

STIPULATED REGULATORY COMMITMENTS

1. **Rate Benefits.** Joint Applicants¹ commit to provide a total of \$73 million in rate benefits, deployed in the following manner:
 - ~~\$67~~ ~~\$50~~ million in rate credits to PNM’s customers over a three-year period following the closing of the Proposed Transaction. The rate credits shall be allocated to PNM’s customers on a per customer basis.
 - ~~\$10~~ ~~\$6~~ million for residential customer arrearages forgiveness within 90 days from closing of the Proposed Transaction. The Joint Applicants shall file their plan for apportioning the arrearage relief with the Commission for its approval.
 - \$2 million in funds for assisting in providing electricity to new customers in remote areas (as described in Section 11 below); and
 - \$15 million for low-income energy efficiency (as described in Section 8 below).
 - PNM will not file a new general rate case before December 1, 2022, to allow for a transition period under the merger terms and recovery from COVID-19 impact on consumers.

2. **Economic Development.** Joint Applicants make the following commitments regarding economic development:
 - Joint Applicants will create or bring an additional 150 full-time jobs in total to New Mexico over the three-year period following the closing of the Proposed Transaction. At least 130 of the full-time jobs shall be created or brought to New Mexico by the Joint Applicants (other than PNM). At least 100 of the 130 full-time

¹ Public Service Company of New Mexico (“PNM”), PNM Resources, Inc. (“PNMR”), NM Green Holdings, Inc., Avangrid Networks, Inc. (“Networks”), and Avangrid, Inc. (“Avangrid”) are collectively referred to as Joint Applicants.

jobs shall be created within the Albuquerque-Bernalillo County metropolitan area, and would not include costs of any of the those jobs in rates without New Mexico Regulation Commission (“NMPRC” or the “Commission”) review and approval. The 150 new jobs will remain for no less than five years thereafter. Joint Applicants commit to file an annual compliance report in this merger proceeding showing the number of full-time jobs created or brought to New Mexico, identifying the employer, job title, annual salary, location (city or county), date of hire, any period of time during which the job was vacant, a description of benefits and whether the job is performed remotely or in an office location. No more than 20 of these jobs will be at PNM. PNM will create at least 20 new full-time jobs for electric service craftsmen. Joint Applicants will target 20 of these jobs to be electric service business unit craftsmen at PNM, and PNM will prioritize hiring personnel that have been or will be displaced as a result of San Juan Generating Station closure for those positions. PNM shall not include costs of any of the those jobs in rates without New Mexico Regulation Commission (“NMPRC” or the “Commission”) review and approval. If the Joint Applicants fail to create 150 new full-time jobs in New Mexico within three years after the closing of the Proposed Transaction, they shall pay \$80,000 per job shortfall to the PNM Good Neighbor Fund (at shareholder expense). A job shortfall shall exist if the job was not created or if it has remained vacant for more than six months. To count toward the 150 job requirement, a job must be created as an employee of Avangrid, Inc or its affiliated interests and the wages must average at least \$88,000 per year.

- Joint Applicants commit that they will make contributions to economic development projects or programs in New Mexico, at shareholder expense, totaling ~~\$15~~ \$7.5 million over the ~~five~~ three years following the closing of the Proposed Transaction. The Joint Applicants commit that these economic development funds will not be used for fossil fuel use or related projects. The ~~\$15~~ \$7.5 million commitment to promote economic development in New Mexico will be disbursed through an independent fund (“Fund”) to which shareholders will contribute ~~\$3~~ \$2.5 million per year for a period of ~~5~~ 3 years. The Fund will be administered independent of Joint Applicants. The funds shall be disbursed through a competitive grant program, and the grants shall be disbursed only to nonprofits proposing economic development projects or conducting economic development programs in areas served by PNM.
- Additionally, within 90 days of closing of the Proposed Transaction, Joint Applicants will allocate at shareholder expense \$2.5 million each year for five years following closing, for a total of \$12.5 million, for the benefit of impacted indigenous community groups in the Four Corners region, as designated by intervening Community Groups. This amount is not related in any way to, and will not impact, the amounts required to be transferred to the energy transition funds pursuant to NMSA 1978, Section 62-18-16(J) in relation to the abandonment of any coal-fired generation facility in New Mexico. The Joint Applicants commit to engage in periodic meetings, at least twice annually, with impacted community stakeholders in the Four Corners region, with the NMPRC Utility Division Staff (“Staff”), and the Office of the Attorney General for the State of New Mexico (“NM

AG”) to discuss community interests regarding Joint Applicants operations and renewable energy and storage development in the Four Corners region.

