	—
Net periodic benefit cost (income)	<u>\$ 151</u>	<u>\$ (241)</u>	<u>\$ (250)</u>

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

	Year Ended December 31,		
	2020	2019	2018
PNM			
Discount rate for determining December 31 PBO	2.66 %	3.42 %	4.65 %
Discount rate for determining net periodic benefit cost (income)	3.42 %	4.65 %	4.05 %
Expected return on plan assets	5.90 %	6.86 %	6.54 %
Rate of compensation increase	N/A	N/A	N/A
TNMP			
Discount rate for determining December 31 PBO	2.69 %	3.46 %	4.63 %
Discount rate for determining net periodic benefit cost (income)	3.46 %	4.63 %	4.01 %
Expected return on plan assets	5.90 %	6.90 %	6.57 %
Rate of compensation increase	N/A	N/A	N/A

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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 2021 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 19.3% and 20.4% for the year ended December 31, 2020.

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.

The following pension benefit payments are expected to be paid:

	<u>PNM</u>	<u>TNMP</u>
	(In thousands)	
2021	\$ 46,312	\$ 5,301
2022	45,583	5,193
2023	44,299	4,936
2024	43,066	4,702
2025	41,869	4,589
2026 - 2030	188,950	19,829

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 2021 or 2022. PNM and TNMP expect to contribute \$10.8 million and zero in 2023, \$11.5 million and zero in 2024, and \$10.6 million and zero in 2025. The funding assumptions were developed using discount 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.

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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,	
	2020	2019	2020	2019
(In thousands)				
APBO at beginning of year	\$ 75,121	\$ 75,305	\$ 11,235	\$ 10,064
Service cost	38	53	46	50
Interest cost	2,453	3,316	373	451
Participant contributions	1,714	2,131	243	316
Actuarial (gain) loss	3,261	2,587	747	1,004
Benefits paid	(7,391)	(8,271)	(706)	(650)
APBO at end of year	75,196	75,121	11,938	11,235
Fair value of plan assets at beginning of year	86,400	69,703	10,844	8,744
Actual return on plan assets	9,423	19,257	2,505	2,434
Employer contributions	3,256	3,580	—	—
Participant contributions	1,714	2,131	243	316
Benefits paid	(7,391)	(8,271)	(707)	(650)
Fair value of plan assets at end of year	93,402	86,400	12,885	10,844
Funded status – asset (liability)	\$ 18,206	\$ 11,279	\$ 947	\$ (391)

As of December 31, 2020, 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,	
	2020	2019	2020	2019
	(in thousands)			
Discount rates	\$ 4,959	\$ 7,236	\$ 1,008	\$ 1,375
Claims, contributions, and demographic experience	(1,698)	(4,022)	(261)	(311)
Assumed participation rate	—	—	—	—
Mortality rate	—	(627)	—	(60)
	<u>\$ 3,261</u>	<u>\$ 2,587</u>	<u>\$ 747</u>	<u>\$ 1,004</u>

In the year ended December 31, 2020, actuarial gains of \$0.6 million were recorded as adjustments to regulatory assets for the PNM OPEB plan. For the TNMP OPEB plan, actuarial gains of \$1.2 million were recorded as adjustments to regulatory liabilities.

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

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
PNM			
Service cost	\$ 38	\$ 53	\$ 83
Interest cost	2,453	3,316	3,439
Expected return on plan assets	(5,548)	(5,278)	(5,414)
Amortization of net (gain) loss	348	675	2,354
Amortization of prior service credit	—	(397)	(1,664)
Net periodic benefit cost (income)	<u>\$ (2,709)</u>	<u>\$ (1,631)</u>	<u>\$ (1,202)</u>
TNMP			
Service cost	\$ 46	\$ 50	\$ 134
Interest cost	373	451	477
Expected return on plan assets	(538)	(517)	(542)
Amortization of net (gain) loss	(323)	(444)	(227)
Amortization of prior service cost	—	—	—
Net periodic benefit cost (income)	<u>\$ (442)</u>	<u>\$ (460)</u>	<u>\$ (158)</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,		
	2020	2019	2018
Discount rate for determining December 31 APBO	2.65 %	3.42 %	4.63 %
Discount rate for determining net periodic benefit cost	3.42 %	4.63 %	4.00 %
Expected return on plan assets	7.00 %	7.20 %	7.42 %
Rate of compensation increase	N/A	N/A	N/A
TNMP			
Discount rate for determining December 31 APBO	2.65 %	3.42 %	4.63 %
Discount rate for determining net periodic benefit cost	3.42 %	4.63 %	4.00 %
Expected return on plan assets	5.60 %	5.80 %	5.86 %
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 2021 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 11.1% and 23.6% for the year ended December 31, 2020.

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

	PNM	
	December 31,	
	2020	2019
Health care cost trend rate assumed for next year	6.25 %	6.50 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00 %	5.00 %
Year that the rate reaches the ultimate trend rate	2026	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

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generally use the same pension fixed income and equity investment managers and utilize the same overall investment strategy as described above for the pension plans, except there is no allocation to alternative investments. The OPEB plans have a target asset allocation of 30% equities and 70% fixed income. See Note 9 for fair value information concerning assets held by the other postretirement benefit plans.

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

	PNM	TNMP
	(In thousands)	
2021	\$ 6,455	\$ 649
2022	6,132	678
2023	5,960	698
2024	5,711	709
2025	5,357	713
2026 - 2030	22,474	3,400

PNM and TNMP made no cash contributions to the OPEB trusts in 2020 or 2019 and PNM and TNMP do not expect to make cash contributions to the OPEB trusts in 2021-2025. 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 \$3.7 million in 2021 and \$13.1 million in 2022-2025.

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,	
	2020	2019	2020	2019
	(In thousands)			
PBO at beginning of year	\$ 14,994	\$ 14,726	\$ 692	\$ 702
Service cost	—	—	—	—
Interest cost	491	651	22	30
Actuarial (gain) loss	78	1,053	58	54
Benefits paid	(1,341)	(1,436)	(94)	(94)
PBO at end of year – funded status	14,222	14,994	678	692
Less current liability	1,323	1,434	91	91
Non-current liability	\$ 12,899	\$ 13,560	\$ 587	\$ 601

The following table presents pre-tax information about net actuarial loss in AOCI as of December 31, 2020.

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	December 31, 2020	
	PNM	TNMP
	(In thousands)	
Amount in AOCI not yet recognized in net periodic benefit cost at beginning of year	\$ 2,395	\$ —
Experience (gain) loss	78	58
Regulatory asset (liability) adjustment	(45)	(58)
Amortization recognized in net periodic benefit cost (income)	(169)	—
Amount in AOCI not yet recognized in net periodic benefit cost at end of year	<u>\$ 2,259</u>	<u>\$ —</u>

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

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
PNM			
Service cost	\$ —	\$ —	\$ —
Interest cost	491	651	622
Amortization of net (gain) loss	403	318	359
Amortization of prior service cost	—	—	—
Net periodic benefit cost	<u>\$ 894</u>	<u>\$ 969</u>	<u>\$ 981</u>
TNMP			
Service cost	\$ —	\$ —	\$ —
Interest cost	22	30	29
Amortization of net (gain) loss	24	15	15
Amortization of prior service cost	—	—	—
Net periodic benefit cost	<u>\$ 46</u>	<u>\$ 45</u>	<u>\$ 44</u>

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

PNM	Year Ended December 31,		
	2020	2019	2018
Discount rate for determining December 31 PBO	2.68 %	3.44 %	4.66 %
Discount rate for determining net periodic benefit cost	3.44 %	4.66 %	4.05 %
Long-term rate of return on plan assets	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A
TNMP			
Discount rate for determining December 31 PBO	2.69 %	3.46 %	4.63 %
Discount rate for determining net periodic benefit cost	3.46 %	4.63 %	4.01 %
Long-term rate of return on plan assets	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A

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

Disbursements under the executive retirement program, funded by PNM and TNMP, which are considered to be contributions to the plan were \$1.4 million and \$0.1 million in the year ended December 31, 2020 and \$1.4 million and \$0.1 million for the year ended December 31, 2019. The following executive retirement plan payments, which reflect expected future service, are expected:

	PNM	TNMP
	(In thousands)	
2021	\$ 1,341	\$ 93
2022	1,303	90
2023	1,259	85
2024	1,210	80
2025	1,156	73
2026 - 2030	4,856	252

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)

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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,		
	2020	2019	2018
(In thousands)			
PNMR			
401(k) plan	\$ 16,247	\$ 16,097	\$ 16,677
Non-qualified plan	\$ 2,090	\$ 4,551	\$ 865
PNM			
401(k) plan	\$ 11,676	\$ 11,587	\$ 12,052
Non-qualified plan	\$ 1,544	\$ 3,384	\$ 621
TNMP			
401(k) plan	\$ 4,572	\$ 4,511	\$ 4,625
Non-qualified plan	\$ 547	\$ 1,167	\$ 244

(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.

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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, 2020, 2019, and 2018 was \$8.1 million, \$6.4 million, and \$7.1 million. Stock compensation expense of \$5.5 million, \$4.2 million, and \$4.9 million was charged to PNM and \$2.6 million, \$2.2 million, and \$2.2 million was charged to TNMP. At December 31, 2020, PNMR had unrecognized compensation expense related to stock awards of \$4.0 million, which is expected to be recognized over an average of 1.52 years.

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,		
	2020	2019	2018
	(In thousands)		
PNM	\$ 279	\$ 559	\$ 1,007
TNMP	112	236	377
PNMR	391	795	1,384

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.

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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,		
	2020	2019	2018
Expected quarterly dividends per share	\$ 0.3075	\$ 0.2900	\$ 0.2650
Risk-free interest rate	0.72 %	2.47 %	2.38 %
Market-Based Shares			
Dividend yield	2.51 %	2.59 %	2.96 %
Expected volatility	19.41 %	19.55 %	19.12 %
Risk-free interest rate	0.72 %	2.51 %	2.36 %

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

	Restricted Stock		Stock Options	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2019	161,542	\$ 38.21	2,000	\$ 12.22
Granted	246,029	36.73	—	—
Exercised	(238,054)	34.86	(2,000)	12.22
Forfeited	(1,456)	41.32	—	—
Outstanding at December 31, 2020	168,061	\$ 40.77	—	\$ —

PNMR's current stock-based compensation program provides for performance and market targets through 2022. In February 2019, the Board approved amendments to exclude certain impacts of the Tax Act on performance metrics for the performance periods ending in 2018 and 2019. These amendments did not impact the Company's calculation of grant date fair values under the plans but did increase actual achievement levels for the performance period ending in 2018 from below "threshold" levels to below "target" levels and anticipated achievement levels for the performance period ending in 2019 from below "target" levels to the "maximum" levels. As a result of these amendments for the year ended December 31, 2018, the Company recorded additional pre-tax expense of \$1.0 million, of which \$0.7 million was allocated to PNM and \$0.3 million was allocated to TNMP. Included as granted and exercised in the table above are 47,279 previously awarded shares that were earned for the 2016 - 2018 performance measurement period and ratified by the Board in February 2019 (based upon achieving market targets at below "threshold" levels, weighted at 40%, and performance targets at above "target" levels, together weighted at 60%). Excluded from the above table are 122,277 previously awarded shares that were earned for the 2017 - 2019 performance measurement period and ratified by the Board in February 2020 (based upon achieving market and performance targets at near "maximum" levels). Also excluded from the table above are 150,543 and 142,080 shares for the three-year performance periods ending in 2020 and 2021 that will be awarded if all performance and market criteria are achieved at maximum levels and all executives remain eligible.

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Effective as of January 1, 2015, the Company entered into a retention award agreement with its then Executive Vice President and Chief Financial Officer under which he would receive awards of restricted stock if PNMR met specified performance targets at the end of 2016 and 2017 and he remained an employee of the Company. The retention award was made under the PEP and was approved by the Board on December 9, 2014. The specified performance target was achieved at the end of 2016 and the Board ratified him receiving \$100,000 of PNMR common stock in February 2017 based on a market per share value of \$36.30 on the grant date of March 3, 2017, or 2,754 shares. Similarly, if PNMR achieved the specified performance target for the period from January 1, 2015 through December 31, 2017, he was to receive \$275,000 of PNMR common stock based on the market value per share on the grant date in early 2018. The specified performance target was achieved at the end of 2017 and the Board ratified him receiving \$275,000 of PNMR common stock in February 2018 based on a market value per share of \$35.85 on the grant date of March 2, 2018, or 7,670 shares.

In 2015, the Company entered into an additional retention award agreement with its Chairman, President, and Chief Executive Officer under which she would receive a total 53,859 shares of PNMR's common stock if PNMR meets certain performance targets at the end of 2017 and 2019 and she remains an employee of the Company. The retention award was made under the PEP and was approved by the Board on February 26, 2015. The specified performance target was achieved at the end of 2017 and the Board ratified her receiving 17,953 shares in February 2018. The second portion of the 2015 agreement of 35,906 shares was achieved at the end of 2019 and the Board ratified her receiving the shares in February 2020. The above table does not include any restricted stock shares that remain unvested under this retention award agreement.

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 options were exercised or expired in February 2020.

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

Restricted Stock	Year Ended December 31,		
	2020	2019	2018
Weighted-average grant date fair value	\$ 36.73	\$ 37.92	\$ 29.65
Total fair value of restricted shares that vested (in thousands)	\$ 8,299	\$ 6,246	\$ 8,558
Stock Options			
Total intrinsic value of options exercised (in thousands)	\$ 84	\$ 2,617	\$ 3,117

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

	PNM		TNMP	
	December 31,		December 31,	
	2020	2019	2020	2019
Assets:	(In thousands)			
Current:				
FPPAC	\$ —	\$ 7,373	\$ —	\$ —
Energy efficiency costs	—	—	202	—
	—	7,373	202	—
Non-Current:				
CTC, including carrying charges	—	—	324	7,412
Coal mine reclamation costs ⁽³⁾	9,980	13,995	—	—
Deferred income taxes	65,564	66,296	9,817	8,997
Loss on reacquired debt	19,748	19,426	28,914	30,212
Pension and OPEB ⁽¹⁾	190,147	214,771	22,863	27,947
Shutdown of SJGS Units 2 and 3	107,231	113,508	—	—
Hurricane recovery costs ⁽²⁾	—	—	480	1,041
AMS surcharge	—	—	18,761	25,015
AMS retirement and other costs	—	—	13,915	15,542
Renewable energy costs	—	643	—	—
Deferred cost under the ETA	42,703	—	—	—
Deferred COVID-19 costs	8,761	—	676	—
SJGS replacement resources	8,282	—	—	—
Other	5,537	6,828	4,087	5,297
	457,953	435,467	99,837	121,463
Total regulatory assets	\$ 457,953	\$ 442,840	\$ 100,039	\$ 121,463

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	PNM		TNMP	
	December 31,		December 31,	
	2020	2019	2020	2019
Liabilities:				
Current:				
FPPAC	\$ (2,274)	\$ —	\$ —	\$ —
Renewable energy rider	(2,044)	—	—	—
Other	(1,101)	(371)	(2,052)	(134)
	(5,419)	(371)	(2,052)	(134)
Non-Current:				
Cost of removal	(284,695)	(271,025)	(59,613)	(46,091)
Deferred income taxes	(343,844)	(374,122)	(119,695)	(131,871)
PVNGS ARO	(5,394)	(11,341)	—	—
Renewable energy tax benefits	(17,912)	(19,069)	—	—
Accelerated depreciation SNCRs ⁽⁴⁾	(12,045)	(7,758)	—	—
Pension and OPEB	—	—	(5,535)	(4,775)
COVID-19 cost savings	(900)	—	—	—
Other	(83)	(83)	(512)	(108)
	(664,873)	(683,398)	(185,355)	(182,845)
Total regulatory liabilities	\$ (670,292)	\$ (683,769)	\$ (187,407)	\$ (182,979)

(1) Includes \$1.6 million for certain PNM pension costs as described in Note 11

(2) Amount shown is net of amounts owed under the PUCT's January 25, 2018 order as described in Note 17

(3) 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

(4) Amounts to be refunded 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

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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 primary operating or participation agreements for the joint projects expire in July 2022 for SJGS, July 2041 for Four Corners, December 2046 for Luna, and November 2047 for PVNGS.

PNM's expenditures for additions to utility plant were \$335.1 million in 2020, 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 \$321.5 million during 2020. On a consolidated basis, PNMR's expenditures for additions to utility plant were \$679.0 million in 2020.

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, 2020, PNM's interests and investments in jointly-owned generating facilities are:

<u>Station (Fuel Type)</u>	<u>Plant in Service</u>	<u>Accumulated Depreciation⁽¹⁾</u>	<u>Construction</u>	
			<u>Work in Progress</u>	<u>Composite Interest</u>
(In thousands)				
SJGS (Coal)	\$ 780,544	\$ (448,213)	\$ 659	66.35 %
PVNGS (Nuclear) ⁽²⁾	\$ 828,191	\$ (387,436)	\$ 37,235	10.20 %
Four Corners Units 4 and 5 (Coal)	\$ 301,867	\$ (100,187)	\$ 7,820	13.00 %
Luna (Gas)	\$ 76,917	\$ (29,758)	\$ 57	33.33 %

(1) Includes cost of removal.

(2) 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.

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.

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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.

Construction Program

The Company anticipates making substantial capital expenditures for the construction and acquisition of utility plant and other property and equipment. An unaudited summary of the budgeted construction expenditures, including expenditures for jointly-owned projects, and nuclear fuel, is as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
	(In millions)					
PNM	\$ 661.9	\$ 396.6	\$ 382.0	\$ 388.5	\$ 379.9	\$ 2,208.9
TNMP	320.1	342.0	348.0	298.0	299.0	1,607.1
Corporate and Other	34.5	26.5	31.2	26.5	26.5	145.2
Total PNMR	<u>\$ 1,016.5</u>	<u>\$ 765.1</u>	<u>\$ 761.2</u>	<u>\$ 713.0</u>	<u>\$ 705.4</u>	<u>\$ 3,961.2</u>

The construction expenditure estimates are under continuing review and subject to ongoing adjustment, as well as to Board review and approval. The above construction expenditures include approximately \$277 million for an anticipated expansion of PNM's transmission system. See Note 17.

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(15) Asset Retirement Obligations

ARO 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 76% 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:

	<u>PNMR</u>	<u>PNM</u>	<u>TNMP</u>
	(In thousands)		
Liability at December 31, 2017	\$ 146,679	\$ 145,707	\$ 793
Liabilities incurred	—	—	—
Liabilities settled	(192)	—	—
Accretion expense	11,482	11,402	67
Revisions to estimated cash flows	705	705	—
Liability at December 31, 2018	158,674	157,814	860
Liabilities incurred	—	—	—
Liabilities settled	(987)	(935)	(52)
Accretion expense	12,635	12,562	73
Revisions to estimated cash flows ⁽¹⁾	11,640	11,640	—
Liability at December 31, 2019	181,962	181,081	881
Liabilities incurred	—	—	—
Liabilities settled	(1,444)	(1,192)	(252)
Accretion expense	11,310	11,235	75
Revisions to estimated cash flows ⁽²⁾	(8,407)	(8,407)	—
Liability at December 31, 2020	\$ 183,421	\$ 182,717	\$ 704

(1) Reflects the impacts of an updated SJGS decommissioning study that assumes PNM will retire its share of SJGS in 2022.

(2) 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.

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(16) Commitments and Contingencies

Overview

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

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

Commitments and Contingencies Related to the Environment

PVNGS Decommissioning Funding

The costs of decommissioning a nuclear power plant are substantial. PNM is responsible for all decommissioning obligations related to its entire interest in PVNGS, including portions under 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, 2020, 2019, and 2018 into the qualified trust funds. The market value of the trusts at December 31, 2020 and 2019 was \$379.2 million and \$336.0 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.

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.

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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, 2020 and 2019, PNM had a liability for interim storage costs of \$12.8 million and \$12.7 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

On March 22, 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 20% by 2020, 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 ensure compliance with the RPS. The ETA also directs the New Mexico Environmental Improvement Board to adopt standards of performance that limit CO2 emissions to no more than 1,100 lbs. per MWh beginning January 1, 2023 for new or existing coal-fired EGUs with original installed capacities exceeding 300 MW.

The ETA provides for a transition from fossil-fuel generation resources to renewable and other carbon-free resources through certain provisions relating to the abandonment of coal-fired generating facilities. These provisions include the use of energy transition bonds, which are designed to be highly rated bonds that can be issued to finance certain costs of abandoning coal-fired facilities that are retired prior to January 1, 2023 for facilities operated by a “qualifying utility,” or prior to January 1, 2032 for facilities that are not operated by the 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. See Note 17 for a discussion of the NM Supreme Court’s decision to affirm the NMPRC’s disallowance of certain costs, including the cost of BDT at SJGS, in PNM’s NM 2015 Rate Case. 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 must be 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

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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.

PNM expects the ETA will have a significant impact on PNM’s future generation portfolio, including PNM’s planned retirements 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 in the Federal Register revisions to the regional haze rule. EPA also provided a companion draft guidance document for public comment. The new rule delayed the due date for the next cycle of SIPs from 2019 to 2021, altered the planning process that states must employ in determining whether to impose “reasonable progress” emission reduction measures, and gave new authority to federal land managers to seek additional emission reduction measures outside of the states’ planning process. Finally, the rule made several procedural changes to the regional haze program, including changes to the schedule and process for states to file 5-year progress reports. EPA’s new rule was challenged by numerous parties. On January 19, 2018, EPA filed a motion to hold the case in abeyance in light of several letters issued by EPA on January 17, 2018 to grant various petitions for reconsideration of the 2017 rule revisions. EPA’s decision to revisit the 2017 rule is not a determination on the merits of the issues raised in the petitions.

On December 20, 2018, EPA released a new guidance document on tracking visibility progress for the second planning period. EPA is allowing states discretion to develop SIPs that may differ from EPA’s guidance as long as they are consistent with the CAA and other applicable regulations. On August 20, 2019, EPA finalized the draft guidance that was released in 2016 as a companion to the regional haze rule revisions. The final guidance differs from the draft in several ways, but is likely to be reconsidered by the Biden Administration. SIPs for the second planning period are due in July 2021. 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. PNM cannot predict the outcome of these matters with respect to Four Corners.

SJGS

December 2018 Compliance Filing – In December 2015 PNM received NMPRC approval for a plan to comply with EPA’s

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regional haze rule at SJGS. Among other things, the NMPRC’s December 2015 order required that, no later than December 31, 2018, PNM make a filing with the NMPRC to determine the extent to which SJGS should continue serving PNM’s customers’ needs after June 30, 2022 (the “December 2018 Compliance Filing”). The December 2018 Compliance Filing was required to be made before PNM entered into a binding commitment for post-2022 coal supply but after PNM received firm pricing and other terms for the supply of coal at SJGS, unless PNM did not intend to pursue an agreement for post-2022 coal supply at SJGS. The NMPRC’s December 2015 order also indicated that, if SJGS Unit 4 is abandoned with undepreciated investment on PNM’s books, PNM is prohibited from recovering the undepreciated investment of its 132 MW interest and required that PNM’s 65 MW interest in SJGS Unit 4 be treated as excluded merchant plant.

PNM submitted the December 2018 Compliance Filing to the NMPRC on December 31, 2018 indicating that, consistent with the conclusions reached in PNM’s 2017 IRP, PNM’s customers would benefit from the retirement of PNM’s share of SJGS after the current SJGS CSA expires in mid-2022. The December 2018 Compliance Filing also indicated that, pursuant to the terms of the agreements governing SJGS, all of the SJGS owners except for Farmington provided written notice that they do not intend to extend the SJGS operating agreements beyond their June 30, 2022 expiration dates, and that PNM has provided written notice to the San Juan mine operator that PNM does not intend to extend the SJGS CSA beyond June 30, 2022. 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 February 27, 2019, PNM filed a petition with the NM Supreme Court stating that the requirements of the January 30, 2019 order exceed the NMPRC’s authority by, among other things, mandating PNM to make a filing that is legally voluntary, and that the order is contrary to NMPRC precedent which requires abandonment applications to also include identified replacement resources and other information that would not be available to PNM by March 1, 2019. On March 1, 2019, the NM Supreme Court granted a temporary stay of the NMPRC’s order. Various parties intervened in the petition. On June 26, 2019, and after the effective date of the ETA, the NM Supreme Court lifted the stay and denied PNM’s petition without discussion. On July 1, 2019, PNM filed its SJGS Abandonment Application. See Note 17.

Long-lived assets are required to be tested for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. As of December 31, 2018, PNM evaluated the events surrounding its future participation in SJGS and determined that it was more likely than not that PNM’s share of SJGS will be retired in 2022. As a result, PNM performed an impairment analysis that assumed SJGS would not continue to operate through 2053, as previously approved by the NMPRC. PNM’s impairment analysis indicated that PNM’s undepreciated 132 MW interest in SJGS Unit 4 at June 30, 2022 will not be recovered from customers; that the estimated future cash flows expected to result from the operation of SJGS Unit 4 through June 30, 2022 are not sufficient to provide for recovery of PNM’s 65 MW merchant interest in the facility; and that it is unlikely PNM will be able to sell or transfer its interests in SJGS to third parties at amounts sufficient to provide for their recovery. As a result, as of December 31, 2018, PNM recorded a pre-tax impairment of its investment in SJGS of approximately \$35.0 million, which is reflected as regulatory disallowances and restructuring costs on the Consolidated Statements of Earnings. This amount includes the entire \$11.9 million carrying value of PNM’s 65 MW interest in SJGS Unit 4 as of December 31, 2018 and \$23.1 million of estimated undepreciated investments in PNM’s 132 MW jurisdictional interest as of June 30, 2022 that will not be recovered from customers. See additional discussion below regarding the increase in PNM’s estimated liability for coal mine reclamation.

NEE Complaint – On March 31, 2016, NEE filed a complaint with the NMPRC alleging that PNM failed to comply with its discovery obligation in the case authorizing the shutdown of SJGS Units 2 and 3 and requesting the NMPRC investigate whether financing provided by NM Capital to the former owner of SJCC (the “Westmoreland Loan”) could adversely affect PNM’s ability to provide electric service to its retail customers. On January 31, 2018, NEE filed a motion asking the NMPRC to investigate whether PNM’s relationship with the former owner of SJCC could be harmful to PNM’s customers. On May 23, 2018, PNM filed its response to the NMPRC staff’s comments noting that the Westmoreland Loan was paid in full on May 22, 2018. On October 11, 2018, PNM notified the NMPRC that the former owner of SJCC, Westmoreland, had filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code. As discussed in Note 10, on March 15, 2019, Westmoreland announced that it had emerged from Chapter 11 bankruptcy as a privately held company owned and operated by a group of its former creditors. Under the reorganization, all the assets of SJCC were sold to WSJ LLC. As successor entity to SJCC, WSJ LLC assumed all rights and obligations of Westmoreland

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including obligations to PNM under the SJGS CSA. The NMPRC has taken no further action on NEE’s complaint. PNM is not able to predict the potential outcome of this matter but does not anticipate the NMPRC will take any further action.

Four Corners

On August 6, 2012, EPA issued its Four Corners FIP with a final BART determination for Four Corners. The rule included two compliance alternatives. On December 30, 2013, APS notified EPA that the Four Corners participants selected the alternative that required APS to permanently close Units 1, 2, and 3 by January 1, 2014 and install SCR post-combustion NOx control technology on each of Units 4 and 5 by July 31, 2018. Installation of SCRs on Four Corners Unit 5 was completed in March 2018 and the installation on Unit 4 was completed in June 2018. PNM owns a 13% interest in Units 4 and 5, but had no ownership interest in Units 1, 2, and 3, which were shut down by APS on December 30, 2013. For particulate matter emissions, EPA is requiring Units 4 and 5 to meet an emission limit of 0.015 lbs./MMBTU and the plant to meet a 20% opacity limit, both of which are achievable through operation of the existing baghouses. Although unrelated to BART, the final BART rule also imposes a 20% opacity limitation on certain fugitive dust emissions from Four Corners’ coal and material handling operations.

PNM share of costs for post-combustion controls at Four Corners Units 4 and 5 through December 31, 2018 was \$88.7 million, including PNM’s AFUDC. See Note 17 for information on the NMPRC’s treatment of these costs in PNM’s NM 2016 Rate Case and the Four Corners Abandonment Application.

Four Corners Federal Agency Lawsuit – On April 20, 2016, several environmental groups filed a lawsuit against OSM and other federal agencies in the U.S. District Court for the District of Arizona in connection with their issuance of the approvals that extended the life of Four Corners and the adjacent mine. The lawsuit alleges that these federal agencies violated both the ESA and NEPA in providing the federal approvals necessary to extend operations at Four Corners and the adjacent mine past July 6, 2016. The court granted an APS motion to intervene in the litigation. NTEC, the current owner of the mine providing coal to Four Corners, filed a motion to intervene for the limited purpose of seeking dismissal of the lawsuit based on NTEC’s tribal sovereign immunity. The court granted NTEC’s motion and dismissed the case with prejudice, terminating the proceedings. In November 2017, the environmental group plaintiffs filed a Notice of Appeal of the dismissal in the U.S. Court of Appeals for the Ninth Circuit, and the court granted their subsequent motion to expedite the appeal. The Ninth Circuit issued a decision affirming the District Court’s dismissal of the case. In September 2019, the environmental groups filed a motion for reconsideration, which was denied in December 2019. On March 24, 2020, the environmental groups filed a petition for *writ of certiorari* in the U.S. Supreme Court seeking review of the Ninth Circuit’s decision. The U.S. Supreme Court denied the petition on June 29, 2020, making the decision of the Ninth Circuit to affirm the District Courts dismissal of the case final. This matter is now complete.

Carbon Dioxide Emissions

On August 3, 2015, EPA established standards to limit CO2 emissions from power plants. EPA took three separate but related actions in which it: (1) established the Carbon Pollution Standards for new, modified, and reconstructed power plants; (2) established the Clean Power Plan to set standards for carbon emission reductions from existing power plants; and (3) released a proposed federal plan associated with the final Clean Power Plan. The Clean Power Plan was published on October 23, 2015.

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 and 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. Rather than

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setting a specific numerical standard of performance, EPA’s rule directed states to determine which of the candidate technologies to apply to each coal-fired unit and establish standards of performance based on the degree of emission reduction achievable based on the application of BSER. 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.

However, on January 19, 2021, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *American Lung Association and American Public Health Association v. EPA, et al.* regarding challenges to the ACE Rule. The D.C. Circuit vacated the ACE Rule and remanded the record back to the EPA for further consideration consistent with its opinion, 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. Unless the court issues a stay of its mandate, the mandate for its decision will issue in March 2021 after the deadline passes for petitions for rehearing or rehearing en banc, although an appeal via petitions for certiorari to the US Supreme Court will remain available until June 2021. EPA has filed a motions 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, but the court has not yet acted on that motion. 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.

While corresponding NSR reform regulations were proposed as part of the proposed ACE Rule, the final rule did not include such reform measures. Unrelated to the ACE Rule, EPA issued a proposed rule on August 1, 2019 to clarify one aspect of the pre-construction review process for evaluating whether the NSR permitting program would apply to a proposed project at an existing source of emissions. The final rule on NSR Project Emissions Accounting became effective on December 24, 2020 clarifying that both emissions increases and decreases resulting from a project are to be considered in determining whether the proposed project will result in an increase in air emissions, but the rule may be reconsidered by the Biden Administration.

On January 27, 2021, President Biden signed an extensive Executive Order aimed at addressing climate change concerns domestically and internationally. The order is intended 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.

PNM’s review of the GHG emission reductions standards that may occur as a result of legislation or regulation under the new 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 NOx, SO2, ozone, and particulate matter.

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

SO2 Standard – On May 13, 2014, EPA released the draft data requirements rule for the 1-hour SO2 NAAQS, which directs state and tribal air agencies to characterize current air quality in areas with large SO2 sources to identify maximum 1-hour SO2

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concentrations. This characterization requires areas be designated as attainment, nonattainment, or unclassifiable for compliance with the 1-hour SO₂ NAAQS.

On August 11, 2015, EPA released the Data Requirements Rule for SO₂, telling states how to model or monitor to determine attainment or nonattainment with the new 1-hour SO₂ NAAQS. NMED submitted the first annual report for SJGS as required by the Data Requirements Rule in June 2018. That report recommended that no further modeling was warranted due to decreased SO₂ emissions. NMED submitted the second and third annual modeling report to EPA in July 2019 and July 2020. Those reports retained the recommendation that no further modeling is needed at this time and is subject to EPA review.

On February 25, 2019, EPA announced its final decision to retain without changes the primary health-based NAAQS for SO₂. Specifically, EPA will retain the current 1-hour standard for SO₂, which is 75 parts per billion, based on the 3-year average of the 99th percentile of daily maximum 1-hour SO₂ concentrations.

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_x and volatile organic compounds since these are the pollutants that form ground level ozone. On July 13, 2020, EPA proposed to retain the existing ozone NAAQS based on a review of the full body of currently available scientific evidence and exposure/risk information. EPA finalized its decision to retain the ozone NAAQS in a notice published on December 31, 2020 making it immediately effective.

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 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 nonattainment for the 2015 ozone standard. The rule became effective May 8, 2018. Attainment plans for nonattainment areas are due in August 2021.

NMED has responsibility for bringing the small area in Doña Ana County designated as marginal/non-attainment for ozone into compliance and will look at all sources of NO_x and volatile organic compounds. On November 22, 2019, EPA issued findings that several states, including New Mexico, had failed to submit SIPs for the 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 outlines the strategies and emissions control measures that are expected to improve air quality in the area by May 8, 2021. These strategies and measures would aim to reduce the amount of NO_x and volatile organic compounds emitted to the atmosphere and will rely upon current or upcoming federal rules, new or revised state rules, and other programs. Comments or requests for a public hearing were required by January 21, 2020.

PNM does not believe there will be material impacts to its facilities as a result 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. 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 its final

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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 PM2.5 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 February 9, 2021, the Center for Biological Diversity filed a petition for review in the U.S. Court of Appeals for the DC Circuit challenging EPA’s final rule regarding NAAQS particulate matter.

Navajo Nation Environmental Issues

Four Corners is located on the Navajo Nation and is held under easements granted by the federal government, as well as agreements with the Navajo Nation which grant each of the owners the right to operate on the site. The Navajo Acts purport to give the Navajo Nation Environmental Protection Agency authority to promulgate regulations covering air quality, drinking water, and pesticide activities, including those activities that occur at Four Corners. In October 1995, the Four Corners participants filed a lawsuit in the District Court of the Navajo Nation challenging the applicability of the Navajo Acts to Four Corners. In May 2005, APS and the Navajo Nation signed an agreement resolving the dispute regarding the Navajo Nation’s authority to adopt operating permit regulations under the Navajo Nation Air Pollution Prevention and Control Act. As a result of this agreement, APS sought, and the court granted, dismissal of the pending litigation in the Navajo Nation Supreme Court and the Navajo Nation District Court, to the extent the claims relate to the CAA. The agreement does not address or resolve any dispute relating to other aspects of the Navajo Acts. PNM cannot currently predict the outcome of these matters or the range of their potential impacts.

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 NMPRC’s April 1, 2020 approval for PNM to retire its share of SJGS by June 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

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(“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 effluent limitation guidelines, 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 has been stayed pending an appeal filed by several environmental groups on November 1, 2019 to EAB. 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. 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 effluent limitation guidelines establishing technology-based wastewater discharge limitations for fossil fuel-fired electric power plants. EPA signed the final Steam Electric Effluent Limitation Guidelines 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.

The Steam Electric Effluent Limitation Guidelines 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 effluent limitation guidelines 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 Effluent Limitation Guidelines 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 Effluent Limitation Guidelines 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 (beginning one year after the publication date) but no later than December 31, 2025.

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

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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.

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. There is no timeline for establishing either state or federal permitting programs.

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 coal ash rule. The final rule includes two types of revisions. The first revision extended the deadline to allow

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EGUs with unlined impoundments or that fail to meet the uppermost aquifer requirement to continue to receive coal ash until October 31, 2020. The rule also authorized a “Participating State Director” or EPA to approve suspension of groundwater monitoring and to issue certifications related to the location restrictions, design criteria, groundwater monitoring, remedy selection and implementation. The revisions also modify groundwater protection standards for certain constituents, which include cobalt, molybdenum, lithium, and lead without a maximum contamination level.

On August 14, 2019, EPA published the “Phase Two” proposed rule in the Federal Register with comments due on October 15, 2019. This rule proposes revisions to reporting and accessibility to public information, the definition of CCR piles, the definition of beneficial use, and the requirements for management of CCR piles. The spring 2020 regulatory agenda states EPA is not taking final action at this time on this proposed rule but will continue to reconsider these issues and seek additional information.

On December 2, 2019, EPA published the proposed Part A CCR rule requiring a new date of August 31, 2020 for companies to initiate closure of unlined CCR impoundments and changing the classification of compacted soil-lined or clay-lined surface impoundments from “lined” to “unlined”. EPA’s final Part A CCR rule was issued on August 28, 2020 and became effective on September 28, 2020. This rule finalizes the classification of soil-lined and clay-lined surface impoundments as unlined, triggering closure or retrofit requirements for those impoundments. The final rule also gives operators until April 11, 2021, rather than the originally proposed October 31, 2020 deadline, to cease receipt of waste at these units and begin the closure process. On March 3, 2020, EPA issued a proposed rule, Part B, addressing demonstrations for clay liners and regulations addressing beneficial use for closure of surface impoundments. On October 16, 2020, EPA released a prepublication draft copy of the final Part B rule. This rule did not include beneficial use of CCR for closure, which EPA explains will be addressed in subsequent rulemaking action. 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 2021.

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 deadline to provide comments was extended to August 7, 2020. The final rule is expected in May 2021. 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 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.

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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 both December 31, 2020 and 2019, prepayments for coal, which are included in other current assets, amounted to \$26.3 million.

In conjunction with the activities undertaken to comply with the CAA for SJGS PNM and the other owners of SJGS evaluated alternatives for the supply of coal to SJGS. On July 1, 2015, PNM and Westmoreland entered into a new coal supply agreement (the "SJGS CSA"), pursuant to which Westmoreland, through its indirectly wholly-owned subsidiary SJCC, agreed to supply all of the coal requirements of SJGS through June 30, 2022. PNM and Westmoreland also entered into agreements under which CCR disposal and mine reclamation services for SJGS would be provided. As discussed in Note 10, with the closing of the sale of the assets of SJCC on March 15, 2019, 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. The pricing structure takes into account that WSJ LLC has been paid for coal mined but not delivered. On November 30, 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 will result in the current agreement expiring on its own terms on June 30, 2022. See additional discussion of PNM's SJGS Abandonment Application in Note 17.

The SJGS RA sets forth terms under which PNM acquired the coal inventory, including coal mined but not delivered, of the exiting SJGS participants as of January 1, 2016 and supplied coal to the SJGS exiting participants for the period from January 1, 2016 through December 31, 2017 and is supplying coal to the SJGS remaining participants over the term of the SJGS CSA. Coal costs under the SJGS CSA are significantly less than under the previous arrangement with SJCC. Since substantially all of PNM's coal costs are passed through the FPPAC, the benefit of the reduced costs is passed through to PNM's customers.

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 letter of credit arrangements with a bank 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. NTEC has contracted with Bisti Fuels Company, LLC, a subsidiary of The North American Coal Corporation, for management and operation of the mine. The contract provides for pricing adjustments over its term based on economic indices. In connection with the exit of Four Corners, PNM would make payments of \$75 million to NTEC for relief from its obligations under the coal supply agreement for Four Corners after December 31, 2024. See Note 17 for additional information on PNM's Four Corners Abandonment Application. PNM's share of the coal costs is being recovered through the FPPAC.

Coal Mine Reclamation

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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. The SJGS RA required PNM to complete an update to the reclamation cost estimate after the December 31, 2017 shutdown of SJGS Units 2 and 3. This reclamation cost estimate was completed in October 2018 and assumed continuation of mining operations through 2053. The study indicated a decrease in reclamation costs primarily driven by lower inflationary factors used to determine the estimated future cost of reclamation activities. PNM recorded its \$2.5 million share of this decrease in September 2018, which is reflected in regulatory disallowances and restructuring costs in the Consolidated Statements of Earnings. As discussed above, PNM submitted the December 2018 Compliance Filing to the NMPRC indicating that, consistent with the conclusions reached in PNM's 2017 IRP, PNM expects to retire its share of SJGS after the current SJGS CSA expires in mid-2022. PNM determined that events and circumstances regarding SJGS, including the December 2018 Compliance Filing, indicated that it is more likely than not that PNM's share of SJGS will be retired in 2022. As a result, in December 2018 PNM again remeasured its liability for coal mine reclamation for the mine that serves SJGS to reflect that reclamation activities may occur beginning in 2022, rather than in 2053 as previously anticipated. This estimate resulted in an increase in overall reclamation costs of \$39.2 million due to an increase in the amount of fill dirt required to remediate the mine areas and the timing of activities necessary to reclaim the mine that serves SJGS. The increase includes costs for both the underground and surface mines that serve SJGS. 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 million for both SJGS and Four Corners. As a result, PNM recorded \$9.4 million of the increase in the liability at December 31, 2018 related to the underground mine in regulatory assets on the Consolidated Balance Sheets and recorded the remaining \$29.8 million associated with the surface mine as regulatory disallowances and restructuring costs on the Consolidated Statements of Earnings.

A subsequent mine reclamation costs study was completed in late 2020 for the mine that serves SJGS and in December 2020 PNM remeasured its liability, which resulted in an increase in overall reclamation costs of \$3.6 million, due primarily to higher inflationary factors. As a result, PNM recorded less than \$0.1 million as a decrease in the liability at December 31, 2020 related to the underground mine in regulatory assets on the Consolidated Balance Sheets and recorded \$3.6 million as an 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 and is reflected in cost of energy in the Consolidated Statements of Earnings. 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, 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. As a result, PNM 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 and PNM's ownership share of SJGS, PNM's remaining payments for mine reclamation, in future dollars, are estimated to be \$80.1 million for the surface mines at both SJGS and Four Corners and \$35.1 million for the underground mine at SJGS as of December 31, 2020. At December 31, 2020 and 2019, liabilities, in current dollars, of \$71.7 million and \$70.3 million for surface mine reclamation and \$26.1 million and \$25.3 million for underground mine reclamation were recorded

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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 \$3.2 million in 2020, \$5.5 million in 2019, and \$10.0 million in 2018. Based on PNM's reclamation trust fund balance at December 31, 2020, the current funding curves indicate PNM's required contributions to its reclamation trust fund would be \$5.8 million in 2021, \$6.2 million in 2022, and zero in 2023.

Under the Four Corners CSA PNM is required to fund its ownership 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 \$2.0 million in 2020 and \$2.3 million in each of 2019 and 2018 and anticipates providing additional funding of \$2.1 million in each of the years from 2021 through 2024. 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.

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 2018 Compliance Filing above and its 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.

Continuous Highwall Mining Royalty Rate

In August 2013, the DOI Bureau of Land Management ("BLM") issued a proposed rulemaking that would retroactively apply the surface mining royalty rate of 12.5% to continuous highwall mining ("CHM"). Comments regarding the rulemaking were due on October 11, 2013 and PNM submitted comments in opposition to the proposed rule. There is no legal deadline for adoption of the final rule.

SJCC, as former owner and operator of San Juan mine, utilized the CHM technique from 2000 to 2003 and, with the approval of the Farmington, New Mexico Field Office of BLM to reclassify the final highwall as underground reserves, applied the 8.0% underground mining royalty rate to coal mined using CHM and sold to SJGS. In March 2001, SJCC learned that the DOI Minerals Management Service ("MMS") disagreed with the application of the underground royalty rate to CHM. In August 2006, SJCC and MMS entered into an agreement tolling the statute of limitations on any administrative action to recover unpaid royalties until BLM issued a final, non-appealable determination as to the proper rate for CHM-mined coal. The proposed BLM rulemaking has the potential to terminate the tolling provision of the settlement agreement. Underpaid royalties of approximately \$5 million for SJGS would become due if the proposed BLM rule is adopted as proposed. PNM's share of any amount that is ultimately paid would be approximately 46.3%, none of which would be passed through PNM's FPPAC. PNM is unable to predict the outcome of this matter.

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 \$13.8 billion per occurrence. PVNGS maintains the maximum available nuclear liability

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insurance in the amount of \$450 million, which is provided by American Nuclear Insurers. The remaining \$13.3 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.

PVNGS Water Supply Litigation

In 1986, an action commenced regarding the rights of APS and the other PVNGS participants to the use of groundwater and effluent at PVNGS. APS filed claims that dispute the court's jurisdiction over PVNGS' groundwater rights and their contractual rights to effluent relating to PVNGS and, alternatively, seek confirmation of those rights. In 1999, the Arizona Supreme Court issued a decision finding that certain groundwater rights may be available to the federal government and Native American tribes. In addition, the Arizona Supreme Court issued a decision in 2000 affirming the lower court's criteria for resolving groundwater claims. Litigation on these issues has continued in the trial court. No trial dates have been set in these matters. PNM does not expect that this litigation will have a material impact on its results of operation, financial position, or cash flows.

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 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.

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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. Mediation on the matter is ongoing and parties are continuing to discuss a potential settlement. PNM cannot predict the outcome of these matters.

Merger-Related Litigation

As of February 19, 2021 six purported shareholders of PNMR have filed lawsuits against PNMR and the members of the Board challenging the proposed Merger with Avangrid. 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 have been consolidated and the consolidated case is captioned In re PNM Resources, Inc. Shareholder Litigation, Consolidated Civil Action No. 1:20-CV-10874. The case pending in the Eastern District of New York is captioned Durlacher v. PNM Resources, Inc., et al., Case No. 1:21-cv-0024. The lawsuits challenge the adequacy of the disclosures in the definitive proxy statement filed by PNMR with the SEC on January 5, 2021 and seek, 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’ fees and expenses. PNMR believes that the claims raised in the actions are without merit and intends to defend against them vigorously.

(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.

PNM

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New Mexico General Rate Cases

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. PNM periodically updated its estimate of the amount of time necessary for the NM Supreme Court to render a decision and for the NMPRC to take action on any remanded issues. As a result of those evaluations, through December 31, 2018, PNM recorded accumulated pre-tax impairments of its capital investments subject to

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the appeal in the amount of \$18.4 million, of which \$4.0 million was recorded during the year ended December 31, 2018, and \$3.1 million was recorded during the year ended December 31, 2017.

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 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

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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.

Renewable 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 a rate rider. See Renewable Energy Rider below.