- The New Mexico Energy Transition Act (“ETA”) requires that 3.35% of the amount securitized from the closure of the San Juan Generating Station be provided to an “energy transition displaced worker assistance fund” run by NM Workforce Solutions. Joint Applicants commit to work with PNM to ensure that this program provides the maximum possible employment opportunities for displaced workers, and will look for opportunities to improve that program. Joint Applicants commit to provide progress reports on the effectiveness of the program each six months following execution of this Stipulation to Staff, the NM AG and other stakeholders that are signatories to this Stipulation until three years following closing of the Proposed Transaction. The Joint Applicants shall file the progress reports with the Commission.
- The Joint Applicants shall make a \$1 million contribution to create a supplemental scholarship program dedicated to science, technology, engineering and math education in the Albuquerque/Bernalillo County metropolitan area and a \$1 million contribution to create or enhance apprenticeships in local high schools and colleges. With respect to the scholarship program, the Joint Applicants shall contribute the \$1 million over a two-year period following the closing of the Proposed Transaction. This contribution shall be in addition to any existing contributions committed to by the Joint Applicants and shall not be recoverable in rates. With respect to the \$1 million to create or enhance apprenticeships for technical and professional positions for students in local high schools and colleges, the Joint

Applicants shall use commercially reasonable efforts to ensure that such programs are made available to high schools in an equitable manner. The contribution shall be in addition to any existing contributions committed to by the Joint Applicants and shall not be recoverable in rates.

- PNM will provide local government entities access to PNM-owned wooden streetlighting poles within 1/2 mile of public schools and government-owned or authorized low-income facilities for the purpose of enabling the installation by the governmental entity of equipment to provide wireless internet access to students and residents of such facilities. Access will be provided pursuant to written agreements identifying the streetlighting poles eligible for attachments and on PNM's standard pole attachment or other applicable terms and conditions, except that annual pole rental fees will not be charged for a period of 3 years from November 1, 2021. All standard charges under PNM's streetlighting rates and tariffs, and for make-ready and other PNM services associated with such access will apply].
3. **Albuquerque Streetlighting.** Joint Applicants agree to work with the City of Albuquerque to provide park streetlighting. Joint Applicants agree that if there is any failure with respect to that streetlighting, if PNM does not fix it within 24 hours, the City of Albuquerque can contract to fix the streetlighting and submit an invoice to PNM for the repairs.
 4. **Albuquerque Airport Substation.** Joint Applicants commit to work with the City of Albuquerque to complete by July 1, 2022 the construction of a PNM-owned substation that will be a part of PNM's distribution system serving the southeast area of Albuquerque,

including the Albuquerque International Sunport, as well as existing privately owned residences, businesses, and projected private development in this quadrant consistent with Joint Applicants' general obligations to prevent major interruptions of service as set out in 17.9.560 NMAC (2020).

5. **Charitable Contributions.** Joint Applicants commit that PNM and PNMR's charitable contributions in New Mexico will be maintained at historical levels identified in the Joint Applicants' direct testimony for a minimum of five years following closing of the Proposed Transaction, with a similar expectation for the PNM Resources Foundation's separate charitable activities.
6. **Minority- and Woman-Owned Business Procurement Program.** Joint Applicants commit to work closely with the NM AG and Staff to arrive at and initiate an effective Minority- and Woman-Owned Business Procurement Program within six months following closing of the Proposed Transaction. The goal of this program will be to increase the contract opportunities for minority- and woman-owned businesses in New Mexico in conjunction with PNM contracts to procure goods and services. The program will have three components: (i) Early Outreach (to maximize participation of minority- and woman-owned businesses in requests for proposals ("RFPs")); (ii) RFP Weighting (to strongly consider the benefits of contracting with a minority- or woman-owned New Mexico business, along with price, experience, capability, timing and other factors); and (iii) Annual Review (to evaluate the success of the program) for a minimum of five years following closing of the Proposed Transaction. Each year for at least five years following such closing, the Joint Applicants commit to provide data from its Annual Review to the NM AG, to Staff and to other stakeholders that are signatories to this Stipulation and will