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 161.0 MW at December 31, 2020, owned by customers or third parties from whom PNM purchases any net excess output and RECs

On June 1, 2017, PNM filed its 2018 renewable energy procurement plan. PNM requested approval to procure an additional 80 GWh in 2019 and 105 GWh in 2020 from a re-powering of New Mexico Wind; approval to procure an additional 55 GWh in 2019 and 77 GWh in 2020 from a re-powering of Lightning Dock Geothermal; approval to procure 50 MW of new PNM-owned solar facilities to be constructed beginning in 2018, and continuation of customer REC purchase programs and other purchases of RECs to ensure annual compliance with the RPS. The plan also sought a variance from the “other” diversity category in 2018 due to a revised production forecast of the Lightning Dock Geothermal facility in 2018. On October 17, 2017, the Hearing Examiner issued a recommended decision that PNM’s 2018 renewable energy procurement plan be approved by the NMPRC, except for the re-powering of Lightning Dock Geothermal and PNM’s request to procure 50 MW of new PNM-owned solar facilities. On November 15, 2017, the NMPRC issued an order approving PNM’s plan and rejecting the Hearing Examiner’s recommendations. On November 29, 2017, NM AREA filed an appeal with the NM Supreme Court objecting to the fuel allocation methodology and requested a partial stay of the NMPRC order, which was denied. NEE subsequently filed a motion to intervene and cross-appeal objecting to the approval of the 50 MW of new PNM-owned solar facilities. On July 5, 2019, the NM Supreme Court approved a motion filed by NM AREA to dismiss its appeal. On August 8, 2019, the NM Supreme Court issued an opinion affirming the NMPRC’s approval of PNM’s 2018 renewable energy procurement plan and denying NEE’s cross appeal. This matter is now concluded.

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On June 1, 2018, PNM filed its 2019 renewable energy procurement plan. The plan met RPS and diversity requirements for 2019 and 2020 using resources already approved by the NMPRC and did not propose any significant new procurements. PNM projected the plan would be within the RCT in 2019 and will slightly exceed the current RCT in 2020. The NMPRC approved PNM's 2019 renewable energy procurement plan on November 28, 2018.

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 intends to utilize the BB2 line to deliver power from the PPA. See additional discussion below under Application for a New 345-kV Transmission Line. PNM's 2020 renewable energy procurement plan requested a variance from the RPS for 2020 and proposes the shortfall be met with excess RECs that will be 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 Examiners recommended decision and approved PNM's 2020 renewable energy procurement plan.

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 with the exception of PNM's request to recover the Sky Blue regulatory asset. 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.

Renewable Energy Rider

The NMPRC has authorized PNM to recover certain renewable procurement costs through a rate rider billed on a per KWh basis. PNM recorded revenues from the rider of \$56.4 million, \$52.0 million, and \$41.4 million in 2020, 2019, and 2018. The 2020 renewable energy procurement plan became effective on February 1, 2020. In its 2021 renewable energy procurement plan case, PNM proposed to collect \$67.8 million through a revised rate rider beginning in 2021. The NMPRC approved 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. The revised rate rider became effective on January 1, 2021.

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 2019 and does not expect to exceed the limitation in 2020.

Energy Efficiency and Load Management

Program Costs and Incentives/Disincentives

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

On July 26, 2017, PNM, NMPRC staff, and other parties filed a stipulation in PNM’s energy efficiency and load management application, providing for all of PNM’s proposed energy efficiency and load management programs to be approved with limited modifications and PNM’s base level incentive would be \$1.7 million and could earn an incentive of up to \$1.9 million based on savings of 69 GWh in 2018. The settlement also established a base level incentive for PNM of \$1.8 million with the opportunity to earn up to \$2.7 million in 2019 and required PNM to make a filing in 2019 to address incentives to be earned in 2020. On November 8, 2017, the Hearing Examiner recommended approval of the stipulation with various modifications, including adoption of a discount rate equal to the tax-adjusted WACC of 9.59% rather than the 7.71% proposed in the stipulation and modifying the program budgets to \$23.6 million for 2018 and \$24.9 million for 2019. On January 31, 2018, the NMPRC issued an order that largely accepted the certification with certain exceptions concerning the measurement and verification of the approved load management programs.

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, 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 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, on January 1, 2022, PNM would begin to collect the difference from customers if the revenue per customer from the NM 2015 Rate Case exceeds the actual revenue recovered in 2021, or return the

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difference to customers if the actual revenue per customer recovered in 2021 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, Staff and WRA filed testimony. CCAE and WRA support PNM's petition, but recommend 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 oppose 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. 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.

2017 IRP

PNM filed its 2017 IRP on July 3, 2017 addressing the 20-year planning period, from 2017 through 2036. Key findings of the 2017 IRP included, among other things, that retiring PNM's share of SJGS in 2022 and existing ownership in Four Corners in 2031 would provide long-term cost savings for PNM's customers and that the best mix of new resources to replace the retired coal generation would include solar energy and flexible natural gas-fired peaking capacity as well as energy storage, if the economics support it, and wind energy provided additional transmission capacity becomes available. The 2017 IRP also indicated that PNM should retain the currently leased capacity in PVNGS. See additional discussion of PNM's leased capacity in PVNGS below and in Note 8. PNM's 2017 IRP was subject to extensive hearings and legal challenges and was accepted as compliant with the applicable statute and rules by the NMPRC on December 19, 2018, with further consideration being denied.

2020 IRP

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.

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

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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 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 including PNM’s recommended replacement scenario, which would have provided cost savings to customers compared to continued operation of SJGS, preserved system reliability, and is consistent with PNM’s plan to have an emissions-free generation portfolio by 2040. This plan would have provided PNM authority to construct and own a 280 MW natural gas-fired peaking plant, to be located on the existing SJGS facility site, and 70 MW of battery storage facilities. In addition, PNM’s recommended replacement resource scenario would have allowed PNM to execute PPAs to procure renewable energy from a total of 350 MW of solar-PV generating facilities and for energy from a total of 60 MW of battery storage facilities. PNM’s application included three other replacement resource scenarios that would have placed a greater amount of resources in the San Juan area, or resulted in no new fossil-fueled generating facilities, or no battery storage facilities being added to PNM’s portfolio. When compared to PNM’s recommended replacement resource scenario, the three alternative resource scenarios were expected to result in increased costs to customers and the two alternative resource scenarios that result in no new fossil-fueled generating facilities were expected to not provide adequate system reliability. 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 Securitization Bonds would also be used to fund approximately \$19.8 million for economic development in the four corners area.

As discussed in Note 16, the NM Supreme Court granted a request by PNM to stay a January 30, 2019 NMPRC order requiring PNM to file an abandonment application for SJGS by March 1, 2019. On June 26, 2019, and after the effective date of the ETA, the NM Supreme Court lifted the stay and denied PNM’s petition without discussion. 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 but did not definitively indicate if the abandonment and financing proceedings would be evaluated under the requirements of the ETA. The NMPRC’s July 10, 2019 order also extended the deadline to issue the abandonment and financing order to nine months and to issue the replacement resources order to 15 months. On July 22, 2019, Western Resource Advocates filed a motion requesting the NMPRC clarify whether it intends to evaluate the abandonment and financing proceeding under the requirements of the ETA and, in the event the abandonment and financing proceeding would not be evaluated under the ETA, to reconsider its decision and provide parties an opportunity to present oral argument on the matter. The NMPRC chair responded on July 24, 2019, indicating that the Hearing Examiners assigned to the proceeding would address the issue of law applicable to the approvals sought by PNM in the scheduling orders. On July 25, 2019, the Hearing Examiners issued procedural orders that set public hearings on SJGS abandonment and related financing to begin on December 10, 2019, on PNM’s proposed PPA replacement resources to begin on December 2, 2019, and on PNM-owned replacement resources to begin on March 2, 2020. These procedural orders were subsequently amended to allow public hearings for both the PPA and PNM-owned replacement resources to begin in January 2020. The procedural orders also required PNM to file legal brief by August 23, 2019 regarding the extent to which the state constitution might prevent the ETA from applying to the issues in each proceeding, that parties file responses to PNM’s legal briefs by October 18, 2019, and that parties may file testimony on the merits of their claims regarding the SJGS abandonment and

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replacement resources if the ETA is ultimately determined to not apply to PNM's application. On July 29, 2019, Western Resource Advocates filed a motion for interlocutory appeal of the July 24, 2019 order indicating that the procedural order would not provide parties adequate time to determine the applicability of the ETA and requesting an expedited decision from the NMPRC stating their intent to review the proceedings under the requirements of the ETA or under prior law. On August 21, 2019, the NMPRC denied the motion for interlocutory appeal. On August 23, 2019, PNM filed legal briefing in support of the applicability of the ETA to all aspects of the consolidated application. On October 18, 2019, various parties filed legal briefings with a range of positions that support or oppose the applicability of the ETA, as well as testimony regarding the SJGS abandonment and financing proceedings.

On August 26, 2019, NEE and other advocacy groups filed an emergency petition for a *writ of mandamus* requesting the NM Supreme Court stay the SJGS abandonment and financing proceedings, declare the ETA inapplicable to such proceedings and declare certain provisions of the ETA unconstitutional because they limit the regulatory oversight responsibilities of the NMPRC. The petition was dismissed for failure to comply with the appellate rules and an amended petition was filed on September 18, 2019. On August 30, 2019, PNM and other parties filed a petition for a *writ of mandamus* requesting the NM Supreme Court clarify that the reason underlying its June 2019 decision denying the stay was due to the passage of the ETA and to clarify that the ETA applies to any application filed after the stay had been lifted. In early October 2019, the NM Supreme Court denied both PNM's and NEE's petitions for *writ of mandamus* without discussion.

On December 9, 2019, the Governor of the State of New Mexico, the President of the Navajo Nation, and several New Mexico state senators and representatives filed an emergency petition for a *writ of mandamus* requesting the NM Supreme Court require the NMPRC to comply with its constitutional duties and apply the ETA to every aspect of PNM's SJGS Abandonment Application. The petition indicated the NMPRC's January 2019 order to initiate SJGS abandonment proceedings was intended to create a pending case predating the effectiveness of the ETA, that irreversible harm to the state of New Mexico and the Navajo Nation has resulted from the NMPRC's refusal to establish the applicability of the ETA, and that the NMPRC's refusal to review the SJGS abandonment and financing proceedings under the ETA violates the authority of the legislature and the separation of powers doctrine. On December 16, 2019, the NM Supreme Court issued an order requiring responses by January 3, 2020. PNM and other parties filed in support of the petition and NEE submitted a filing indicating the petition should be denied. On January 3, 2020, the NMPRC filed its response stating that, among other things, the NMPRC's order initiating SJGS abandonment proceedings was made pursuant to the NMPRC's December 2015 order authorizing the abandonment of SJGS Units 2 and 3 by December 2017, which predates the ETA and required PNM to submit a filing regarding the future of SJGS by December 31, 2018, and that the NMPRC has an obligation to provide parties in the case due process regarding the applicability of the ETA to PNM's application. In January 2020, the NM Supreme Court denied NEE's and other parties petitions, granted PNM's motion to intervene, and scheduled oral arguments to be presented by the NMPRC and PNM. On January 29, 2020, and after oral argument, the NM Supreme Court issued a ruling requiring the NMPRC apply the ETA to all aspects of PNM's SJGS Abandonment Application, indicating any previous NMPRC orders inconsistent with their ruling should be vacated, and denying parties' request for stay. The NM Supreme Court issued a subsequent opinion, on July 23, 2020, fully explaining the legal rationale for the January 29, 2020 ruling.

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 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

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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. PNM cannot predict the outcome of this matter.

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 as of December 31, 2020. These estimates may be adjusted in future periods as the Company refines its expectations. In addition, as discussed above these costs may be challenged by parties pursuant to the notices of appeal filed with the NM Supreme Court on April 10, 2020.

On March 27, 2020, the Hearing Examiners issued a partial recommended decision on PNM's request for approval of replacement resources recommending that the NMPRC bifurcate consideration of PNM's requested replacement resources. The Hearing Examiners recommended that the NMPRC approve two of PNM's requested replacement resources, including the 300 MW solar PPA combined with a 40 MW battery storage agreement and the 50 MW solar PPA combined with a 20 MW battery storage agreement. The Hearing Examiners recommended that the two solar and battery procurements be approved first because they are the most cost-effective resources proposed in the case, are supported by the majority of parties, and the economics of the projects will be in jeopardy if approval is delayed past April 30, 2020. The Hearing Examiners recommended that PNM be permitted to recover the energy costs of these PPAs through its FPPAC, and that PNM should recover the demand cost of the energy storage agreements in base rates in a future general rate case. On April 29, 2020, the NMPRC issued an order declining to bifurcate a determination on replacement resources and deferring final consideration until the issuance of a comprehensive recommended decision addressing the entire portfolio of replacement resources.

On June 24, 2020, the Hearing Examiners issued a second recommended decision on PNM's request for approval of replacement resources that addressed the entire portfolio of replacement resources and superseded their March 27, 2020 partial recommended decision. 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. The Hearing Examiners recommended that the NMPRC take one of two approaches to select replacement resources. The first approach emphasized resource selection criteria identified in the ETA which include the location of replacement resources over resource selection criteria traditionally applied by the NMPRC including price and reliability. This approach recommended approval of a replacement resource portfolio that includes a 300 MW solar PPA combined with a 150 MW battery storage agreement, a 50 MW solar PPA combined with a 20 MW battery storage agreement, a 200 MW solar PPA combined with a 100 MW battery storage agreement, a 100 MW solar PPA combined with a 30 MW battery storage agreement, and approximately 24 MW of demand

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response. The second approach emphasized the NMPRC’s traditional resource selection criteria including price and reliability, which included a mix of solar PPAs combined with battery storage agreements and a 200 MW PNM-owned natural gas facility. The Hearing Examiners recommended that the NMPRC require PNM to file, within 30 days, any new proposed PPAs and battery storage agreements required to implement the replacement resource portfolio approved by the NMPRC in a new docket for expedited consideration. The Hearing Examiners also recommended that PNM be permitted to recover the energy costs of these PPAs through its FPPAC, and that PNM should recover the demand cost of the battery storage agreements in base rates in a future general rate case. On July 29, 2020, the NMPRC issued an order approving the Hearing Examiners' first recommended approach, concluding that this approach satisfies threshold reliability considerations for replacement resources. 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 has 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 that are not currently in evidence that have been approved by the NMPRC.

On September 28, 2020 PNM filed its application for approval of the final executed contracts for the replacement resources. PNM proposed an alternative to the 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 agreement: a single 299 MW solar PPA combined with a 130 MW battery storage agreement. Approval of the alternative would result in customer savings without materially changing the resource selection criteria relied on by the NMPRC in approving 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. PNM asked the NMPRC to issue a final order in the proceeding no later than December 4, 2020 to allow for expeditious approval of the contracts so that the replacement resources may be in service to meet peak summer demand in 2022. 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 agreement and denial of PNM’s alternative request for approval of a single 299 MW solar PPA combined with a 130 MW battery storage agreement. On December 2, 2020 the NMPRC issued an order adopting the recommended decision in its entirety.

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 current assets on the Consolidated Balance Sheet as of December 31, 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, estimated \$7.3 million in upfront financing costs, and 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. This deferral is authorized by the ETA and will provide for adequate time to complete a competitive bid process to develop and finalize a replacement resource portfolio from feasible replacement resources for NMPRC consideration.

On January 26, 2021, Sierra Club filed a motion in the Four Corners Abandonment Application requesting that the NMPRC

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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 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 dismiss the case. The order requires PNM to file an amended application by March 15, 2021; establishes 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; requires PNM to file supplemental testimony addressing the prudence of its investment in Four Corners; requires PNM to more explicitly address the statutory standards for approval of the proposed transfer to NTEC; and requires PNM to withdraw the January 8, 2021 Four Corners Application.

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.

Cost Recovery Related to Joining the EIM

The California Independent System Operator (“CAISO”) developed the Western Energy Imbalance Market (“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 anticipates it will begin participating in the EIM in April 2021.

Facebook, Inc. Data Center Project

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PNM has a special service contract to provide service to Facebook, Inc. for a data center being constructed in PNM's service area. Facebook'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 Facebook under a rate rider. A special service rate is applied to Facebook's energy consumption in those hours of the month when their consumption exceeds the energy production from the renewable resources. As of December 31, 2020, 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 be operational in December 2021
- 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. In its application, PNM filed a Motion for Expedited Consideration seeking an expedited schedule for this proceeding that would provide a Final Order by June 1, 2021, in order to facilitate timely completion of the renewable resources to meet the expected completion date of the Data Center expansion. On February 17, 2021 the NMPRC approved an order with a schedule targeting a final order by June 1, 2021.

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 September 2021. This matter is now concluded.

Application for a New 345-kV Transmission Line

On August 10, 2018, PNM filed an application seeking NMPRC approval of a CCN to construct and operate a 345-kV transmission line and associated facilities (the "BB2 Line"), and to determine the rate making treatment to apply to the BB2 line and related rights-of-way. PNM's application requested that the NMPRC apply standard ratemaking treatment to the estimated \$85 million cost of the project resulting in a jurisdictional allocation of costs to all of PNM's transmission and retail customers. On June 12, 2019, the NMPRC issued an updated final order granting the CCN but defers rate making treatment to a future rate case. On October 2, 2020, PNM made a voluntary interim compliance filing notifying the NMPRC that the cost of the project increased by

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approximately \$24 million, to approximately \$109 million. The filing states that the updated engineering requirements, particularly increased strength requirements for the steel structures as the reason for the cost increase. The BB2 Line was placed in service in December 2020. 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 New Mexico, LLC (“Pattern Wind”), an affiliate of Western Spirit and Pattern Development. As a part of the arrangement, the parties executed a Build Transfer Agreement that would allow PNM to purchase the approximately 165-mile 345-kV transmission line and associated facilities (the “Western Spirit Line”). The Western Spirit Line will be developed and constructed by RETA and Western Spirit LLC and sold to PNM upon its commercial operation date. The Build Transfer Agreement contains a number of customary representations and warranties and indemnification provisions as well as closing conditions, including regulatory and third-party approvals, and if necessary, anti-trust review under the Hart-Scott-Rodino Act. The Build Transfer Agreement also includes termination provisions that can be exercised under certain circumstances, including failure of the developer to achieve project milestones or to achieve commercial operation by specified dates, and failure of an affiliate of Pattern Wind to provide adequate credit support prior to closing. PNM estimates the net cost of the project to be approximately \$285 million, including an estimated \$75 million that Pattern Wind has chosen to self-fund under the agreement.

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.

PNM also has entered into Transmission Service Agreements and other ancillary agreements (“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.

On October 29, 2020 PNM received written notice from Western Spirit that all conditions set forth in the Build Transfer Agreement for Development Completion had been satisfied. These conditions include state and federal regulatory approvals, real property rights for right-of-way easements, environmental and construction permits and arrangements for financing the project. On November 5, 2020 PNM provided Western Spirit Development Completion Acknowledgement. On December 31, 2020 Pattern Energy Group LP achieved financial close on financing necessary for construction of the combined wind and transmission projects related to Western Spirit.

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,

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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 the novel coronavirus global pandemic (“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 is applicable during the duration of the Governor of New Mexico’s emergency executive order and allows 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 propose 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 of December 31, 2020 PNM deferred incremental costs related to COVID-19 of \$8.8 million in a regulatory asset and cost savings related to COVID-19 of \$0.9 million in a regulatory liability on the Consolidated Balance Sheet. The NMPRC’s order also imposed additional quarterly reporting requirements on public utilities creating regulatory assets that include changes in customer usage and increased costs and savings recorded to regulatory assets and liabilities.

On February 3, 2021 the NMPRC issued an order finding that the temporary mandatory moratorium on disconnections of residential utility customers shall be in effect from the date of the order for 100 days (May 14th). At the end of the moratorium, a 90 day transition period will begin, which continues the temporary moratorium on disconnections to provide the utilities additional time to assist residential customers with arrearages to enter into installment agreements. The transition period may be a mandatory continuation of the temporary moratorium on disconnections if the Governor of New Mexico’s executive order remains in effect or may be a consensual continuation of the moratorium on disconnections if the Governor of New Mexico’s executive order terminates or expires prior to the end of the transition period. All regulated public utilities may begin 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 Transportation Electrification Program (“TEP”) for approval with the NMPRC. PNM’s requested TEP includes 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, as well as for authority to file a new TEP by the end of June 2023.

TNMP

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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%. As discussed in Note 18, at December 31, 2017, TNMP recorded a regulatory liability of \$146.5 million to reflect the change in federal corporate income tax rates that will be refunded to customers in future periods. The TNMP 2018 Rate Case application proposed to refund \$14.4 million of this regulatory liability over a period of five years and the remaining amount over the estimated useful lives of plant in service as of December 31, 2017.

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 the 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 is being charged to customers over a period of approximately three years beginning on the effective 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

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rate proceeding or distribution cost recovery factor filing.

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 approved EECRF increases:

Effective Date	Aggregate	
	Collection Amount	Performance Bonus
(In millions)		
March 1, 2018	\$ 6.0	\$ 1.1
March 1, 2019	5.6	0.8
March 1, 2020	5.9	0.8

On May 29, 2020, TNMP filed its request to adjust the EECRF to reflect changes in costs for 2021. The total amount requested was \$5.9 million of program costs in 2021, which included a performance bonus of \$1.0 million based on TNMP’s energy efficiency achievements in the 2019 plan year. On July 27, 2020, a unanimous settlement stipulation was filed with the PUCT to recover its requested costs in 2021, including the performance bonus of \$1.0 million. On September 10, 2020, the PUCT issued a final order approving TNMP’s energy efficiency application.

Transmission Cost of Service Rates

TNMP can update its transmission cost of service (“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	Annual
	Increase in	Increase in
	Rate Base	Revenue
(In millions)		
March 27, 2018	\$ 32	\$ 0.6
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

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On January 22, 2021, TNMP filed an application to further update its transmission rates, which would increase revenues by \$14.1 million annually, based on an increase in rate base of \$112.6 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.

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 distribution investments 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. Subsequently, the ALJ issued an order on June 30, 2020, approving interim rates effective September 1, 2020, and remanding the case to the PUCT for approval. On August 13, 2020 the PUCT approved the unanimous settlement.

Competition Transition Charge Compliance Filing

In connection with the adoption of Senate Bill 7 by the Texas Legislature in 1999 that deregulated electric utilities operating within ERCOT, TNMP was allowed to recover its stranded costs through the CTC and to recover a carrying charge on the CTC. The amounts yet to be collected are recorded as regulatory assets by TNMP. Further, the order authorizing TNMP's CTC included a true-up provision requiring an adjustment to the CTC due to a cumulative over- or under-collection of revenues, including interest, greater-than or equal to 15% of the most recent annual CTC funding amount. On July 10, 2020, TNMP filed to reconcile and stop the CTC surcharge beginning on September 1, 2020, as TNMP had fully collected its CTC regulatory asset. On July 23, 2020, the ALJ accepted TNMP's filing effectively stopping the CTC surcharge on September 1, 2020. TNMP made a compliance filing on September 14, 2020, to reconcile recoveries under the rider. On September 28, 2020, PUCT Staff filed its recommendation for approval of TNMP's proposed revisions to the CTC Rider and on September 29, 2020 the ALJ approved the recommended decision with rates effective for one month in November 2020. Pursuant to the order approved by the ALJ, a final compliance filing was made on January 11, 2021, concluding the matter.

Order Related to Changes in Federal Income Tax Rates

On January 25, 2018, the PUCT issued an accounting order that addresses the change in the federal corporate income tax rates on investor-owned utilities in the state of Texas. The order required investor-owned utilities to record a regulatory liability equal to the reduction in accumulated federal deferred income tax balances at the end of 2017 due to the change in the federal corporate income tax rate. In addition, the order required that a regulatory liability be recorded to reflect the difference between revenues collected under existing rates and those that would have been collected had those rates been set reflecting federal income tax reform beginning on the date of the order. In compliance with the PUCT order, during the year ended December 31, 2018, TNMP reduced revenues by \$5.4 million, which amount was offset against TNMP's Hurricane Harvey restoration costs and is being refunded to customers as a component of a new rate rider over a period of approximately three years beginning on January 1, 2019.

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 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.

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TNMP filed its rider on March 30, 2020. The rider was effective immediately and establishes a charge of \$0.33 per MWh in accordance with the PUCT's order. As of December 31, 2020, collections under the rider exceeded unpaid residential retail customer bills and are presented net as a regulatory liability of \$0.1 million on the Consolidated Balance Sheet. Other COVID-19 related costs of \$0.7 million were also recorded as a regulatory asset on the Consolidated Balance Sheet. On April 14, 2020, TNMP executed an interest-free loan agreement to borrow \$0.5 million from ERCOT. On October 30, 2020, TNMP repaid the balance of the loan.

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 and 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 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 2019, the IRS issued proposed regulations interpreting Tax Act amendments to depreciation provisions of the IRC that allow 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, the unprotected portion of excess deferred federal income taxes to customers over a period of approximately twenty-three years, and excess deferred state income taxes to customers over a period of three years. 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. See additional discussion of PNM's NM 2016 Rate Case and TNMP's 2018 Rate Case in Note 17.

In December 2017, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provided guidance to address the application of GAAP to reflect the Tax Act in circumstances where all information and analysis was not yet available or complete. This bulletin provided for a one-year period in which to complete the required analyses and accounting for the impacts of the Tax Act. In accordance with SAB 118, the Company completed its analysis of the impacts of the Tax Act in 2018.

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The adjustments to deferred income taxes resulting from completion of the Company's analysis, which resulted primarily from differences between the estimated amounts recorded as of December 31, 2017 and the actual amounts reflected in the Company's 2017 tax return filing, including adjustments resulting from additional guidance and interpretations to the Tax Act issued in 2018 related to bonus depreciation, certain incentive compensation, and other items are presented below:

	PNM	TNMP	Corporate and Other	Consolidated
	(In thousands)			
Net increase (decrease) in regulatory liabilities	\$ 11,244	\$ (4,069)	\$ —	\$ 7,175
Net decrease in deferred income tax liabilities (deferred income tax assets)	(2,175)	(9,784)	13,869	1,910
Net increase in affiliate receivables (affiliate payables)	12,300	4,042	(16,342)	—
Net deferred income tax expense	\$ 1,119	\$ 1,673	\$ 2,473	\$ 5,265

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 is reflected in income taxes on the Company's Consolidated Statements of Earnings for the year ended December 31, 2019.

PNMR

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

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Current federal income tax	\$ —	\$ 60	\$ —
Current state income tax	231	43	(244)
Deferred federal income tax	17,574	(20,372)	7,716
Deferred state income tax	3,721	(4,491)	648
Amortization of accumulated investment tax credits	(890)	(522)	(345)
Total income taxes (benefits)	\$ 20,636	\$ (25,282)	\$ 7,775

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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,		
	2020	2019	2018
	(In thousands)		
Federal income tax at statutory rates	\$ 43,670	\$ 14,038	\$ 22,902
Amortization of accumulated investment tax credits	(890)	(522)	(345)
Amortization of excess deferred income tax (Note 17)	(30,723)	(37,799)	(19,779)
Flow-through of depreciation items	1,368	1,136	712
Earnings attributable to non-controlling interest in Valencia	(2,943)	(2,991)	(3,173)
State income tax, net of federal benefit	6,961	298	1,358
Impairment of state net operating loss carryforwards	—	—	—
Allowance for equity funds used during construction	(2,363)	(1,990)	(2,185)
Impairment of charitable contribution carryforward	—	—	—
Regulatory recovery of prior year impairments of state net operating loss carryforward, including amortization	1,367	1,367	1,367
Federal income tax rate change	—	—	2,914
Tax expense (benefit) related to stock compensation awards	(392)	(795)	4,647
Non-deductible compensation	2,630	1,156	891
Other	1,951	820	(1,534)
Total income taxes (benefits)	\$ 20,636	\$ (25,282)	\$ 7,775
Effective tax rate	9.92 %	(37.82)%	7.13 %

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

	December 31,	
	2020	2019
	(In thousands)	
Deferred tax assets:		
Net operating loss	\$ 41,419	\$ 59,488
Regulatory liabilities related to income taxes	148,961	145,087
Federal tax credit carryforwards	121,354	101,231
Regulatory disallowances	38,531	34,639
Other	42,885	54,199
Total deferred tax assets	393,150	394,644
Deferred tax liabilities:		
Depreciation and plant related	(738,342)	(787,928)
Investment tax credit	(98,669)	(81,186)
Regulatory assets related to income taxes	(61,330)	(58,495)
CTC	—	(1,466)
Pension	(37,099)	(35,029)
Regulatory asset for shutdown of SJGS Units 2 and 3	(27,237)	(28,831)
Other	(124,985)	(27,767)
Total deferred tax liabilities	(1,087,662)	(1,020,702)
Net accumulated deferred income tax liabilities	\$ (694,512)	\$ (626,058)

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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:

	Year Ended
	December 31, 2020
	(In thousands)
Net change in deferred income tax liability per above table	\$ 68,454
Change in tax effects of income tax related regulatory assets and liabilities	(11,602)
Amortization of excess deferred income tax	(30,723)
Tax effect of mark-to-market adjustments	(3,206)
Tax effect of excess pension liability	(3,670)
Adjustment for uncertain income tax positions	2,459
Reclassification of unrecognized tax benefits	(2,459)
Amortization of state net operating loss recovered in prior years	1,367
Refundable alternative minimum tax credit carryforward reclassified to receivable	—
Other	(215)
Deferred income taxes (benefits)	<u>\$ 20,405</u>

PNM

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

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Current federal income tax	\$ —	\$ (6,266)	\$ (6,644)
Current state income tax	(585)	449	(2,661)
Deferred federal income tax	20,125	(12,308)	5,661
Deferred state income tax	2,560	(7,590)	(2,080)
Amortization of accumulated investment tax credits	(243)	(247)	(247)
Total income taxes (benefit)	<u>\$ 21,857</u>	<u>\$ (25,962)</u>	<u>\$ (5,971)</u>

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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,		
	2020	2019	2018
	(In thousands)		
Federal income tax at statutory rates	\$ 38,193	\$ 6,187	\$ 13,514
Amortization of accumulated investment tax credits	(243)	(247)	(247)
Amortization of excess deferred income tax (Note 17)	(21,609)	(28,923)	(19,779)
Flow-through of depreciation items	1,279	1,077	674
Earnings attributable to non-controlling interest in Valencia	(2,943)	(2,991)	(3,173)
State income tax, net of federal benefit	7,111	92	1,323
Impairment of state net operating loss carryforwards	—	—	—
Allowance for equity funds used during construction	(1,461)	(1,398)	(1,716)
Regulatory recovery of prior year impairment of state net operating loss carryforward, net of amortization	1,367	1,367	1,367
Federal income tax rate change	—	—	(683)
Allocation of tax expense (benefit) related to stock compensation awards	(279)	(559)	3,967
Non-deductible compensation	1,554	683	612
Other	(1,112)	(1,250)	(1,830)
Total income taxes (benefit)	<u>\$ 21,857</u>	<u>\$ (25,962)</u>	<u>\$ (5,971)</u>
Effective tax rate	12.02 %	(88.13)%	(9.28)%

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

	December 31,	
	2020	2019
	(In thousands)	
Deferred tax assets:		
Net operating loss	\$ —	\$ 25,889
Regulatory liabilities related to income taxes	121,569	114,849
Federal tax credit carryforwards	84,719	82,983
Shutdown of SJGS Units 2 and 3	—	—
Regulatory disallowance	38,531	34,639
Other	46,444	38,735
Total deferred tax assets	<u>291,263</u>	<u>297,095</u>
Deferred tax liabilities:		
Depreciation and plant related	(576,079)	(630,293)
Investment tax credit	(74,424)	(74,667)
Regulatory assets related to income taxes	(51,493)	(49,479)
Pension	(32,413)	(30,609)
Regulatory asset for shutdown of SJGS Units 2 and 3	(27,237)	(28,831)
Other	(108,767)	(5,206)
Total deferred tax liabilities	<u>(870,413)</u>	<u>(819,085)</u>
Net accumulated deferred income tax liabilities	<u>\$ (579,150)</u>	<u>\$ (521,990)</u>

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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:

	Year Ended December 31, 2020
	(In thousands)
Net change in deferred income tax liability per above table	\$ 57,160
Change in tax effects of income tax related regulatory assets and liabilities	(7,936)
Amortization of excess deferred income tax	(21,609)
Tax effect of mark-to-market adjustments	(3,325)
Tax effect of excess pension liability	(3,670)
Adjustment for uncertain income tax positions	2,454
Reclassification of unrecognized tax benefits	(1,999)
Amortization of state net operating loss recovered in prior years	1,367
Other	—
Deferred income taxes (benefits)	<u>\$ 22,442</u>

TNMP

TNMP's income taxes consist of the following components:

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Current federal income tax	\$ 12,048	\$ 10,792	\$ 13,347
Current state income tax	2,033	1,904	1,753
Deferred federal income tax	(7,744)	(7,621)	(540)
Deferred state income tax	(29)	(29)	2,320
Total income taxes	<u>\$ 6,308</u>	<u>\$ 5,046</u>	<u>\$ 16,880</u>

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

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Federal income tax at statutory rates	\$ 13,628	\$ 12,778	\$ 14,379
Amortization of excess deferred income tax	(9,113)	(8,876)	—
State income tax, net of federal benefit	1,625	1,532	1,454
Allocation of tax expense (benefit) related to stock compensation awards	(112)	(236)	735
Officer compensation	1,071	471	277
Other	(791)	(623)	35
Total income taxes	\$ 6,308	\$ 5,046	\$ 16,880

Effective tax rate 9.71 % 8.29 % 24.65 %

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

	December 31,	
	2020	2019
	(In thousands)	
Deferred tax assets:		
Regulatory liabilities related to income taxes	\$ 27,392	\$ 30,238
Other	4,548	3,788
Total deferred tax assets	31,940	34,026
Deferred tax liabilities:		
Depreciation and plant related	(148,279)	(142,791)
CTC	—	(1,466)
Regulatory assets related to income taxes	(9,836)	(9,016)
Loss on reacquired debt	(6,072)	(6,345)
Pension	(4,685)	(4,420)
AMS	(6,915)	(8,473)
Other	(1,522)	(1,666)
Total deferred tax liabilities	(177,309)	(174,177)
Net accumulated deferred income tax liabilities	\$ (145,369)	\$ (140,151)

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

	Year Ended December 31, 2020
	(In thousands)
Net change in deferred income tax liability per above table	\$ 5,218
Change in tax effects of income tax related regulatory assets and liabilities	(3,666)
Amortization of excess deferred income tax	(9,113)
Other	(212)
Deferred income taxes (benefits)	<u>\$ (7,773)</u>

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, 2017	\$ 9,429	\$ 6,563	\$ 63
Additions based on tax positions related to 2018	543	543	—
Additions (reductions) for tax positions of prior years	222	182	40
Settlement payments	—	—	—
Balance at December 31, 2018	10,194	7,288	103
Additions based on tax positions related to 2019	329	329	—
Additions (reductions) 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 (reductions) for tax positions of prior years	173	168	5
Settlement payments	—	—	—
Balance at December 31, 2020	<u>\$ 13,152</u>	<u>\$ 10,230</u>	<u>\$ 119</u>

Included in the balance of unrecognized tax benefits at December 31, 2020 are \$10.7 million, \$7.8 million, and \$0.1 million

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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 2021.

PNMR, PNM, and TNMP had no estimated interest income or expense for the years ended December 31, 2020, 2019, and 2018. There was no accumulated accrued interest receivable or payable related to income taxes as of December 31, 2020 and 2019.

The Company files a federal consolidated and several consolidated and separate state income tax returns. The tax years prior to 2017 are closed to examination by either federal or state taxing authorities other than Arizona. The tax years prior to 2016 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, 2020, the Company has \$222.1 million of federal net operating loss carryforwards that expire beginning in 2031 and \$121.4 million of federal tax credit carryforwards that expire beginning in 2023. State net operating losses expire beginning in 2035 and vary from federal due to differences between state and federal tax law. The proposed Merger may impact the Company's ability to utilize its federal net operating loss and tax credit carryforwards.

In 2008, fifty percent bonus tax depreciation was enacted as a temporary two-year stimulus measure as part of the Economic Stimulus Act of 2008. Bonus tax depreciation in various forms has been extended since that time, including by the Protecting Americans from Tax Hikes Act of 2015. The 2015 act extended and phased-out bonus tax depreciation through 2019. As discussed above the Tax Act eliminated bonus depreciation for utilities effective September 28, 2017. However, in 2018 the IRS issued proposed regulations interpreting Tax Act amendments to depreciation provisions of the IRC which allowed the Company to claim a bonus depreciation deduction on certain construction projects placed in service after the third quarter of 2017. As a result of the net operating loss carryforwards for income tax purposes created by bonus depreciation, certain tax carryforwards were not expected to be utilized before their expiration. In addition, as a result of Tax Act changes to the deductibility of officer compensation, certain deferred tax benefits related to compensation are not expected to be realized. The Company has impaired the deferred tax assets for tax carryforwards which are not expected to be utilized and for compensation that is not expected to be deductible.

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.

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The impairments after reflecting the expiration of carryforwards under applicable tax laws, net of federal tax benefit, for 2018 through 2020 are as follows:

	<u>PNMR</u>	<u>PNM</u>	<u>TNMP</u>
	(In thousands)		
December 31, 2020:			
State tax credit carryforwards	\$ (425)	\$ —	\$ —
State net operating loss carryforwards	\$ —	\$ —	\$ —
Charitable contribution carryforwards	\$ —	\$ —	\$ —
Compensation expense	\$ 96	\$ 61	\$ 35
December 31, 2019:			
State tax credit carryforwards	\$ 425	\$ —	\$ —
State net operating loss carryforwards	\$ —	\$ —	\$ —
Charitable contribution carryforwards	\$ —	\$ —	\$ —
Compensation expense	\$ (99)	\$ (100)	\$ 2
December 31, 2018:			
State tax credit carryforwards	\$ —	\$ —	\$ —
State net operating loss carryforwards	\$ —	\$ —	\$ —
Charitable contribution carryforwards	\$ —	\$ —	\$ —
Compensation expense	\$ 410	\$ 298	\$ 111

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The impairments of unexpired state tax credits, state net operating loss, and charitable contribution carryforwards 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, 2020 and 2019 are as follows:

	PNMR	PNM	TNMP
	(In thousands)		
December 31, 2020:			
State tax credit carryforwards	\$ —	\$ —	\$ —
State net operating loss carryforwards	\$ —	\$ —	\$ —
Charitable contribution carryforwards	\$ —	\$ —	\$ —
Compensation expense	\$ 407	\$ 259	\$ 148
December 31, 2019:			
State tax credit carryforwards	\$ 425	\$ —	\$ —
State net operating loss carryforwards	\$ —	\$ —	\$ —
Charitable contribution carryforwards	\$ —	\$ —	\$ —
Compensation expense	\$ 311	\$ 198	\$ 113

(19) Goodwill

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

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

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

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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 amount of goodwill impairment to be recorded in the amount by which the carrying amount exceeds the reporting unit's fair value.

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 the annual evaluations performed as of April 1, 2018, PNMR utilized a quantitative analysis for the PNM reporting unit and a qualitative analysis for the TNMP reporting unit. The April 1, 2018 quantitative evaluations indicated the fair value of the PNM reporting unit, which has goodwill of \$51.6 million, exceeded its carrying value by approximately 19%. The 2018 qualitative analysis for the TNMP reporting unit was performed by considering changes in expectations of future financial performance since the April 1, 2016 quantitative analysis that indicated the fair value of the TNMP reporting unit, which has goodwill of \$226.7 million, exceeded its carrying value by approximately 32%. The 2018 analysis considered events specific to TNMP such as the potential impacts of legal and regulatory matters discussed in Note 16 and Note 17, including potential adverse outcomes in the then pending TNMP 2018 Rate Case. Based on an evaluation of these and other factors, the Company determined it is not more likely than not that the April 1, 2018 carrying values of PNM or TNMP exceeded their fair values.

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.

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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, the Company determined it was not more likely than not that the April 1, 2020 carrying value of TNMP exceeded its fair value. Since the April 1, 2020 annual evaluation, there have been no events, including the Merger, 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 (Note 7) 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,		
	2020	2019	2018
(In thousands)			
Services billings:			
PNMR to PNM	\$ 100,872	\$ 96,327	\$ 95,637
PNMR to TNMP	39,053	36,554	33,493
PNM to TNMP	383	375	367
TNMP to PNMR	141	141	140
TNMP to PNM	—	—	—
PNMR to NMRD	260	238	183
Renewable energy purchases:			
PNM from NMRD	9,638	3,124	2,924
Interconnection and facility study billings:			
PNM to NMRD	350	650	2,108
PNM to PNMR	—	—	68,820
PNMR to PNM	—	68,820	—
Interest billings:			
PNMR to PNM	6	3,365	2,585
PNM to PNMR	255	299	289
PNMR to TNMP	2	42	136
Income tax sharing payments:			
PNMR to TNMP	—	—	—
PNMR to PNM	—	—	—
PNM to PNMR	—	—	134
TNMP to PNMR	15,820	12,996	3,424

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(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. In December 2017, PNMR Development made a contribution to NMRD of its interest in three 10 MW solar facilities it was constructing and assigned its interests in several agreements related to those facilities to NMRD. The facilities had a book value of \$24.8 million, which approximated fair value at that time. AEP OnSite Partners made a cash contribution to NMRD equal to 50% of the value of the 30 MW solar capacity, amounting to \$12.4 million, which cash was then distributed from NMRD to PNMR Development. During 2020, 2019, and 2018 PNMR Development and AEP OnSite Partners each made cash contributions of \$23.3 million, \$38.3 million, and \$9.0 million to NMRD for its construction activities. At December 31, 2020, NMRD's renewable energy capacity in operation is 135.1 MW, which includes 130 MW of solar-PV facilities to supply energy to the Facebook 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.

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,		
	2020	2019	2018
	(In thousands)		
Operating revenues	\$ 10,366	\$ 3,662	\$ 3,147
Operating expenses	7,476	2,971	2,136
Net earnings	\$ 2,890	\$ 691	\$ 1,011

Financial Position

	December 31,	
	2020	2019
	(In thousands)	
Current assets	\$ 8,046	\$ 7,187
Net property, plant, and equipment	172,585	132,772
Non-current assets	1,900	—
Total assets	182,531	139,959
Current liabilities	841	9,640
Non-current liabilities	\$ 380	\$ —
Owners' equity	\$ 181,310	\$ 130,319

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(22) Merger

On October 20, 2020, PNMR, Avangrid, and Merger Sub, entered into the Merger Agreement pursuant to which Merger Sub will merge with and into PNMR, with PNMR surviving the Merger as a wholly-owned subsidiary of Avangrid.

Pursuant to the Merger Agreement, each issued and outstanding share of 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 time the Merger is consummated (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) will be converted into the right to receive \$50.30 in cash.

The proposed Merger has been unanimously approved by the Boards of Directors of PNMR, Avangrid and Merger Sub and approved by PNMR shareholders at the Special Meeting of Shareholders held on February 12, 2021. On January 20, 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. CFIUS completed its review of the Merger on February 2, 2021, and has concluded that there are no unresolved national security concerns with respect to the Merger. The early termination of the waiting period under the HSR Act and clearance by CFIUS satisfies two of the conditions to the closing of the transactions contemplated by the Merger Agreement. 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 (including the PUCT, the NMPRC, FERC, the FCC, and the NRC) 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 Merger is currently expected to close in the second half of 2021.

In connection with the Merger, Iberdrola, S.A. a corporation organized under the laws of the Kingdom of Spain, which owns 81.5% of the outstanding common stock of Avangrid ("Iberdrola"), has provided Avangrid a commitment letter (the "Iberdrola Funding Commitment Letter"), pursuant to which Iberdrola has unilaterally agreed to provide to Avangrid, or arrange the provision to Avangrid of, funds to the extent necessary for Avangrid to consummate the Merger, including the payment of the aggregate Merger consideration. To the extent Avangrid wishes to effect a funding transaction under the Iberdrola Funding Commitment Letter in order to pay the Merger consideration, the specific terms of any such transaction will be negotiated between Iberdrola and Avangrid on an arm's length basis and must be approved by both (i) a majority of the members of the unaffiliated committee of the board of directors of Avangrid, and (ii) the entire board of directors of Avangrid. Under the terms of such commitment letter, Iberdrola has agreed to negotiate with Avangrid the specific terms of any transaction effecting such funding commitment promptly and in good faith, with the objective that such terms shall be commercially reasonable and approved by Avangrid. Avangrid's and Merger Sub's obligations under the Merger Agreement are not conditioned upon Avangrid obtaining financing.

The Merger Agreement provides for certain customary termination rights including the right of either party to terminate the Merger Agreement if the Merger is not completed on or before January 20, 2022 (subject to a three-month extension by either party if all of the conditions to the closing, other than the conditions related to obtaining regulatory approvals, have been satisfied or waived). 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)), 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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(23) Quarterly Operating Results (Unaudited)

Unaudited operating results by quarters for 2020 and 2019 are presented below. In the opinion of management of the Company, all adjustments (consisting of normal recurring accruals) necessary for a fair statement of the results of operations for such periods have been included. The annual results of basic and diluted earnings per share shown below may be impacted by rounding.

	Quarter Ended			
	March 31	June 30	September 30	December 31
(In thousands, except per share amounts)				
PNMR				
2020				
Operating revenues	\$ 333,622	\$ 357,649	\$ 472,465	\$ 359,276
Operating income	47,738	71,150	147,805	18,588
Net earnings (loss)	(11,399)	61,561	125,453	11,701
Net earnings (loss) attributable to PNMR	(15,260)	57,489	121,768	8,778
Net earnings (loss) attributable to PNMR per common share:				
Basic	(0.19)	0.72	1.52	0.11
Diluted	(0.19)	0.72	1.52	0.10
2019				
Operating revenues	\$ 349,645	\$ 330,228	\$ 433,586	\$ 344,144
Operating income (loss)	36,723	(93,615)	140,540	60,552
Net earnings (loss)	21,662	(72,283)	106,763	35,989
Net earnings (loss) attributable to PNMR	18,700	(75,914)	102,771	31,805
Net earnings attributable to PNMR per common share:				
Basic	0.23	(0.95)	1.29	0.40
Diluted	0.23	(0.95)	1.28	0.40

(1)

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PNM

2020				
Operating revenues	\$ 248,133	\$ 260,788	\$ 364,504	\$ 266,409
Operating income	33,605	49,584	116,540	15,168
Net earnings (loss)	(12,196)	49,612	103,004	19,594
Net earnings (loss) attributable to PNM	(15,925)	45,672	99,451	16,803

2019				
Operating revenues	\$ 269,318	\$ 238,219	\$ 331,113	\$ 255,172
Operating income (loss)	24,293	(115,977)	108,453	44,299
Net earnings (loss)	21,974	(83,313)	84,721	32,040
Net earnings (loss) attributable to PNM	19,144	(86,812)	80,861	27,988

(1)

TNMP

2020				
Operating revenues	\$ 85,489	\$ 96,861	\$ 107,961	\$ 92,867
Operating income	14,345	23,175	31,779	19,154
Net earnings	7,092	16,174	23,921	11,398

2019				
Operating revenues	\$ 80,327	\$ 92,009	\$ 102,473	\$ 88,972
Operating income	12,585	22,578	32,596	18,055
Net earnings	4,098	15,267	25,087	11,347

(1) 2019 reflects pre-tax impairments of \$150.6 million offset by \$45.7 million of related tax impacts resulting from the NM Supreme Court's ruling on the appeals in the NM 2015 Rate Case. See Note 17.