modify the program as needed based upon input from and discussions with Staff, the NM AG and other stakeholders that are signatories to this Stipulation. The data from the Annual Review shall be filed with the Commission.

7. **Low-Income Customer Assistance Programs.** Joint Applicants commit that PNM will maintain its existing low-income customer assistance programs, including the Good Neighbor Fund, for a minimum of five years following the closing of the Proposed Transaction.
8. **Low-Income Energy Efficiency Program.** Joint Applicants commit to evaluate PNM's current low-income energy efficiency program. Within six months following closing of the Proposed Transaction, Joint Applicants will work with Staff, the NM AG and other stakeholders that are signatories to this Stipulation to propose improvements to the program, to result in their passing the Utility Cost Test, which PNM will then incorporate in its next Energy Efficiency program filing with the Commission. Joint Applicants will have PNM commit to propose increased spending on all cost-effective low-income energy efficiency and weatherization programs up to the statutory limit on energy efficiency spending, so long as such spending does not cause the overall energy efficiency plan to fail the Utility Cost Test. In addition, Applicants will commit \$15 million in total over a five-year period in shareholder expense to increase cost-effective low-income energy efficiency and weatherization (\$5 million in first year, and \$2.5 million in each of the next four years), with any remaining unspent amounts to be applied in the sixth year.
9. **Local Energy Efficiency Procurement.** Joint Applicants commit to work closely with stakeholders to have local New Mexico businesses manage PNM's energy efficiency programs. The Joint Applicants commit that within six months following closing of the

Proposed Transaction, PNM will include in its RFPs for managing its energy efficiency programs weighting that considers the benefits of contracting with local New Mexican businesses, as well as price, experience, capability, and other relevant factors to maximize the participation of local businesses in the provision of these services.

10. **Diversity of PNM Management Team.** Joint Applicants commit that within six months following closing of the Proposed Transaction, they will implement a new program for PNM in consultation with Staff, the NM AG and the other stakeholders that are signatories to this Stipulation to increase diversity on the PNM management team (Executives, Vice-Presidents, and Directors). Among other considerations such as qualifications, capabilities, and credentials, the Joint Applicants commit that diversity (gender, race, ethnicity, etc.) will be a key priority for management hiring efforts at PNM. Joint Applicants commit to report annually on the progress and success of this program for five years. During the five-year reporting period, in any given year in which management diversity is reduced by more than 10% from the prior year, the Joint Applicants commit to contribute \$250,000 to designated scholarship(s).

11. **“Electrification for All” Program.** Joint Applicants will work with Staff and the NM AG to propose a low-income “Electrification for All” program to improve the access that low-income New Mexicans have to electricity, particularly in remote areas. Joint Applicants commit to report on the results of the program annually to signatories to the Stipulation for three years from closing of the Proposed Transaction to evaluate its success and to entertain modifications to improve effectiveness. The low-income electrification fund as described above in Section 1 will remain open for three years from such closing or until fully deployed, whichever occurs first; in the event that the low-income electrification

fund is not fully deployed at the end of the three-year period, Joint Applicants will work with Staff, the NM AG and other stakeholders that are signatories to this Stipulation to determine how to deploy any residual funding that has not been utilized. Joint Applicants will fund the program with \$2 million that will not be passed through in rates to customers and will count toward the rate benefits described above. As needed, Joint Applicants commit to work toward electrification during this three-year period for up to \$2 million of electrification.