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)	2,105,109,370	2,105,109,370
4	Property Under Capital Leases	18,306,546	18,306,546
5	Plant Purchased or Sold		
6	Completed Construction not Classified	88,085,052	88,085,052
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	2,211,500,968	2,211,500,968
9	Leased to Others		
10	Held for Future Use	12,736	12,736
11	Construction Work in Progress	61,308,348	61,308,348
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	2,272,822,052	2,272,822,052
14	Accum Prov for Depr, Amort, & Depl	597,303,090	597,303,090
15	Net Utility Plant (13 less 14)	1,675,518,962	1,675,518,962
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	581,111,535	581,111,535
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights		
21	Amort of Other Utility Plant	16,191,555	16,191,555
22	Total In Service (18 thru 21)	597,303,090	597,303,090
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)	597,303,090	597,303,090

Name of Respondent
Texas-New Mexico Power Company

This Report Is:
(1) An Original
(2) A Resubmission

Date of Report
(Mo, Da, Yr)
04/01/2021

Year/Period of Report
End of 2020/Q4

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

1. Report below the original cost of electric plant in service according to the prescribed accounts.
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.
3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
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.
5. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.
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)

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	17,817,532	410,375
5	TOTAL Intangible Plant (Enter Total of lines 2, 3, and 4)	17,817,532	410,375
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		
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)		

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
			18,227,907		4
			18,227,907		5
					6
					7
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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	16,131,583	1,669,034
49	(352) Structures and Improvements	15,920,699	7,174,487
50	(353) Station Equipment	220,543,721	46,631,996
51	(354) Towers and Fixtures	11,698,408	2,346,100
52	(355) Poles and Fixtures	203,122,147	48,164,935
53	(356) Overhead Conductors and Devices	96,554,292	13,355,125
54	(357) Underground Conduit		
55	(358) Underground Conductors and Devices		
56	(359) Roads and Trails		
57	(359.1) Asset Retirement Costs for Transmission Plant		
58	TOTAL Transmission Plant (Enter Total of lines 48 thru 57)	563,970,850	119,341,677
59	4. DISTRIBUTION PLANT		
60	(360) Land and Land Rights	6,735,285	502,560
61	(361) Structures and Improvements	15,607,650	499,159
62	(362) Station Equipment	363,925,569	68,729,699
63	(363) Storage Battery Equipment		
64	(364) Poles, Towers, and Fixtures	239,260,311	29,079,331
65	(365) Overhead Conductors and Devices	202,637,914	36,346,469
66	(366) Underground Conduit	47,701,754	2,969,871
67	(367) Underground Conductors and Devices	95,508,193	9,193,137
68	(368) Line Transformers	132,717,464	8,872,073
69	(369) Services	85,259,056	2,745,392
70	(370) Meters	66,825,877	7,926,269
71	(371) Installations on Customer Premises	4,466,018	152,094
72	(372) Leased Property on Customer Premises		
73	(373) Street Lighting and Signal Systems	19,032,319	1,605,326
74	(374) Asset Retirement Costs for Distribution Plant	14,518	
75	TOTAL Distribution Plant (Enter Total of lines 60 thru 74)	1,279,691,928	168,621,380
76	5. REGIONAL TRANSMISSION AND MARKET OPERATION PLANT		
77	(380) Land and Land Rights		
78	(381) Structures and Improvements		
79	(382) Computer Hardware		
80	(383) Computer Software		
81	(384) Communication Equipment		
82	(385) Miscellaneous Regional Transmission and Market Operation Plant		
83	(386) Asset Retirement Costs for Regional Transmission and Market Oper		
84	TOTAL Transmission and Market Operation Plant (Total lines 77 thru 83)		
85	6. GENERAL PLANT		
86	(389) Land and Land Rights	5,009,832	35,685
87	(390) Structures and Improvements	24,167,002	9,785,356
88	(391) Office Furniture and Equipment	7,038,306	674,430
89	(392) Transportation Equipment	18,733,905	9,549,161
90	(393) Stores Equipment		
91	(394) Tools, Shop and Garage Equipment	13,315,260	1,139,941
92	(395) Laboratory Equipment		
93	(396) Power Operated Equipment	1,311,061	71,702
94	(397) Communication Equipment	2,147,971	180,041
95	(398) Miscellaneous Equipment	376,279	-39,715
96	SUBTOTAL (Enter Total of lines 86 thru 95)	72,099,616	21,396,601
97	(399) Other Tangible Property		
98	(399.1) Asset Retirement Costs for General Plant	18,811	
99	TOTAL General Plant (Enter Total of lines 96, 97 and 98)	72,118,427	21,396,601
100	TOTAL (Accounts 101 and 106)	1,933,598,737	309,770,033
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)	1,933,598,737	309,770,033

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
			17,800,617	48
173,809			22,921,377	49
3,202,720		-1,329,120	262,643,877	50
101,737			13,942,771	51
2,762,245		-5,806	248,519,031	52
952,487		5,806	108,962,736	53
				54
				55
				56
				57
7,192,998		-1,329,120	674,790,409	58
				59
39,309			7,198,536	60
48,698		-199,415	15,858,696	61
6,011,744		1,528,534	428,172,058	62
				63
3,391,805		-1,631,604	263,316,233	64
2,582,488		1,662,929	238,064,824	65
85,264			50,586,361	66
573,552			104,127,778	67
2,306,684			139,282,853	68
9,233			87,995,215	69
3,229,731			71,522,415	70
219,203			4,398,909	71
				72
387,873			20,249,772	73
			14,518	74
18,885,584		1,360,444	1,430,788,168	75
				76
				77
				78
				79
				80
				81
				82
				83
				84
				85
			5,045,517	86
	-66,244		33,886,114	87
508,992			7,203,744	88
778,674	-4,238,869		23,265,523	89
				90
139,311			14,315,890	91
				92
22,193			1,360,570	93
33,081		-31,324	2,263,607	94
			336,564	95
1,482,251	-4,305,113	-31,324	87,677,529	96
				97
1,856			16,955	98
1,484,107	-4,305,113	-31,324	87,694,484	99
27,562,689	-4,305,113		2,211,500,968	100
				101
				102
				103
27,562,689	-4,305,113		2,211,500,968	104

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/01/2021	Year/Period of Report 2020/Q4
Texas-New Mexico Power Company			
FOOTNOTE DATA			

Schedule Page: 204 Line No.: 87 Column: g

The total plant in service for FERC account 390 includes lease activity.

33,817,186	Total Plant in Service (less leases)
68,928	Lease adjustments (net)
33,886,114	Total Plant in Service for FERC 390

Schedule Page: 204 Line No.: 89 Column: g

The total plant in service for FERC account 392 includes lease activity.

5,027,905	Total Plant in Service (less leases)
18,237,618	Lease adjustments (net)
23,265,523	Total Plant in Service for FERC 392

ELECTRIC PLANT HELD FOR FUTURE USE (Account 105)

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

Line No.	Description and Location Of Property (a)	Date Originally Included in This Account (b)	Date Expected to be used in Utility Service (c)	Balance at End of Year (d)	
1	Land and Rights:				
2	Bayou Substation Site	3/31/1996	Unknown	12,736	
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
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14					
15					
16					
17					
18					
19					
20					
21	Other Property:				
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25					
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44					
45					
46					
47	Total				12,736

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	3,658,689
2	002 Line Extension-Commercial	1,111,486
3	003 Reliability Projects	1,590,938
4	005 Lighting	344,176
5	008 Services	634,823
6	009 Transformers	214,944
7	020 NTE Distribution Substation	388,986
8	023 MPLS Network Refresh Dist	234,272
9	024 I-45 Widening FM 518 to FM 517	5,341,931
10	025 Construct Alpine Field Substation	2,417,010
11	033 Refresh Workstations	150,667
12	033 Replace Domain Controller Servers	108,343
13	034 Fig Server Refresh	103,191
14	035 Refresh Siem Appliances	228,695
15	071 BAY Misc Transmission	150,175
16	071 WTX Misc Transmission	215,982
17	075 G138-12 IH45 Delaney Rd TXDOT	1,393,619
18	089 Westminster SH121 TxDOT Relocation	2,658,288
19	287 AMS Managed Services Migration	645,810
20	299 Accounting True Ups	701,179
21	305 SOC Building Improvements	214,187
22	052 Cochise 138kV Substation	119,910
23	090 Attwater SwitchingStation & TieLine	2,266,448
24	091 Rebuild Heights to PHR (Line 3)	3,260,908
25	092 Rebuild FreewayPark to PHR (Line 6)	374,879
26	030 West Columbia Local	1,823,466
27	295 AMS NextGen Network	5,566,939
28	024 Power Transformer Asset Mgmt	3,290,249
29	030 Gomez Substation 138kV Conversion	2,708,539
30	306 SOC Building Expansion	121,453
31	306 CTX Substation Shop and Offices	101,807
32	038 Recond 4Miles from Reeves on 12P921	417,555
33	086 Ringgold Transmission Line	568,327
34	024 Seminole XFMR #2	898,289
35	022 Butler Rd XFMR #2	870,597
36	028 Elm Street XFMR #3	822,862
37	021 County Road XFMR #3	822,673
38	024 Airport 2nd XFMR	822,562
39	031 Install 20 MVA XFMR at Pyote (2nd X	808,086
40	053 Tortollas - Energy Storage Resource	779,824
41	280 TNMP Landworks Database	606,075
42	038 Lonestar T1 XFMR Addition	598,563
43	TOTAL	61,308,348

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	033 Krugerville Ckt 2604 Reconductor	549,996
2	023 Hidden Lakes Ckt #3	425,831
3	083 Pig Creek South Modification	381,881
4	280 WATT Net PLUS	352,178
5	092 Construct Alpine Field 138kV Line	547,867
6	022 Replace Control Center Backup Solut	335,498
7	023 W Columbia Local Dist Feeder Exits	290,613
8	032 Refresh Network Infrastructure (Fir	285,705
9	021 URD Cable Termination Replace Dist	252,708
10	072 SH302 Transmission Relocation	214,109
11	028 Extend 795 North on 285 to FM302	209,102
12	031 Refresh Shared Storage (OPS & FIG)	171,826
13	031 Friendswood Sub Dist Relays	167,585
14	023 Gambit ESR Angleton Sub	164,732
15	022 Ckt 2508 Reliability Work	160,566
16	077 WalnutSpr to GlenRose Hvy LineMaint	154,069
17	024 RTU Upgrade Addition Dist	151,449
18	026 Rcmd 8mi fr 869 to ShawRd W FM1934	147,911
19	035 California to Wickett Distribution	126,843
20	027 Substation Regulator Replacement	121,044
21	075 Gambit ESR Interconnection	118,109
22	340 Kantech Upgrades to C-Cure Co 12	105,484
23	Other Projects less than \$100,000	5,715,840
24		
25		
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39		
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41		
42		
43	TOTAL	61,308,348

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	547,614,846	547,614,846		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	77,411,278	77,411,278		
4	(403.1) Depreciation Expense for Asset Retirement Costs	634	634		
5	(413) Exp. of Elec. Plt. Leas. to Others				
6	Transportation Expenses-Clearing	359,240	359,240		
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)	77,771,152	77,771,152		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	26,799,894	26,799,894		
13	Cost of Removal	18,545,677	18,545,677		
14	Salvage (Credit)	645,059	645,059		
15	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 12 thru 14)	44,700,512	44,700,512		
16	Other Debit or Cr. Items (Describe, details in footnote):	426,049	426,049		
17					
18	Book Cost or Asset Retirement Costs Retired				
19	Balance End of Year (Enter Totals of lines 1, 10, 15, 16, and 18)	581,111,535	581,111,535		

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	113,767,281	113,767,281		
26	Distribution	454,133,043	454,133,043		
27	Regional Transmission and Market Operation				
28	General	13,211,211	13,211,211		
29	TOTAL (Enter Total of lines 20 thru 28)	581,111,535	581,111,535		

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) 04/01/2021	Year/Period of Report 2020/Q4
FOOTNOTE DATA			

Schedule Page: 219 Line No.: 16 Column: c

Change in RWIP	425,534
Gain/Loss	515
	426,049

MATERIALS AND SUPPLIES

1. 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.

2. 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)	5,424,522	5,612,148	
6	Assigned to - Operations and Maintenance			
7	Production Plant (Estimated)			
8	Transmission Plant (Estimated)	9,967	37,121	
9	Distribution Plant (Estimated)	269,451	295,266	
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)	5,703,940	5,944,535	
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)			
17				
18				
19				
20	TOTAL Materials and Supplies (Per Balance Sheet)	5,703,940	5,944,535	

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Transmission Service and Generation Interconnection Study Costs

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

Line No.	Description (a)	Costs Incurred During Period (b)	Account Charged (c)	Reimbursements Received During the Period (d)	Account Credited With Reimbursement (e)
1	Transmission Studies				
2	Praxair Sweeny	4,543	183		
3	PH Robinson-Heights-Freeway Park	280,550	183		
4	Scimitar Meter Tap	5,278	183		
5	Collie Cap Banks 5 & 6	17,098	183		
6	Jupiter Flower Valley II ESR	51,959	183		
7	Centennial Arroyo	691	183		
8	Wickett - Wolf CCN	262,915	183		
9	Jupiter Swoose II ESR Pyote	85,781	183		
10	Turkey Peak Route Selection	3,025	183		
11	Jagged Peak Meter Station	195	183		
12	Air Products - Texas City	313,863	183		
13	Wattnett Requirements	227	183		
14	Barilla Draw Ringbus	1,618	183		
15	Lonestar Stucture Replacement	22,843	183		
16	Petrolia Stucture Replacement	44,153	183		
17	16th Street to Rio Pecos OPGW	43,992	183		
18	Lynx-Rio Pecos Rebuild Engineering	59,058	183		
19	Nocona-St. Jo Stucture Replacement	59,912	183		
20	Petrolia T-Line Heavy Maintenance	50,489	183		
21	Generation Studies				
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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)
1	Transmission Studies				
2	Line 138-CMX-LNK	32,023	183		
3	California-Winkler No. 6	22,718	183		
4	Cedarvale-Oncor Sand Lake	35,656	183		
5	16th Street Sub. to Soaptree Rebud	117,862	183		
6	138A Rebuild Preliminary Engineerg	52,270	183		
7	Line D Reconductor Preliminary Eng	42,613	183		
8	Line E Reconductor Preliminary Eng	45,516	183		
9	Line 69A Rebuild Preliminary Eng	30,833	183		
10	Tarbush-Airport Rebuild	71,607	183		
11	St Jo - Nocona Rebuild 2	33,459	183		
12	Glen Rose -Walnut Spring	9,692	183		
13	Petrolia #2 Structure Replacement	17,846	183		
14	Graham-Bryson Preliminary Engineeg	23,154	183		
15	Climax-Farmersville Preliminary Eg	33,654	183		
16	Wink Sub-Kermit #2 Sub Preliminarg	22,149	183		
17	G138-T Insulator Replacement	2,355	183		
18	Gambit T-Line ESR Interconnect	301	183		
19	Rebuild Alvin To Freeway Park	608	183		
20	Leon Creek Switching Station	77,421	183		
21	Generation Studies				
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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)
1	Transmission Studies				
2	Reconductor Lewisville W	23,706	183		
3	TNMP South Structure Replacement	3,569	183		
4	BRP Pavo ESR Interconnect	22,334	183		
5	TNP1-Twin Oak Drag Line	625	183		
6	Lonestar Tap Station Engineering	87,413	183		
7	Sandstone Switching Station	76,986	183		
8	Mi Vida -138 KV Conversion	61,305	183		
9	Pecos Main 138KV Switch Yard	193,679	183		
10	Pig Creek South To AEP Station	65,374	183		
11	Tarbush Line South Terminal	9,706	183		
12	Thistle Switching Station Eng	70,665	183		
13	White Baker Line Terminal	271	183		
14	BRP Tortolas ESR Interconnect	64,190	183		
15	Nocona To Ringgold TXDOT	4,211	183		
16	Patriot Fly Box Study	325	253		
17	Sixty Six Solar FIS	34,089	253		
18	Gambit Energy Storage	21,469	253		
19	Brazos Midstream Tomahawk Study	2,971	253		
20	Air Products & Chemicals Study	94,085	253		
21	Generation Studies				
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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)
1	Transmission Studies				
2	Byrd Ranch Storage, LLC	6,562	253		
3	Arrowhead Storage, LLC	11,911	253		
4	Plains All American Pipeline, L.P.	4,072	253	(18,000)	253
5	Gambit/Tesla Energy Storage Proje			(2,302,000)	253
6	Flower Valley Flat Top FIS	47,112	253	(95,000)	253
7	Swoose II Pyote FIS	33,946	253	(65,000)	253
8	Jupiter Swoose II ESR			(1,950,000)	253
9	Jupiter Flower Valley II ESR			(1,950,000)	253
10	Tidwell Prairie FIS	9,452	253	(65,000)	253
11	BRP Tortolas BESS Study	310	253	(65,000)	253
12	BRP Pavo BESS Study	480	253	(65,000)	253
13	BRP Tortolas IIA Security			(2,500,000)	253
14	BRP Pavo IIA Security			(2,500,000)	253
15					
16					
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20					
21	Generation Studies				
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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) 04/01/2021	Year/Period of Report End of <u>2020/Q4</u>
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OTHER REGULATORY ASSETS (Account 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
2. 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.
3. 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 Account Charged (d)	Written off During the Period Amount (e)	
1	Income Tax Regulatory Asset	8,996,903	1,131,853	282,283	311,809	9,816,947
2						
3	Recoverable Stranded Costs - TNP One	4,773,085		407,182.3	4,773,085	
4	Docket # 31994-Amortize Dec 2006 - Nov 2020					
5						
6	Recoverable Stranded Costs - Carrying Charges	2,206,882		407,182.3	2,206,882	
7	Docket # 31994 - Amortize Dec 2006 - Nov 2020					
8						
9	Qualified Pension	27,751,368		Various	5,117,824	22,633,544
10						
11	AMS - Docket # 38306, #48401					
12	Pilot Program Costs - Amortize Aug 2011 - Jul 2023	371,074		407	92,769	278,305
13	Retirement Costs	5,843,377		407	1,460,023	4,383,354
14						
15	Bad Debt - Retail Providers, Docket # 48401	88,632		904	44,316	44,316
16						
17	Pension Non-Qualified	195,732	57,686	Various	23,917	229,501
18						
19	Non-Standard Metering - Docket # 41901	264,669		928	46,237	218,432
20	Non-Standard Metering Rate Case Expenses	43,063		928	7,523	35,540
21						
22	AMS Under Recovery - Docket # 38306	25,014,694		456	6,253,674	18,761,020
23						
24	Catastrophe Reserve Under Collection	1,596,277	692,091	924	1,006,500	1,281,868
25	Docket # 36025					
26						
27	2G AMS Meter Retirement	299,112		407	74,778	224,334
28						
29	Hurricane Harvey - Docket #48401	1,040,764		407	561,111	479,653
30						
31	Recoverable Stranded Costs - Securitization	431,570		928	107,893	323,677
32						
33	Interim AMS Recover - Docket #48401	9,028,693				9,028,693
34						
35	Rate Case Expenses - Docket #48591	3,305,000	201,204	928	998,240	2,507,964
36						
37	Covid-19 Deferred Costs - Docket #50664		675,697			675,697
38						
39	Covid-19 Electricity Relief Program - Docket #50664		2,653,989	254	2,653,989	
40						
41	Energy Efficiency 2020 Program Year		5,033,869	Various	4,849,722	184,147
42	Energy Efficiency 2021 Program Year		17,372			17,372
43	Energy Efficiency Rate Case Expenses		58,323	928	58,323	
44	TOTAL :	91,250,895	10,522,084		30,648,615	71,124,364

MISCELLANEOUS DEFFERED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a)
3. 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	25,102	1,884,580	181	1,835,379	74,303
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46						
47	Misc. Work in Progress					
48	Deferred Regulatory Comm. Expenses (See pages 350 - 351)	46,338	274,149	Various	252,459	68,028
49	TOTAL	226,736,342				226,807,233

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 of Beginning of Year (b)	Balance at End of Year (c)
1	Electric		
2	Employee Benefits	2,353,310	2,206,894
3	Regulatory Liability	30,502,362	27,656,448
4	Other	286,884	4,959,049
5			
6			
7	Other		
8	TOTAL Electric (Enter Total of lines 2 thru 7)	33,142,556	34,822,391
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)	33,142,556	34,822,391

Notes

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CAPITAL STOCKS (Account 201 and 204)

1. 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.
2. 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	Account 201 - Common Stock	12,000,000	10.00	
2				
3	TOTAL COMMON	12,000,000		
4				
5				
6				
7				
8	Account 204 - Preferred Stock - Cumulative	1,000,000	100.00	
9				
10	TOTAL PREFERRED	1,000,000		
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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 BALANCE SHEET (Total amount outstanding without reduction for amounts held by respondent)		HELD BY RESPONDENT				Line No.
		AS REACQUIRED STOCK (Account 217)		IN SINKING AND OTHER FUNDS		
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)	
6,358	63,569					1
						2
6,358	63,569					3
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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	Account 208 - None	
2		
3	Account 209 - None	
4		
5	Account 210 - None	
6		
7	Account 211 - Miscellaneous Paid in Capital - Beginning of Year	547,941,936
8	Equity Contribution from PNMR	71,000,000
9		
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40	TOTAL	618,941,936

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LONG-TERM DEBT (Account 221, 222, 223 and 224)

1. 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.
2. In column (a), for new issues, give Commission authorization numbers and dates.
3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
4. 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.
5. For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
8. 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.
9. 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.	Class and Series of Obligation, Coupon Rate (For new issue, give commission Authorization numbers and dates) (a)	Principal Amount Of Debt issued (b)	Total expense, Premium or Discount (c)
1	First Mortgage Bonds - 6.95%	93,198,000	1,787,616
2	(Premium)		-23,249,173 P
3			
4	First Mortgage Bonds - 4.03%	80,000,000	1,055,515
5			
6	First Mortgage Bonds - 3.53%	60,000,000	820,685
7			
8	First Mortgage Bonds - 3.22%	60,000,000	570,618
9			
10	First Mortgage Bonds - 3.85%	60,000,000	624,534
11			
12	First Mortgage Bonds - 3.79%	75,000,000	563,275
13			
14	First Mortgage Bonds - 3.92%	75,000,000	563,275
15			
16	First Mortgage Bonds - 4.06%	75,000,000	563,275
17			
18	First Mortgage Bonds - 3.60%	80,000,000	600,827
19			
20	First Mortgage Bonds - 2.73%	85,000,000	847,783
21			
22	First Mortgage Bonds - 3.36%	25,000,000	249,348
23			
24	First Mortgage Bonds - 2.93%	25,000,000	249,348
25			
26	First Mortgage Bonds - 3.36%	50,000,000	498,696
27			
28	Account 224 - Other Long Term Debt - None		
29			
30			
31			
32			
33	TOTAL	843,198,000	-14,254,378

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 (i). 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)			
4/3/2013	4/1/2043	4/3/2013	3/31/2043	93,198,000	5,702,289	1
						2
						3
6/27/2014	6/30/2024	7/1/2014	6/30/2024	80,000,000	3,224,000	4
						5
2/10/2016	2/10/2026	2/10/2016	2/10/2026	60,000,000	2,118,000	6
						7
8/25/2017	8/25/2027	8/25/2017	8/25/2027	60,000,000	1,932,000	8
						9
6/28/2018	6/28/2028	6/28/2018	6/28/2028	60,000,000	2,310,000	10
						11
3/29/2019	3/29/2034	3/29/2019	3/29/2034	75,000,000	2,842,500	12
						13
3/29/2019	3/29/2039	3/29/2019	3/29/2039	75,000,000	2,940,000	14
						15
3/29/2019	3/29/2044	3/29/2019	3/29/2044	75,000,000	3,045,000	16
						17
7/1/2019	7/1/2029	7/1/2019	7/1/2029	80,000,000	2,880,000	18
						19
4/24/2020	4/24/2030	4/24/2020	4/24/2030	85,000,000	1,585,675	20
						21
4/24/2020	4/24/2050	4/24/2020	4/24/2050	25,000,000	574,000	22
						23
7/15/2020	7/15/2035	7/15/2020	7/15/2035	25,000,000	335,729	24
						25
7/15/2020	7/15/2050	7/15/2020	7/15/2050	50,000,000	770,000	26
						27
						28
						29
						30
						31
						32
				843,198,000	30,259,193	33

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) 04/01/2021	Year/Period of Report 2020/Q4
FOOTNOTE DATA			

Schedule Page: 256 Line No.: 1 Column: i

Interest (p. 257 ln. 33)	30,259,193
Capitalized Interest	(43,680)
Account 427 (p117, ln 62)	30,215,513

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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)	58,616,229
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5	Contributions in Aid of Construction	26,700,505
6	TCRF Regulatory Liability	2,049,394
7	Other	14,243
8		
9	Deductions Recorded on Books Not Deducted for Return	
10	AMS	7,935,004
11	Stranded Costs	6,979,966
12	Income Tax Expense	6,308,479
13	Other	16,444,842
14	Income Recorded on Books Not Included in Return	
15		
16	AFUDC	6,431,999
17	Other	27,153
18		
19	Deductions on Return Not Charged Against Book Income	
20	Repairs Deduction	35,354,828
21	Loss on Asset Dispositions	22,187,585
22	Other	5,175,156
23		
24	Federal Taxable Income (Loss)	55,871,941
25		
26		
27	Federal Tax Net Income	
28	Show Computation of Tax:	
29		
30		
31		
32		
33	Regular Tax @ 21.00%	11,733,108
34	Accrual to Return Adjustment to Current Income Tax Expense	321,972
35	Other Adjustment	-6,480
36	Federal Tax Payable	12,048,600
37		
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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) 04/01/2021	Year/Period of Report 2020/Q4
FOOTNOTE DATA			

Schedule Page: 261 Line No.: 7 Column: b

Other		14,243
	Total Other	\$ 14,243

Schedule Page: 261 Line No.: 13 Column: b

Non Deductible Compensation		5,099,047
Depreciation		3,325,557
Tax Capitalized Interest		2,169,075
Def Social Security Tax		1,657,766
Amortized Loss on Reacquired Debt		1,298,226
Rate Case Expense		775,347
Hurricane Harvey		561,111
Excess Deferred Income Taxes		431,038
Catastrophe Reserve		314,409
Other		813,266
	Total Other	\$ 16,444,842

Schedule Page: 261 Line No.: 17 Column: b

Other		27,153
	Total Other	\$ 27,153

Schedule Page: 261 Line No.: 22 Column: b

State Tax		2,032,521
Stock Compensation		1,208,358
Electricity Relief Program		675,697
Prepaid Expenses		322,259
Other		936,321
	Total Other	\$ 5,175,156

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. 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.
2. 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 (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) 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.
4. 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)	BALANCE AT BEGINNING OF YEAR		Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjustments (f)
		Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include in Account 165) (c)			
1	Federal					
2	Income	12,003,636		12,048,600	14,530,890	
3	Unemployment	7,744		4,366	11,620	
4	Social Security	98,331		1,309,982	558,422	
5	SUBTOTAL	12,109,711		13,362,948	15,100,932	
6	Texas					
7	State:					
8	Income	1,288,910		2,032,521	2,258,699	
9	Unemployment	8,517		6,492	14,385	
10	Franchise					
11	Tax Reserve			-10,586	-10,586	
12	PUCOT					
13	Local:					
14	Ad Valorem	15,794,120		16,244,356	15,788,805	
15	Street Rental	4,345,616		14,076,425	14,224,878	
16	Miscellaneous					
17	SUBTOTAL	21,437,163		32,349,208	32,276,181	
18	New Mexico					
19	State:					
20	Income					
21	Unemployment					
22	Ad Valorem					
23	Supervision & Inspection					
24	Local:					
25	Ad Valorem					
26	Street Rental					
27	Miscellaneous					
28	SUBTOTAL					
29	Arizona					
30	State:					
31	Income					
32	Ad Valorem					
33	SUBTOTAL					
34						
35	TOTAL	33,546,874		45,712,156	47,377,113	
36						
37						
38						
39						
40						
41	TOTAL	33,546,874		45,712,156	47,377,113	

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. 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 (a).

6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.

7. 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.

8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.

9. 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) (g)	Prepaid Taxes (Incl. in Account 165) (h)	Electric (Account 408.1, 409.1) (i)	Extraordinary Items (Account 409.3) (j)	Adjustments to Ret. Earnings (Account 439) (k)	Other (l)	
						1
9,521,346		11,167,110			881,490	2
490		9,222			-4,856	3
849,891		2,766,914			-1,456,932	4
10,371,727		13,943,246			-580,298	5
						6
						7
1,062,732		1,987,667			44,854	8
624		13,713			-7,221	9
						10
		-10,586				11
						12
						13
16,249,671		16,244,356				14
4,197,163		14,076,425				15
						16
21,510,190		32,311,575			37,633	17
						18
						19
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30
						31
						32
						33
						34
31,881,917		46,254,821			-542,665	35
						36
						37
						38
						39
						40
31,881,917		46,254,821			-542,665	41

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) 04/01/2021	Year/Period of Report 2020/Q4
FOOTNOTE DATA			

Schedule Page: 262 Line No.: 35 Column: 1

Column (I) Other	Capitalized Payroll Tax	(1,469,009)
	Other Federal Income Tax Adjustments	881,490
	Other State Income Tax Adjustments	44,854
	Total Line 35	<u>(542,665)</u>

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	1,145,359	Various	1,093,929	5,669,071	5,720,501
2	Distribution Studies					
3	Legal Reserve		930.2	36,750	170,750	134,000
4	FIN 48 Liability	113,737			4,784	118,521
5	Deferred Social Security Tax 2020				828,883	828,883
6						
7						
8						
9						
10						
11						
12						
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44						
45						
46						
47	TOTAL	1,259,096		1,130,679	6,673,488	6,801,905

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to property not subject to accelerated amortization
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 282			
2	Electric	141,745,265	17,440,194	11,801,140
3	Gas			
4				
5	TOTAL (Enter Total of lines 2 thru 4)	141,745,265	17,440,194	11,801,140
6				
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru 8)	141,745,265	17,440,194	11,801,140
10	Classification of TOTAL			
11	Federal Income Tax	141,745,265	17,440,194	11,801,140
12	State Income Tax			
13	Local Income Tax			

NOTES

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	256,278	190,283,182	902,387	148,030,428	2
							3
							4
			256,278		902,387	148,030,428	5
							6
							7
							8
			256,278		902,387	148,030,428	9
							10
			256,278		902,387	148,030,428	11
							12
							13

NOTES (Continued)

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283)

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

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR	
			Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric			
3		31,548,413	4,597,690	5,328,519
4				
5				
6				
7				
8				
9	TOTAL Electric (Total of lines 3 thru 8)	31,548,413	4,597,690	5,328,519
10	Gas			
11				
12				
13				
14				
15				
16				
17	TOTAL Gas (Total of lines 11 thru 16)			
18				
19	TOTAL (Acct 283) (Enter Total of lines 9, 17 and 18)	31,548,413	4,597,690	5,328,519
20	Classification of TOTAL			
21	Federal Income Tax	31,548,413	4,597,690	5,328,519
22	State Income Tax			
23	Local Income Tax			

NOTES

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
		182,282	414,300	182,282	1,757,835	32,161,119	3
							4
							5
							6
							7
							8
			414,300		1,757,835	32,161,119	9
							10
							11
							12
							13
							14
							15
							16
							17
							18
			414,300		1,757,835	32,161,119	19
							20
			414,300		1,757,835	32,161,119	21
							22
							23

NOTES (Continued)

OTHER REGULATORY LIABILITIES (Account 254)

1. Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable.
2. 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.
3. 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	131,870,263	Various	12,175,415		119,694,848
2						
3	Other Post Retirement Benefits	4,661,361	Various	442,601	1,219,346	5,438,106
4						
5	TCRF Over Recovery	2,697	456	452,210	2,501,604	2,052,091
6						
7	Energy Efficiency 2019 Program Year	136,368	928	136,368		
8	Energy Efficiency 2020 Program Year	(5,263)			5,263	
9						
10	Sale of property, Docket # 48401	108,611	407	27,153		81,458
11						
12	Excess Deferred Income Taxes - Docket #48401				431,038	431,038
13						
14						
15						
16						
17						
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40						
41	TOTAL	136,774,037		13,233,747	4,157,251	127,697,541

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ELECTRIC OPERATING REVENUES (Account 400)

1. 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.
2. Report below operating revenues for each prescribed account, and manufactured gas revenues in total.
3. 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.
4. 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.
5. 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	158,066,141	150,741,887
3	(442) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 4)	118,243,282	116,952,914
5	Large (or Ind.) (See Instr. 4)	27,366,641	22,405,377
6	(444) Public Street and Highway Lighting	2,847,453	2,693,182
7	(445) Other Sales to Public Authorities	3,005,931	3,001,046
8	(446) Sales to Railroads and Railways		
9	(448) Interdepartmental Sales		
10	TOTAL Sales to Ultimate Consumers	309,529,448	295,794,406
11	(447) Sales for Resale		
12	TOTAL Sales of Electricity	309,529,448	295,794,406
13	(Less) (449.1) Provision for Rate Refunds		
14	TOTAL Revenues Net of Prov. for Refunds	309,529,448	295,794,406
15	Other Operating Revenues		
16	(450) Forfeited Discounts		
17	(451) Miscellaneous Service Revenues	1,854,855	1,504,821
18	(453) Sales of Water and Water Power		
19	(454) Rent from Electric Property	1,883,282	2,062,474
20	(455) Interdepartmental Rents	141,372	141,372
21	(456) Other Electric Revenues	-8,463,837	-2,528,883
22	(456.1) Revenues from Transmission of Electricity of Others	78,373,845	66,948,239
23	(457.1) Regional Control Service Revenues		
24	(457.2) Miscellaneous Revenues		
25			
26	TOTAL Other Operating Revenues	73,789,517	68,128,023
27	TOTAL Electric Operating Revenues	383,318,965	363,922,429

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
3,090,482	3,044,760	215,649	212,394	2
				3
3,302,589	3,401,200	41,150	40,812	4
4,952,121	4,281,962	97	92	5
23,145	23,234	1,132	1,136	6
75,630	76,629	766	779	7
				8
				9
11,443,967	10,827,785	258,794	255,213	10
				11
11,443,967	10,827,785	258,794	255,213	12
				13
11,443,967	10,827,785	258,794	255,213	14

Line 12, column (b) includes \$ 966,000 of unbilled revenues.
 Line 12, column (d) includes 9,176 MWH relating to unbilled revenues

SALES OF ELECTRICITY BY RATE SCHEDULES

1. 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.
2. 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.
3. 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.
4. 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).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. 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)
1	Residential					
2	6.1.1.1 Residential Service	3,079,221	157,418,840	214,883	14,330	0.0511
3	6.1.1.2 Secondar Service < 5 KW	2,117	180,301	766	2,764	0.0852
4	Unbilled	9,144	467,000			0.0511
5	Total Residential	3,090,482	158,066,141	215,649	14,331	0.0511
6	Commercial and Industrial					
7	6.1.1.2 Secondary Service < 5 KW	31,019	2,869,594	11,194	2,771	0.0925
8	6.1.1.3 Secondary Service > 5 KW	2,134,737	91,456,798	25,463	83,837	0.0428
9	6.1.1.4 Primary Service	1,209,535	24,292,536	555	2,179,342	0.0201
10	6.1.1.5 Transmission Service	4,868,171	25,336,986	65	74,894,938	0.0052
11	6.1.1.6 Lighting Service	11,216	1,186,009	3,970	2,825	0.1057
12	Unbilled	32	468,000			14.6250
13	Total Comercial and Industrial	8,254,710	145,609,923	41,247	200,129	0.0176
14	Public Street & Highway Lighting					
15	6.1.1.6 Lighting Service	23,145	2,826,453	1,132	20,446	0.1221
16	Unbilled		21,000			
17	Total Municipal Lighting	23,145	2,847,453	1,132	20,446	0.1230
18	Municipal Power Service					
19	6.1.1.2 Secondary Service < 5 KW	243	24,838	111	2,189	0.1022
20	6.1.1.3 Secondary Serivce > 5 KW	62,061	2,663,890	648	95,773	0.0429
21	6.1.1.4 Primary Service	13,326	307,203	7	1,903,714	0.0231
22	Unbilled		10,000			
23	Total Municipal Power	75,630	3,005,931	766	98,734	0.0397
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
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35						
36						
37						
38						
39						
40						
41	TOTAL Billed	11,434,791	308,563,448	258,794	44,185	0.0270
42	Total Unbilled Rev.(See Instr. 6)	9,176	966,000	0	0	0.1053
43	TOTAL	11,443,967	309,529,448	258,794	44,220	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)		

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	3. REGIONAL MARKET EXPENSES		
114	Operation		
115	(575.1) Operation Supervision		
116	(575.2) Day-Ahead and Real-Time Market Facilitation		
117	(575.3) Transmission Rights Market Facilitation		
118	(575.4) Capacity Market Facilitation		
119	(575.5) Ancillary Services Market Facilitation		
120	(575.6) Market Monitoring and Compliance		
121	(575.7) Market Facilitation, Monitoring and Compliance Services		
122	(575.8) Rents		
123	Total Operation (Lines 115 thru 122)		
124	Maintenance		
125	(576.1) Maintenance of Structures and Improvements		
126	(576.2) Maintenance of Computer Hardware		
127	(576.3) Maintenance of Computer Software		
128	(576.4) Maintenance of Communication Equipment		
129	(576.5) Maintenance of Miscellaneous Market Operation Plant		
130	Total Maintenance (Lines 125 thru 129)		
131	TOTAL Regional Transmission and Market Op Expns (Total 123 and 130)		
132	4. DISTRIBUTION EXPENSES		
133	Operation		
134	(580) Operation Supervision and Engineering	697,024	638,907
135	(581) Load Dispatching	1,079,287	1,039,165
136	(582) Station Expenses	692,005	742,262
137	(583) Overhead Line Expenses	797,396	1,014,519
138	(584) Underground Line Expenses	669,220	578,718
139	(585) Street Lighting and Signal System Expenses	48,121	66,864
140	(586) Meter Expenses	1,748,531	1,643,540
141	(587) Customer Installations Expenses	209,575	193,801
142	(588) Miscellaneous Expenses	4,767,978	4,702,195
143	(589) Rents	74,796	101,352
144	TOTAL Operation (Enter Total of lines 134 thru 143)	10,783,933	10,721,323
145	Maintenance		
146	(590) Maintenance Supervision and Engineering	284,101	287,012
147	(591) Maintenance of Structures	223,708	208,097
148	(592) Maintenance of Station Equipment	2,339,371	2,494,087
149	(593) Maintenance of Overhead Lines	10,709,375	9,295,314
150	(594) Maintenance of Underground Lines	902,775	894,499
151	(595) Maintenance of Line Transformers	50,329	40,994
152	(596) Maintenance of Street Lighting and Signal Systems	246,013	286,017
153	(597) Maintenance of Meters	97,179	111,387
154	(598) Maintenance of Miscellaneous Distribution Plant	456	12,410
155	TOTAL Maintenance (Total of lines 146 thru 154)	14,853,307	13,629,817
156	TOTAL Distribution Expenses (Total of lines 144 and 155)	25,637,240	24,351,140
157	5. CUSTOMER ACCOUNTS EXPENSES		
158	Operation		
159	(901) Supervision	588,563	592,387
160	(902) Meter Reading Expenses	1,831,689	1,985,318
161	(903) Customer Records and Collection Expenses	1,000,106	989,057
162	(904) Uncollectible Accounts	45,005	44,316
163	(905) Miscellaneous Customer Accounts Expenses	312,950	150,525
164	TOTAL Customer Accounts Expenses (Total of lines 159 thru 163)	3,778,313	3,761,603

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)
165	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
166	Operation		
167	(907) Supervision	170,349	165,927
168	(908) Customer Assistance Expenses	214	
169	(909) Informational and Instructional Expenses		12,634
170	(910) Miscellaneous Customer Service and Informational Expenses	25,138	140,332
171	TOTAL Customer Service and Information Expenses (Total 167 thru 170)	195,701	318,893
172	7. SALES EXPENSES		
173	Operation		
174	(911) Supervision		
175	(912) Demonstrating and Selling Expenses		
176	(913) Advertising Expenses	4,654	6,590
177	(916) Miscellaneous Sales Expenses		
178	TOTAL Sales Expenses (Enter Total of lines 174 thru 177)	4,654	6,590
179	8. ADMINISTRATIVE AND GENERAL EXPENSES		
180	Operation		
181	(920) Administrative and General Salaries	17,057,549	14,968,956
182	(921) Office Supplies and Expenses	4,939,172	5,429,199
183	(Less) (922) Administrative Expenses Transferred-Credit	6,960,043	6,781,605
184	(923) Outside Services Employed	9,213,696	8,262,871
185	(924) Property Insurance	1,410,352	1,298,857
186	(925) Injuries and Damages	1,691,401	876,364
187	(926) Employee Pensions and Benefits	6,015,614	6,489,714
188	(927) Franchise Requirements		
189	(928) Regulatory Commission Expenses	5,860,807	4,948,209
190	(929) (Less) Duplicate Charges-Cr.		
191	(930.1) General Advertising Expenses		
192	(930.2) Miscellaneous General Expenses	1,054,391	620,823
193	(931) Rents	127,136	113,781
194	TOTAL Operation (Enter Total of lines 181 thru 193)	40,410,075	36,227,169
195	Maintenance		
196	(935) Maintenance of General Plant	132,000	111,543
197	TOTAL Administrative & General Expenses (Total of lines 194 and 196)	40,542,075	36,338,712
198	TOTAL Elec Op and Maint Expns (Total 80,112,131,156,164,171,178,197)	175,264,658	162,536,860

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			
	TOTAL			

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
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30
						31
						32
						33
						34
			0	0	0	

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.
		6,970,748	6,970,748	1
		164,918	164,918	2
		539,261	539,261	3
		3,963,095	3,963,095	4
		20,288,796	20,288,796	5
		158,462	158,462	6
		2,990,255	2,990,255	7
		2,921	2,921	8
		18,806	18,806	9
		14,516	14,516	10
		38,308	38,308	11
		14,410	14,410	12
		65,611	65,611	13
		14,605	14,605	14
		413,040	413,040	15
		21,204	21,204	16
		9,714	9,714	17
		230,710	230,710	18
		23,874	23,874	19
		376,788	376,788	20
		7,913	7,913	21
		6,487	6,487	22
		37,159	37,159	23
		491,779	491,779	24
		169,307	169,307	25
		14,202	14,202	26
		1,637	1,637	27
		5,810	5,810	28
		20,606	20,606	29
		10,145	10,145	30
		11,961	11,961	31
		14,063	14,063	32
		26,845	26,845	33
		3,107	3,107	34
0	0	78,373,845	78,373,845	

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	Fayette Electric Coop			
20	Floresville Electric Power System			
21	Golden Spread Electric Coop			
22	Granbury			
23	Greenville Electric Utility System			
24	Guadalupe Valley Electric Coop			
25	Hamilton County Electric Coop			
26	Kerrville Public Utility Board			
27	Lagrange Utilities			
28	Lamar County Electric Coop			
29	New Braunfels Utilities			
30	Oncor			
31	Pedernales Electric Coop			
32	Public Utility Board of Brownsville			
33	Rayburn Country Electric			
34	Rio Grande Electric Coop			
	TOTAL			

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
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30
						31
						32
						33
						34
			0	0	0	

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.
		11,860	11,860	1
		30,582	30,582	2
		14,308	14,308	3
		6,194	6,194	4
		2,548	2,548	5
		23,554	23,554	6
		143,229	143,229	7
		10,213	10,213	8
		15,240	15,240	9
		15,277	15,277	10
		73,870	73,870	11
		7,724	7,724	12
		11,125	11,125	13
		11,152	11,152	14
		5,186	5,186	15
		8,832	8,832	16
		22,662	22,662	17
		5,339,697	5,339,697	18
		72,738	72,738	19
		96,683	96,683	20
		336,193	336,193	21
		30,910	30,910	22
		118,561	118,561	23
		469,145	469,145	24
		42,080	42,080	25
		122,164	122,164	26
		17,673	17,673	27
		53,280	53,280	28
		336,288	336,288	29
		28,735,789	28,735,789	30
		1,683,647	1,683,647	31
		303,827	303,827	32
		1,012,145	1,012,145	33
		83,162	83,162	34
0	0	78,373,845	78,373,845	

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	San Bernard Electric Coop			
2	South Texas Electric Coop			
3	Tex-LA Electric Coop			
4	Weatherford			
5	Western Farmers Electric Coop			
6	Southwest Rural Electric Association			
7	Conoco Phillips Company			
8	CWP Energy Inc			
9	Dynasty Power Inc			
10	Dynasty Power Inc			
11	Enel - North America			
12	ETC Endure Energy LLC			
13	Guzman Energy			
14	Mag Energy Solutions Inc			
15	Mercuria Energy America Inc.			
16	Nextera Energy Marketing, LLC			
17	Rainbow Energy Marketing Corp			
18	Rainbow Energy Marketing Corp			
19	Rainbow Energy Marketing Corp			
20	Sempra Gas and Power Marketing LLC			
21	Tenaska Power Services Co			
22	TransAlta Corporation			
23	Twin Eagle Reosurce Management LLC			
24	Vitol Inc			
25	Westar			
26				
27				
28				
29				
30				
31				
32				
33				
34				
	TOTAL			

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
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30
						31
						32
						33
						34
			0	0	0	

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.
		165,565	165,565	1
		1,537,237	1,537,237	2
		131,713	131,713	3
		102,854	102,854	4
		850	850	5
		591	591	6
		11	11	7
		-3,674	-3,674	8
		1,327	1,327	9
		-1,071	-1,071	10
		-16,721	-16,721	11
		3,510	3,510	12
		2,133	2,133	13
		921	921	14
		1	1	15
		44	44	16
		14,436	14,436	17
		2,055	2,055	18
		800	800	19
		1,263	1,263	20
		3,592	3,592	21
		82	82	22
		12,566	12,566	23
		106	106	24
		5,053	5,053	25
				26
				27
				28
				29
				30
				31
				32
				33
				34
0	0	78,373,845	78,373,845	

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) 04/01/2021	Year/Period of Report 2020/Q4
FOOTNOTE DATA			

Schedule Page: 328 Line No.: 1 Column: m

Texas uses a "postage stamp" method of transmission pricing within ERCOT (Electric Reliability Council of Texas) transmission system.

TRANSMISSION OF ELECTRICITY BY OTHERS (Account 565)
(Including transactions referred to as "wheeling")

1. Report all transmission, i.e. wheeling or electricity provided by other electric utilities, cooperatives, municipalities, other public authorities, qualifying facilities, and others for the quarter.
2. In column (a) report each company or public authority that provided transmission service. Provide the full name of the company, abbreviate if necessary, but do not truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation with the transmission service provider. Use additional columns as necessary to report all companies or public authorities that provided transmission service for the quarter reported.
3. In column (b) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNS - Firm Network Transmission Service for Self, LFP - Long-Term Firm Point-to-Point Transmission Reservations. OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point-to-Point Transmission Reservations, NF - Non-Firm Transmission Service, and OS - Other Transmission Service. See General Instructions for definitions of statistical classifications.
4. Report in column (c) and (d) the total megawatt hours received and delivered by the provider of the transmission service.
5. Report in column (e), (f) and (g) expenses as shown on bills or vouchers rendered to the respondent. In column (e) report the demand charges and in column (f) energy charges related to the amount of energy transferred. On column (g) report the total of all other charges on bills or vouchers rendered to the respondent, including any out of period adjustments. Explain in a footnote all components of the amount shown in column (g). Report in column (h) the total charge shown on bills rendered to the respondent. If no monetary settlement was made, enter zero in column (h). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
6. Enter "TOTAL" in column (a) as the last line.
7. Footnote entries and provide explanations following all required data.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	TRANSFER OF ENERGY		EXPENSES FOR TRANSMISSION OF ELECTRICITY BY OTHERS			
			Magawatt-hours Received (c)	Magawatt-hours Delivered (d)	Demand Charges (\$) (e)	Energy Charges (\$) (f)	Other Charges (\$) (g)	Total Cost of Transmission (\$) (h)
1	American Elec Power	OS					11,073,735	11,073,735
2	Bandera Electric Coop	OS					114,058	114,058
3	Brazos Electric Power	OS					3,468,162	3,468,162
4	Centerpoint	OS					9,958,079	9,958,079
5	Cherokee Co. Electric	OS					9,303	9,303
6	City of Austin	OS					2,204,434	2,204,434
7	City of Bryan	OS					820,301	820,301
8	City of College Station	OS					102,601	102,601
9	City of Denton	OS					1,345,166	1,345,166
10	City of Garland	OS					1,469,466	1,469,466
11	City PS of San Antonio	OS					4,822,311	4,822,311
12	Cross Texas Trans	OS					2,055,956	2,055,956
13	Deep East Texas Elec	OS					3,175	3,175
14	East Texas Electric	OS					-1,519	-1,519
15	Electric Transm TX LLC	OS					8,403,729	8,403,729
16	Fannin Electric Coop	OS					4,096	4,096
	TOTAL						101,988,786	101,988,786

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	Farmers Electric Coop	OS					18,384	18,384
2	Fayette Electric Coop	OS					196	196
3	Floresville Elec Pwr	OS					12,095	12,095
4	Golden Spread Electric	OS					65,453	65,453
5	Grayson-Collin Elec	OS					39,049	39,049
6	Greenville Elec Utility	OS					66,901	66,901
7	Houston Co Electric	OS					10,229	10,229
8	Lamar Co Elec Coop	OS					7,703	7,703
9	Lone Star Transmision	OS					2,541,739	2,541,739
10	Lower Colorado River	OS					12,863,912	12,863,912
11	Lyntegar Electric	OS					21,103	21,103
12	ONCOR	OS					32,685,681	32,685,681
13	Pub Util Brownsville	OS					180,111	180,111
14	Rayburn Co Elec	OS					381,340	381,340
15	Rio Grande Elec Coop	OS					8,226	8,226
16	San Bernard Elec Coop	OS					91,258	91,258
	TOTAL						101,988,786	101,988,786

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			
			Megawatt-hours Received (c)	Megawatt-hours Delivered (d)	Demand Charges (\$) (e)	Energy Charges (\$) (f)	Other Charges (\$) (g)	Total Cost of Transmission (\$) (h)
1	San Miguel Elec Coop	OS					38,067	38,067
2	Sharyland Utilities	OS					911,285	911,285
3	South Texas Elec	OS					2,292,949	2,292,949
4	Southwest Texas Elec	OS					1,760	1,760
5	Texas Muni Power	OS					1,220,192	1,220,192
6	Trinity Valley Elec	OS					19,892	19,892
7	Wind Energy Texas Trans	OS					2,653,406	2,653,406
8	Wood County Cooperative	OS					4,802	4,802
9								
10								
11								
12								
13								
14								
15								
16								
	TOTAL						101,988,786	101,988,786

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) 04/01/2021	Year/Period of Report 2020/Q4
FOOTNOTE DATA			

Schedule Page: 332 Line No.: 1 Column: g

Texas uses a "postage stamp" method of transmission pricing within ERCOT (Electric Reliability Council of Texas) transmission system.

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (ELECTRIC)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	326,954
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	153,891
7	Legal Expenses	325,963
8	BOD/Annual Shareholder's Meeting	143,847
9	Various	103,736
10		
11		
12		
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14		
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46	TOTAL	1,054,391

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Account 403, 404, 405)
(Except amortization of acquisition adjustments)

1. 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).

2. 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.

3. 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.

4. 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			901,958		901,958
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	20,228,541				20,228,541
8	Distribution Plant	55,269,071	329			55,269,400
9	Regional Transmission and Market Operation					
10	General Plant	1,913,666	305	16,158		1,930,129
11	Common Plant-Electric					
12	TOTAL	77,411,278	634	918,116		78,330,028

B. Basis for Amortization Charges

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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	360.0 TX	6,230,315	60.00				
14	360.1 TX	967,813	60.00		0.01	SQ	52.72
15	361.0 TX	19,838,079	49.00	-20.00	0.03	R0.5	31.52
16	362.0 TX	402,332,663	42.00	-10.00	0.03	R2.5	32.33
17	362.5 TX	497,454	42.00	-10.00	0.03		
18	364.0 TX	262,900,436	42.00	-100.00	0.05	R.05	33.10
19	365.0 TX	226,947,940	44.00	-100.00	0.05	R0.5	32.85
20	366.0 TX	49,999,862	43.00	-20.00	0.03	R3	27.16
21	367.0 TX	102,455,084	40.00	-30.00	0.03	R2.5	27.80
22	368.0 TX	139,927,536	47.00		0.03	R1	36.42
23	369.0 TX	39,625,776	37.00	-100.00	0.65	R2	20.44
24	369.1 TX	47,556,808	41.00	-100.00	0.06	S4	26.39
25	370.0 TX	6,799,007	10.00	-5.00	0.18	R1	5.21
26	370.1 TX	497,415	24.00	-5.00	0.06	R5	16.51
27	370.2 TX	47,115,491	7.00		0.20	SQ	3.42
28	370.3 TX	16,113,195	10.00	-5.00	0.11	R1	9.63
29	371.0 TX	2,742,813	16.00	-20.00	0.14	R1.5RS0.5	3.64
30	371.1 TX	1,701,432	13.00	-10.00	0.14	R0.5	3.02
31	373.0 TX	20,276,964	28.00	-20.00	0.04		21.15
32	Subtotal	1,394,526,083					
33							
34							
35	Transmission						
36	350.0 TX	5,721,388	65.00				
37	350.1 TX	10,757,137	65.00		0.04	SQ	43.03
38	352.0 TX	13,367,874	49.00		0.02	R0.5	47.90
39	353.0 TX	248,985,581	45.00	-10.00	0.03	R2.5	30.69
40	354.0 TX	11,694,734	54.00	-15.00	0.04	R4	40.58
41	355.0 TX	220,319,227	46.00	-100.00	0.05	R2	40.14
42	356.0 TX	102,938,984	54.00	-100.00	0.04	R2.5	44.20
43	Subtotal	613,784,925					
44							
45							
46	General Plant						
47	390.0 GO	29,180,195			0.02	R2	46.65
48	390.0 TX	59,923			0.02	R2	46.65
49	391.0 GO	369,463			0.06	L2	4.40
50	391.0 TX	2,906,146			0.06	L2	4.40

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	391.1 GO				0.05	L4	1.13
13	391.1 TX	1,021,932			0.14	L4	1.13
14	391.2 TX	161,581			0.10	SQ	9.50
15	391.3 GO	361,381			0.13	SQ	3.38
16	391.3 TX	1,303,350			0.13	SQ	3.38
17	391.5 GO	435			0.13	SQ	
18	391.5 TX				0.13	SQ	
19	391.6 AMS	890,154			0.20		
20	392.0 GO	2,253,949			0.10	L4	6.72
21	392.0 TX				12.00	L4	6.72
22	392.1 TX	28,756			0.08	R2.5	6.01
23	392.2 TX	2,493,587			0.04	L4	11.75
24	392.4 TX	14,860			0.50		
25	393.0 TX				0.03		
26	394.0 GO	77,999			0.04	S6	19.48
27	394.0 TX	13,890,555			0.03	S6	19.48
28	396.0 TX	1,360,570			12.00	L4	9.52
29	397.0 TX	1,927,927			0.13	SQ	4.42
30	397.1 GO	7,024			0.13	SQ	3.04
31	397.1 TX	76,264			0.13	SQ	3.04
32	397.2 TX	9,634			0.08	SQ	0.50
33	398.0 TX	336,563			0.05		18.01
34	Subtotal	58,732,248					
35							
36							
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50							

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		53,760	53,760	307,732
3					
4	Dockets # 48591/50731 - Rate case expenses		998,240	998,240	3,305,000
5					
6	Docket # 48401 - CTC Securitization Costs		107,893	107,893	431,571
7					
8	Energy Efficiency		4,700,914	4,700,914	
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
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46	TOTAL		5,860,807	5,860,807	4,044,303

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				Line No.
CURRENTLY CHARGED TO			Deferred to Account 182.3 (i)	Contra Account (j)	Amount (k)	Deferred in Account 182.3 End of Year (l)	
Department (f)	Account No. (g)	Amount (h)					
							1
				928	53,760	253,792	2
							3
			201,204	928	998,240	2,507,964	4
							5
				928	107,893	323,678	6
							7
							8
							9
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			201,204		1,159,893	3,085,434	46

DISTRIBUTION OF SALARIES AND WAGES (Continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
48	Distribution			
49	Administrative and General			
50	TOTAL Maint. (Enter Total of lines 43 thru 49)			
51	Total Operation and Maintenance			
52	Production-Manufactured Gas (Enter Total of lines 31 and 43)			
53	Production-Natural Gas (Including Expl. and Dev.) (Total lines 32,			
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)	27,632,241		27,632,241
66	Utility Plant			
67	Construction (By Utility Departments)			
68	Electric Plant	7,886,162		7,886,162
69	Gas Plant			
70	Other (provide details in footnote):			
71	TOTAL Construction (Total of lines 68 thru 70)	7,886,162		7,886,162
72	Plant Removal (By Utility Departments)			
73	Electric Plant	1,448,142		1,448,142
74	Gas Plant			
75	Other (provide details in footnote):			
76	TOTAL Plant Removal (Total of lines 73 thru 75)	1,448,142		1,448,142
77	Other Accounts (Specify, provide details in footnote):	857,737		857,737
78				
79				
80				
81				
82				
83				
84				
85				
86				
87				
88				
89				
90				
91				
92				
93				
94				
95	TOTAL Other Accounts	857,737		857,737
96	TOTAL SALARIES AND WAGES	37,824,282		37,824,282

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) 04/01/2021	Year/Period of Report 2020/Q4
FOOTNOTE DATA			

Schedule Page: 354 Line No.: 77 Column: b

Energy efficiency admin	165,019
Mutual assistance work	601,353
Political, Civic, Social work	28,416
Non Standard Metering	1,095
Other Deferred Credits - Transmission Studies	61,854
	857,737

MONTHLY TRANSMISSION SYSTEM PEAK LOAD

(1) Report the monthly peak load on the respondent's transmission system. If the respondent has two or more power systems which are not physically integrated, furnish the required information for each non-integrated system.

(2) Report on Column (b) by month the transmission system's peak load.

(3) Report on Columns (c) and (d) the specified information for each monthly transmission - system peak load reported on Column (b).

(4) Report on Columns (e) through (j) by month the system' monthly maximum megawatt load by statistical classifications. See General Instruction for the definition of each statistical classification.

NAME OF SYSTEM:

Line No.	Month (a)	Monthly Peak MW - Total (b)	Day of Monthly Peak (c)	Hour of Monthly Peak (d)	Firm Network Service for Self (e)	Firm Network Service for Others (f)	Long-Term Firm Point-to-point Reservations (g)	Other Long-Term Firm Service (h)	Short-Term Firm Point-to-point Reservation (i)	Other Service (j)
1	January	1,263	21	8						
2	February	1,288	21	8						
3	March	1,390	26	17						
4	Total for Quarter 1									
5	April	1,452	8	18						
6	May	1,543	22	18						
7	June	1,766	6	16						
8	Total for Quarter 2									
9	July	1,765	16	16						
10	August	1,822	29	17						
11	September	1,650	3	16						
12	Total for Quarter 3									
13	October	1,503	11	17						
14	November	1,377	13	7						
15	December	1,349	18	8						
16	Total for Quarter 4									
17	Total Year to Date/Year									

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)	
1	See Note							
2								
3								
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22								
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24								
25								
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29								
30								
31								
32								
33								
34								
35								
36					TOTAL			

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)	
								1
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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) 04/01/2021	Year/Period of Report 2020/Q4
FOOTNOTE DATA			

Schedule Page: 422 Line No.: 1 Column: a

Line No.	Designation		Voltage (KV)		Type of Supporting Structure	Length		Number of Circuits	Conductor
	From	To	Operating	Designed		On Structure of Line Designated	On Structures of Another Line		
1	Central Texas								
2	TNP One	Twin Oak	345	345	Steel Tower	18.1	0.0	2	2-1590 ACSR
3	Bosque Switch	Lake Whitney	138	138	Steel Single Pole	0.6	0.2	1	795 ACSR
4	Bosque Switch	Olsen	138	138	Wood H-Frame	14.6	0.0	1	636 ACSR
5	Lake Whitney	Oncor Whitney	138	138	Wood H-Frame	0.1	0.0	1	795 ACSR
6	69 kV Transmission					218.9	0.3	27	
7									
8	North Texas								
9	Talco West Tap	Talco West	138	138	Wood H-Frame	1.8	0.0	1	477 ACSR/SD
10	Westminster Tap	Westminster	138	138	Steel Single Pole	3.7	0.0	1	795 ACSR
11	Blossom Tap	Blossom	138	138	Steel Single Pole	0.0	0.0	1	795 ACSR
12	Climax	Longneck	138	138	Steel Single Pole	4.1	0.0	1	795 ACSS
13	Lakepointe	Jones St Tap	138	138	Steel Single Pole	0.3	0.0	1	1033 ACSR
14	Lakepointe	NW Carrollton	138	138	Steel Single Pole	0.1	0.2	1	1033 ACSR
15	NW Carrollton	South	138	138	Steel Single Pole	2.0	0.0	1	795 ACSR
16	Lakepointe	TI	138	138	Steel Single Pole	2.8	0.0	1	795 ACSR
17	Highlands	West	138	138	Concrete Single Pole	1.6	0.0	1	795 ACSS
18	TI	West	138	138	Steel Single Pole	4.9	0.0	1	795 ACSR
19	South	TI	138	138	Steel Single Pole	0.7	2.1	1	795 ACSR
20	69 kV Transmission					70.5	0.0	11	
21									
22	West Texas								
23	Rio Pecos	Woodward Tap	138	138	Wood H-Frame	1.9	0.0	1	477 ACSR/SD
24	Ft Stockton	Airport	138	138	Wood Single Pole	2.8	0.0	1	477 ACSR
25	CR 101 Tap	Trans Pecos Tap	138	138	Wood H-Frame	0.5	0.0	1	477 ACSR
26	Trans Pecos Tap	Trans Pecos	138	138	Steel Single Pole	0.9	0.0	1	795 ACSR
27	Trans Pecos Tap	Delaware Tap	138	138	Wood H-Frame	0.6	0.0	1	477 ACSR
28	Delaware Tap	CR 101	138	138	Wood H-Frame	0.2	0.0	1	477 ACSR
29	Arrowhead Tap	Arrowhead	138	138	Steel Single Pole	0.0	0.0	1	336 ACSR
30	Gas Pad	Caymus	138	138	Steel Single Pole	0.3	0.0	1	795 ACSR
31	Wink	Oncor Wink	138	138	Wood H-Frame	1.4	0.0	1	795 ACSR
32	16th Street	Airport	138	138	Wood Single Pole	2.8	0.0	1	477 ACSR
33	16th Street	Woodward Tap	138	138	Wood H-Frame	31.8	0.0	1	477 ACSR/SD
34	Rio Pecos	White Baker	138	138	Wood H-Frame	14.5	0.0	1	795 ACSS
35	Pig Creek Tap	Tarbrush	138	138	Steel Single Pole	2.3	0.0	1	1926.9 ACSR/TW
36	Pig Creek	Flat Top	138	138	Steel Single Pole	9.0	0.0	1	1926.9 ACSR/TW
37	Flat Top	Barilla Draw	138	138	Steel Single Pole	5.8	0.0	1	1926.9 ACSR/TW
38	Barilla Draw	Saddleback	138	138	Steel Single Pole	6.8	0.0	1	1926.9 ACSR/TW
39	Saddleback	Salt Draw Tap	138	138	Steel Single Pole	0.5	0.0	1	1926.9 ACSR/TW
40	Salt Draw Tap	IH20	138	138	Steel Single Pole	4.4	0.0	1	1926.9 ACSR/TW

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Texas-New Mexico Power Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 04/01/2021	2020/Q4
FOOTNOTE DATA			

41	IH20	Collie Tap	138	138	Steel Single Pole	2.8	0.0	1	1926.9 ACSR/TW
42	Collie Tap	Collie Meter Tap	138	138	Steel Single Pole	0.0	0.0	1	795 ACSR
43	Collie Meter Tap	Collie Cap Bank	138	138	Steel Single Pole	0.1	0.0	1	795 ACSR
44	Collie Tap	Birds of Prey Tap	138	138	Steel Single Pole	2.3	0.0	1	1926.9 ACSR/TW
45	Birds of Prey Tap	Harpoon Tap	138	138	Steel Single Pole	3.6	0.0	1	1926.9 ACSR/TW
46	Harpoon Tap	Worsham	138	138	Steel Single Pole	2.0	0.0	1	1926.9 ACSR/TW
47	Worsham	Reward Tap	138	138	Steel Single Pole	3.3	0.0	1	1926.9 ACSR/TW
48	Reward Tap	Sandstone	138	138	Steel Single Pole	7.8	0.0	1	1926.9 ACSR/TW
49	Sandstone	Pyote	138	138	Steel Single Pole	4.3	0.0	1	1926.9 ACSR/TW
50	Pyote	Wickett	138	138	Steel Single Pole	12.9	0.0	1	1926.9 ACSR/TW
51	Wickett	Wolf	138	138	Steel Single Pole	5.8	0.0	1	1926.9 ACSR/TW
52	IH20	County Road	138	138	Steel Single Pole	0.2	0.0	1	795 ACSR
53	IH20	Elm Street	138	138	Steel Single Pole	0.0	2.0	1	1926.9 ACSR/TW
54	IH20	Pecos Main	138	138	Steel Single Pole	2.3	0.0	1	1926.9 ACSR/TW
55	Pecos Main	Elm Street	138	138	Steel Single Pole	0.1	0.0	1	1926.9 ACSR/TW
56	Pecos Main	Cedarvale	138	138	Steel Single Pole	7.6	0.0	1	795 ACSR
57	Pecos Main	Cedarvale	138	138	Steel Single Pole	7.8	0.0	1	795 ACSR
58	Cedarvale	Mi Vida	138	138	Steel Single Pole	0.2	0.0	1	795 ACSR
59	Mi Vida	Cholla	138	138	Steel Single Pole	12.0	0.0	1	795 ACSR
60	Cholla	LoneStar	138	138	Steel Single Pole	5.5	0.0	1	795 ACSR
61	Cholla	Monument Draw Tap	138	138	Steel Single Pole	11.2	0.0	1	795 ACSR
62	Monument Draw Tap	Monument Draw	138	138	Steel Single Pole	0.2	0.0	1	795 ACSR
63	Monument Draw Tap	All American Tap	138	138	Steel Single Pole	1.1	0.0	1	795 ACSR
64	All American Tap	All American	138	138	Steel Single Pole	0.2	0.0	1	795 ACSR
65	All American Tap	Wink	138	138	Steel Single Pole	0.8	0.0	1	795 ACSR
66	Cedarvale	Bone Springs Tap	138	138	Steel Single Pole	3.9	0.0	1	795 ACSR
67	Bone Springs Tap	Bone Springs	138	138	Steel Single Pole	0.0	0.0	1	795 ACSR
68	Bone Springs Tap	Wink	138	138	Steel Single Pole	21.9	0.0	1	795 ACSR
69	Pecos Main	Reeves Tap	138	138	Steel Single Pole	9.9	0.0	1	1926.9 ACSR/TW
70	Reeves Tap	Coyote Springs	138	138	Steel Single Pole	0.1	0.0	1	1926.9 ACSR/TW
71	Reeves Tap	East Toyah Tap	138	138	Steel Single Pole	2.8	0.0	1	1926.9 ACSR/TW
72	East Toyah Tap	East Toyah	138	138	Steel Single Pole	0.0	0.0	1	795 ACSR
73	East Toyah Tap	Billingslea Tap	138	138	Steel Single Pole	4.3	0.0	1	1926.9 ACSR/TW
74	Billingslea Tap	Billingslea	138	138	Steel Single Pole	0.4	0.0	1	795 ACSR
75	Billingslea Tap	Faulkner	138	138	Steel Single Pole	9.7	0.0	1	1926.9 ACSR/TW
76	69 kV Transmission					145.2	0.0	18	
77									
78	Gulf Coast								
79	Comanche	Tejas	138	138	Steel Lattice	1.0	0.0	1	2-636 ACSR
80	Greenbelt	ISP	138	138	Concrete Single	4.5	0.0	1	2-636 ACSS

Name of Respondent				This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year/Period of Report		
Texas	New Mexico Power Company				04/01/2021	2020/Q4		
FOOTNOTE DATA								
					Pole			
81	Greenbelt	Tejas	138	138	Steel Single Pole	0.7	0.0	1 2-795 ACSS
82	Amoco	Apache	138	138	Wood H-Frame	4.1	0.0	1 2-636 ACSR
83	Amoco	Cherokee	138	138	Steel Single Pole	0.5	0.0	1 795 ACSS
84	Amoco	Comanche	138	138	Wood H-Frame	1.0	0.0	1 2-636 ACSR
85	Amoco	MPL Tank Farm	138	138	Steel Single Pole	1.4	0.0	1 795 ACSS
86	Comanche	Cherokee	138	138	Steel Single Pole	0.5	0.0	1 795 ACSS
87	Caddo	Greenbelt	138	138	Steel Single Pole	0.6	0.0	1 2-795 ACSS
88	Caddo	Heights	138	138	Steel Single Pole	2.1	0.0	1 2-795 ACSS
89	Caddo	Heights	138	138	Steel Single Pole	1.0	0.0	1 2-795 ACSS
90	Apache	Caddo	138	138	Steel Single Pole	0.2	0.0	1 2-636 ACSR
91	Freeway Park	Heights	138	138	Concrete Single Pole	3.1	0.0	1 2-795 ACSS
92	Freeway Park	Mainland	138	138	Wood H-Frame	3.7	0.0	1 636 ACSR
93	Mainland	Alvin	138	138	Wood H-Frame	13.6	0.0	1 636 ACSR
94	Dickinson	Freeway Park	138	138	Concrete Single Pole	6.3	0.0	1 636 ACSS
95	Dickinson	League City	138	138	Steel Single Pole	3.2	0.5	1 795 ACSS
96	League City	Butler Road	138	138	Steel Single Pole	2.1	0.0	1 795 ACSS
97	Butler Road	Magnolia	138	138	Steel Single Pole	1.6	0.0	1 795 ACSS
98	League City	Hidden Lakes	138	138	Wood H-Frame	3.2	0.0	1 795 ACSR
99	Hidden Lakes	South Shore	138	138	Steel Single Pole	1.8	0.0	1 795 ACSS
100	Hidden Lakes	South Shore	138	138	Wood H-Frame	1.8	0.0	1 795 ACSR
101	Magnolia	Seminole	138	138	Wood H-Frame	3.3	0.0	1 636 ACSR
102	Friendswood	Hastings	138	138	Steel Single Pole	7.3	0.0	1 795 ACSS
103	Friendswood	Seminole	138	138	Steel Single Pole	2.9	0.0	1 795 ACSS
104	North Alvin	Alvin	138	138	Steel Single Pole	2.1	0.0	1 795 ACSS
105	North Alvin	Hastings	138	138	Steel Single Pole	2.3	0.0	1 795 ACSS
106	West Columbia Main	CenterPoint WC	138	138	Wood H-Frame	0.2	0.0	1 2-795 ACSR
107	West Columbia Main	CenterPoint WC	138	138	Wood H-Frame	0.2	0.0	1 2-795 ACSR
108	West Columbia Local	West Columbia Main	138	138	Wood H-Frame	0.8	0.0	1 636 ACSR
109	Angleton	Retrieve	138	138	Wood H-Frame	7.0	0.0	1 795 ACSR/SD
110	Brazoria	Retrieve	138	138	Wood H-Frame	6.2	0.0	1 795 ACSR/SD
111	Angleton	West Columbia Local	138	138	Wood H-Frame	14.1	0.0	1 795 ACSR/SD
112	Brazoria	West Columbia Main	138	138	Wood H-Frame	9.5	0.0	1 795 ACSR/SD
113	SCLP Cogen	West Columbia Main	138	138	Wood H-Frame	9.5	0.0	1 2-636 ACSR
114	SCLP Cogen	West Columbia Main	138	138	Steel Single Pole	9.2	0.0	1 2-636 ACSR
115	Brazoria	Sweeny	138	138	Steel Single Pole	7.1	0.0	1 795 ACSS
116	Sweeny	FM 524	138	138	Steel Single Pole	3.7	0.0	1 795 ACSS
117	FM 524	Linville	138	138	Steel Single Pole	0.7	0.0	1 795 ACSS
118	Linville	SCLP	138	138	Steel Single Pole	0.4	0.7	1 795 ACSS
119	PH Robinson	Freeway Park	138	138	Wood H-Frame	6.9	0.0	1 2-636 ACSR
120	PH Robinson	Heights	138	138	Wood H-Frame	9.3	0.0	1 2-636 ACSR
121	PH Robinson	ISP	138	138	Concrete Single Pole	4.4	0.0	1 2-636 ACSS
122	PH Robinson	Hidden Lakes	138	138	Steel Single Pole	3.1	0.0	1 795 ACSS
123	69 kV Transmission		69	69		39.8	4.3	44
124								
125					Total	930.4	10.3	213
126								

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TRANSMISSION LINES ADDED DURING YEAR

1. Report below the information called for concerning Transmission lines added or altered during the year. It is not necessary to report minor revisions of lines.
2. Provide separate subheadings for overhead and under- ground construction and show each transmission line separately. If actual costs of completed construction are not readily available for reporting columns (l) to (o), it is permissible to report in these columns the

Line No.	LINE DESIGNATION		Line Length in Miles (c)	SUPPORTING STRUCTURE		CIRCUITS PER STRUCTURE	
	From (a)	To (b)		Type (d)	Average Number per Miles (e)	Present (f)	Ultimate (g)
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38							
39							
40							
41							
42							
43							
44	TOTAL						

TRANSMISSION LINES ADDED DURING YEAR (Continued)

costs. Designate, however, if estimated amounts are reported. Include costs of Clearing Land and Rights-of-Way, and Roads and Trails, in column (l) with appropriate footnote, and costs of Underground Conduit in column (m).
 3. If design voltage differs from operating voltage, indicate such fact by footnote; also where line is other than 60 cycle, 3 phase, indicate such other characteristic.

CONDUCTORS			Voltage KV (Operating) (k)	LINE COST					Line No.
Size (h)	Specification (i)	Configuration and Spacing (j)		Land and Land Rights (l)	Poles, Towers and Fixtures (m)	Conductors and Devices (n)	Asset Retire. Costs (o)	Total (p)	
									1
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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	CENTRAL TEXAS REGION				
2	Bosque Co., TX - Lake Whitney Sub	Trans. (unattended)	138.00	69.00	13.80
3	Bosque Co., TX - Lake Whitney Sub	Dist. (unattended)	66.00	12.50	
4	Coryell Co., TX - Coryell Co. Sub	Dist. (unattended)	66.00	22.00	
5	Bosque Co., TX - Olsen Sub	Trans. (unattended)	138.00	69.00	13.80
6	Hamilton, TX - Hamilton City Sub	Dist. (unattended)	66.00	22.00	
7	Whitney, TX - Whitney Sub	Dist. (unattended)	66.00	22.00	
8	Glen Rose, TX - Glen Rose Sub	Dist. (unattended)	66.00	22.00	
9	Bosque Co., TX - Walnut Springs Sub	Dist. (unattended)	69.00	22.00	
10	Coryell Co., TX - Jonesboro Station	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 Station	Trans. (unattended)	66.00		
29					
30	NORTH TEXAS REGION				
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		

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	Collin Co., TX - Westminster Sub	Dist. (unattended)	138.00	12.50	
2	Lewisville, TX - West Sub	Dist. (unattended)	138.00	12.50	
3	Lewisville, TX - South Sub	Dist. (unattended)	138.00	12.50	
4	Lewisville, TX - TI Sub	Dist. (unattended)	138.00	12.50	
5	Lewisville, TX - TI Sub	Dist. (unattended)	138.00	26.00	
6	Lewisville, TX - Jones St. Sub	Dist. (unattended)	138.00	12.50	
7	Lewisville, TX - Lakepointe Sub	Dist. (unattended)	138.00	26.00	
8	Nocona, TX - Nocona Sub	Dist. (unattended)	66.00	12.50	
9	St. Jo, TX - St. Jo Sub	Dist. (unattended)	66.00	12.50	
10	Petrolia, TX - Petrolia Sub	Dist. (unattended)	66.00	12.50	
11	Lone Oak, TX - Lone Oak Sub	Dist. (unattended)	66.00	12.50	
12	Red River Co., TX - Red River Sub	Dist. (unattended)	66.00	22.00	
13	Franklin Co., TX - Talco West Sub	Dist. (unattended)	138.00	12.50	
14	Lamar Co., TX - Blossom Sub	Dist. (unattended)	138.00	22.00	
15	Aubrey, TX - Krugerville Sub	Dist. (unattended)	138.00	26.00	
16	Olney, TX - Olney Sub	Dist. (unattended)	66.00	12.50	
17					
18	GULF COAST REGION				
19	Texas City, TX - Amoco SW Station	Trans. (unattended)	138.00	69.00	13.80
20	Texas City, TX - Apache SW Station	Trans. (unattended)	138.00		
21	Texas City, TX - Caddo SW Station	Trans. (unattended)	138.00		
22	Texas City, TX - Cherokee SW Station	Trans. (unattended)	138.00		
23	Texas City, TX - Comanche SW Station	Trans. (unattended)	138.00		
24	Texas City, TX - Greenbelt SW Station	Trans. (unattended)	138.00		
25	Texas City, TX - ISP SW Station	Trans. (unattended)	138.00		
26	Texas City, TX - Freeway Park Sub.	Trans. (unattended)	138.00		
27	Texas City, TX - Freeway Park Sub.	Dist. (unattended)	138.00	12.50	
28	Texas City, TX - Heights Sub.	Trans. (unattended)	138.00	69.00	13.80
29	Texas City, TX - Heights Sub.	Dist. (unattended)	138.00	12.50	
30	Texas City, TX - Northside Sub.	Dist. (unattended)	69.00	12.50	
31	Texas City, TX - Tejas Sub.	Dist. (unattended)	138.00	12.50	
32	Texas City, TX - Texas City Main	Trans. (unattended)	69.00		
33	Texas City, TX - Grant Ave.	Trans. (unattended)	69.00		
34	Texas City, TX - TC Water	Dist. (unattended)	69.00	4.00	
35	Texas City, TX - Intercity	Trans. (unattended)	69.00		
36	Texas City, TX - Linde	Trans. (unattended)	69.00		
37	Texas City, TX - Praxair	Trans. (unattended)	69.00		
38	Texas City, TX - Genesis	Trans. (unattended)	69.00		
39	Texas City, TX - Arco Pipeline	Trans. (unattended)	69.00		
40	Texas City, TX - Teppco	Trans. (unattended)	69.00		

SUBSTATIONS

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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	Texas City, TX - Liquid Carbonics	Trans. (unattended)	69.00		
2	Texas City, TX - Marathon Pipeline	Trans. (unattended)	69.00		
3	Texas City, TX - Choctaw	Trans. (unattended)	69.00		
4	Texas City, TX - Bayview	Trans. (unattended)	69.00		
5	La Marque, TX - La Marque Sub.	Dist. (unattended)	69.00	12.50	
6	Dickinson, TX - Dickinson Sub.	Dist. (unattended)	138.00	12.50	
7	League City, TX - League City Main Sub.	Trans. (unattended)	138.00		
8	League City, TX - League City Main Sub.	Dist. (unattended)	138.00	12.50	
9	League City, TX - Butler Road Sub.	Dist. (unattended)	138.00	12.50	
10	League City, TX - Magnolia Sub.	Dist. (unattended)	138.00	12.50	
11	League City, TX - South Shore Sub.	Dist. (unattended)	138.00	12.50	
12	League City, TX - Hidden Lakes Sub	Dist. (unattended)	138.00	12.50	
13	League City, TX Seminole Sub.	Dist. (unattended)	138.00	12.50	
14	Friendswood, TX - Friendswood Sub.	Dist. (unattended)	138.00	12.50	
15	Brazoria Co., TX - Hastings Sta	Trans. (unattended)			
16	Alvin, TX - Alvin Sub.	Dist. (unattended)	138.00	12.50	
17	La Marque, TX - Mainland Sub	Dist. (unattended)	138.00	12.50	
18	Brazoria Co., TX - North Alvin SW Station	Trans. (unattended)	138.00		
19	Angleton, TX - Angleton Sub.	Dist. (unattended)	138.00	12.50	
20	Brazoria Co., TX - West Col. Main Sub.	Trans. (unattended)	138.00		
21	West Columbia, TX - West Col. Local Sub.	Dist. (unattended)	138.00	12.50	
22	Brazoria, TX - Brazoria Sub.	Trans. (unattended)	138.00	69.00	13.80
23	Brazoria, TX - Brazoria Sub.	Dist. (unattended)	138.00	12.50	
24	Brazoria Co., TX - Clemons Sub.	Dist. (unattended)	69.00	12.50	
25	Brazoria Co., TX - Clemons Cavern Sta	Trans (unattended)	69.00		
26	Sweeny, TX - Sweeny Sub.	Dist. (unattended)	69.00	12.50	
27	Brazoria Co., TX - FM 524 Sub	Trans. (unattended)	138.00	69.00	12.50
28	Brazoria Co., TX - Old Ocean Sub.	Dist. (unattended)	69.00	12.50	
29	Brazoria Co., TX - Hilcorp	Trans. (unattended)	69.00		
30	Brazoria Co., TX - Philips Origin Pump	Dist. (unattended)	69.00	4.00	
31	Brazoria Co., TX - Philips Tank Farm	Dist. (unattended)	69.00	4.00	
32	Brazoria Co., TX - Phillips 2 Sta	Trans. (unattended)	69.00		
33	Brazoria Co., TX - Phillips 3 Sta	Trans. (unattended)	69.00		
34	Brazoria Co., TX - Phillips 5 Sta	Trans. (unattended)	69.00		
35					
36	WEST TEXAS REGION				
37	Winkler Co., TX - Winkler Sub	Trans. (unattended)	138.00	69.00	13.80
38	Winkler Co., TX - Winkler Co No. 6 Sub	Dist. (unattended)	66.00	25.00	
39	Winkler Co., TX - California	Dist. (unattended)	66.00	12.50	
40	Kermit, TX - Kermit #1	Dist. (unattended)	66.00	4.00	

SUBSTATIONS

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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	Kermit, TX - Kermit #2	Dist. (unattended)	66.00	4.00	
2	Kermit, TX - Kermit #2	Dist. (unattended)	66.00	12.50	
3	Winkler Co., TX - Keystone	Dist. (unattended)	69.00	12.50	
4	Ward Co. TX - Wickett	Trans. (unattended)	138.00	69.00	12.50
5	Ward Co., TX - Wickett	Dist. (unattended)	66.00	12.50	
6	Ward Co., TX - Pyote	Dist. (unattended)	138.00	25.00	
7	Reeves Co., - Reward Sta.	Trans. (unattended)	138.00		
8	Reeves Co., TX - Worsham Field	Dist. (unattended)	138.00	12.50	
9	Reeves Co., TX - Harpoon Sta.	Trans. (unattended)	138.00		
10	Reeves Co., TX - Birds of Prey Sta	Trans. (unattended)	138.00		
11	Reeves Co., TX - Collie Field Sta	Trans. (unattended)	138.00		
12	Reeves Co., TX - Collie Cap Bank Sta	Trans. (unattended)	138.00		
13	Ward Co., TX-Bone Springs Sta	Trans. (unattended)	69.00		
14	Ward Co., Tx-Cochise 25kV	Dist. (unattended)	66.00		
15	Ward Co., Tx-Cochise 12.5 kV	Dist. (unattended)	66.00		
16	Ward Co., Tx-Lone Star	Dist. (unattended)	138.00	25.00	
17	Ward Co., Tx-Mi Vida Sta	Trans. (unattended)	138.00		
18	Ward Co., Tx-Monument Draw Sta	Trans. (unattended)	138.00		
19	Ward Co., Tx-All Amercian PL	Trans. (unattended)	138.00		
20	Reeves Co., TX-Barstow Sub	Trans. (unattended)	138.00		
21	Pecos, TX - Pecos Main Sub	Trans. (unattended)	138.00		
22	Pecos, TX - Pecos Main Sub	Dist. (unattended)	138.00		
23	Pecos, TX - IH 20 Sub	Trans. (unattended)	138.00		
24	Pecos, TX - IH 20 STATCOM Sta	Trans. (unattended)	138.00		
25	Pecos, TX - Country Road Sub	Dist. (unattended)	138.00	12.50	
26	Reeves Co., TX - Salt Draw Sta.	Trans. (unattended)	138.00		
27	Reeves Co., TX - Saddleback Sub.	Dist. (unattended)	138.00	25.00	
28	Reeves Co., TX - Barilla Draw Sub	Trans. (unattended)	138.00		
29	Reeves Co., Tx - Flat Top	Dist. (unattended)	138.00	25.00	
30	Pecos Co., TX - Tarbush Sub.	Dist. (unattended)	138.00	25.00	
31	Reeves Co., Tx - Elm Street Sub	Dist. (unattended)	138.00	12.50	
32	Reeves Co., Tx - Coyote Spring Sub.	Dist. (unattended)	138.00	12.50	
33	Reeves Co., Tx - Eagle Claw Sta.	Trans. (unattended)	138.00		
34	Reeves Co., Tx - Billingslea Sta.	Trans. (unattended)	138.00		
35	Reeves Co., Tx - W. D. Faulkner	Dist. (unattended)	138.00	12.50	
36	Reeves Co., TX - County Road 101 Sta	Trans. (unattended)	138.00		
37	Reeves Co., TX - Trans Pecos Sta.	Trans. (unattended)	138.00		
38	Reeves Co., TX - Delaware Sta.	Trans. (unattended)	138.00		
39	Reeves Co., TX - Wolf Bone Ranch Sta	Trans. (unattended)	138.00		
40	Reeves Co., TX - Utah Sta	Trans. (unattended)	138.00		

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	Reeves Co., TX - Caymus Sta	Trans. (unattended)	138.00		
2	Reeves Co., TX - Arrowhead Sta	Trans. (unattended)	138.00		
3	Winkler Co., TX - Gemsbok Sta	Trans. (unattended)	138.00		
4	Winkler Co., TX - Rattlesnake Sub	Dist. (unattended)	138.00	25.00	
5	Reeves Co., TX - Scimitar Sta	Trans. (unattended)	138.00		
6	Reeves Co., TX - Sand Lake Sub	Dist. (unattended)	138.00	25.00	
7	Reeves Co., TX - Grisham Sta	Trans. (unattended)	138.00		
8	Reeves Co., TX - Cottonwood Sub	Dist. (unattended)	138.00	25.00	
9	Fort Stockton, TX -16th Street Sub	Dist. (unattended)	138.00	12.50	
10	Fort Stockton, TX -16th Street Sub	Trans. (unattended)	138.00	69.00	13.80
11	Fort Stockton, TX - Airport Sub	Dist. (unattended)	138.00	12.50	
12	Fort Stockton, TX -Downtown Sub	Dist. (unattended)	66.00	12.50	
13	Pecos Co., TX - White Baker Sw Station	Trans. (unattended)	138.00	69.00	14.00
14	Pecos Co., TX - Northern Natural Sub	Trans. (unattended)	69.00		
15	Pecos Co., TX - Northern Natural Sub	Dist. (unattended)	66.00	4.00	
16	Pecos Co., TX - Pucket	Dist. (unattended)	66.00	25.00	
17	Pecos Co., TX - Gomez	Dist. (unattended)	66.00	25.00	
18	Pecos Co., TX - Belding	Dist. (unattended)	66.00	12.50	
19	Pecos Co., TX - Armadillo	Dist. (unattended)	66.00	12.50	
20	Sanderson, Tx - Sanderson	Dist. (unattended)	66.00	4.00	
21	Pecos Co., Tx - Ocotillo Sta	Trans. (unattended)	69.00		
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					

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	6	9
			Capacitor Bank	1	15	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

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.

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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					1
141	3					2
97	2					3
94	2					4
150	2					5
94	2					6
168	2					7
25	1					8
14	2					9
11	1					10
9	1					11
25	1	1				12
33	2					13
20	1					14
47	1					15
50	2					16
						17
						18
400	2					19
						20
						21
						22
			Capacitor Bank	1	30	23
						24
						25
			Capacitor Bank	1	30	26
94	2		Capacitor Bank	2	10	27
400	2	1	Capacitor Bank	1	25	28
72	2		Capacitor Bank	2	10	29
100	2		Capacitor Bank	2	10	30
69	2		Capacitor Bank	2	10	31
			Capacitor Bank	1	25	32
						33
7	1	1				34
						35
						36
						37
						38
						39
						40

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
						2
						3
						4
50	2					5
97	2		Capacitor Bank	2	10	6
			Capacitor Bank	1	30	7
141	3		Capacitor Bank	2	10	8
47	1					9
97	2	1	Capacitor Bank	2	10	10
94	2		Capacitor Bank	2	10	11
50	1					12
47	1					13
94	2		Capacitor Bank	2	10	14
						15
141	3	1	Capacitor Bank	3	14	16
50	1	1				17
						18
141	3		Capacitor Bank	3	14	19
						20
47	2	1				21
93	1					22
77	2					23
9	1	1				24
						25
45	2					26
167	1					27
22	1					28
						29
7	1					30
7	1					31
						32
						33
						34
						35
						36
191	2					37
25	1					38
11	1					39
13	1					40

SUBSTATIONS (Continued)

5. Show in columns (l), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.

6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVA) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT			Line No.
			Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVA) (k)	
5	1					1
11	1					2
11	1		Capacitor Bank	1	10	3
167	1					4
3	1					5
25	1					6
						7
25	1					8
						9
						10
						11
			Capacitor Bank	6	120	12
						13
						14
						15
50	1					16
						17
						18
						19
						20
			Capacitor Bank	4	80	21
						22
						23
			STATCOM	1	190	24
53	2					25
						26
50	1					27
			Capacitor Bank	1	30	28
50	2					29
75	2					30
56	2					31
50	1					32
						33
						34
50	1					35
						36
			Capacitor Bank	3	60	37
						38
						39
						40

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)	
			Capacitor Bank	3	60	1
						2
						3
25	1					4
						5
25	1					6
						7
50	1					8
22	1					9
70	1					10
22	1					11
11	1					12
70	1					13
			Capacitor Bank	1		2
14	2					15
5	1					16
4	1					17
7	1	1				18
1	1					19
4	1					20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30
						31
						32
						33
						34
						35
						36
						37
						38
						39
						40

TRANSACTIONS WITH ASSOCIATED (AFFILIATED) COMPANIES

1. Report below the information called for concerning all non-power goods or services received from or provided to associated (affiliated) companies.
2. The reporting threshold for reporting purposes is \$250,000. The threshold applies to the annual amount billed to the respondent or billed to an associated/affiliated company for non-power goods and services. The good or service must be specific in nature. Respondents should not attempt to include or aggregate amounts in a nonspecific category such as "general".
3. Where amounts billed to or received from the associated (affiliated) company are based on an allocation process, explain in a footnote.

Line No.	Description of the Non-Power Good or Service (a)	Name of Associated/Affiliated Company (b)	Account Charged or Credited (c)	Amount Charged or Credited (d)
1	Non-power Goods or Services Provided by Affiliated			
2	Service billings	PNM Resources Inc.	182, 922	39,206,065
3	Interest payments	PNM Resources Inc.	430	2,696
4	Call center	Public Service Company of New Mexico	901	279,149
5	Dispatch Services	Public Service Company of New Mexico	903	59,138
6	Service billings	Public Service Company of New Mexico	590, 920	44,468
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20	Non-power Goods or Services Provided for Affiliate			
21	Intercompany rent	TNP Enterprises, Inc.	455	141,372
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
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37				
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39				
40				
41				
42				

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