12. Transaction and Transition Costs. Joint Applicants commit that PNM will not, directly or indirectly, seek to recover in any future rate case filing, any acquisition premium, or transaction costs, or merger transition costs resulting from the Proposed Transaction and allocated to PNM.

- a. Neither PNM nor any ~~affiliate~~ affiliated interest or subsidiary of PNM, Avangrid, or Iberdrola, S.A. (“Iberdrola”), will seek recovery of transaction costs in PNM’s rates. None of the transaction costs will be borne by PNM’s customers, nor will PNM seek to include transaction costs in its rates. Transaction costs are those incremental costs paid to advance or consummate the transaction. Transaction costs do not include PNM and shared services employee time but must include any form of incentive compensation associated with the Proposed Transaction, regardless of whether Avangrid, PNMR, or their ~~affiliates~~ affiliated interests and subsidiaries internally refer to it as incentive compensation.
- b. Any goodwill associated with the transaction will not be included in rates, rate base, cost of capital, or operating expenses in future PNM ratemaking proceedings.

Write-downs or write-offs of goodwill associated with the transaction will not be included in the calculation of net income for dividend payment purposes.

- c. No time and expenses, third party costs, fees, expenses, or costs of the transition (transition costs) incurred by any party to the Transaction (including Avangrid and its subsidiaries and PNMR and its subsidiaries) will be borne by PNM's customers, nor will PNM seek to include transition costs in rates. Transition costs are those costs necessary to integrate PNM into the holdings of Avangrid Networks, whether incurred before or after closing of the Proposed Transaction, including one-time transition costs being incurred whether directly or indirectly through ~~affiliate~~ affiliated interest charges, to integrate PNM's operations and systems with those of Avangrid Networks. Provided, however, that transition costs do not include PNM and shared services employee time, or costs that reflect reasonable and necessary costs in providing service to the public.
- d. Neither PNM nor any of its ~~affiliates~~ affiliated interests will elect to apply pushdown accounting for the transaction (i.e., the transaction will have no accounting impact on PNM's assets). Any incremental goodwill will not be allocated to, nor recognized within, PNM's financial statements.
- e. Joint Applicants commit to file with the Commission a comprehensive compliance report about actual acquisition premium, transaction costs, and/or merger transition costs allocated to PNM not later than six months following the publication of PNMR's audited financial statements for the fiscal year during which the Proposed Transaction closes.

13. **No New Debt From Proposed Transaction.** Joint Applicants commit that PNM and PNMR will not take on any new debt in conjunction with the Proposed Transaction.
14. **Avangrid Controlling Ownership Interest.** Joint Applicants commit that Avangrid will maintain an indirect controlling ownership interest in PNM for not less than ten years following the closing of the Proposed Transaction.
15. **Commission Jurisdiction.** The Commission jurisdiction over PNM remains and will not be adversely affected in any manner by the Proposed Transaction, as PNM will continue to abide and to be bound by existing applicable NMPRC rules, regulations, and orders. ~~Additionally, Avangrid agrees, and Iberdrola authorizes Avangrid to represent that~~ Iberdrola, Avangrid, Inc. and their affiliated interests agree to submit to New Mexico jurisdiction with respect to the enforceability of these regulatory commitments and the services each may provide in New Mexico and to PNM. The Commission's jurisdiction includes, but is not limited to, the Commission's ability to subpoena, and require the attendance of any employee or agent of Iberdrola, Avangrid, Inc. and their affiliated interests, at any proceeding before the Commission.
16. **Commitment Duration.** Joint Applicants commit that PNM will continue to abide and be bound by the commitments set forth in all stipulations that are currently in effect until the commitments expire on their own accord or the Commission enters any order that supersede such commitments.
17. **Management.** In recognition of the importance of having a utility board that has a significant local voice, Joint Applicants make the following commitments to local management:

- PNM’s Board of Directors will have decision-making authority over PNM dividend policy, issuance of dividends (except for contractual tax payments), debt issuance, capital expenditures, management and services fees, and operation and maintenance expenditures;
- Within 30 days following closing of the Proposed Transaction, PNM will file with the Commission a Delegation of Authority from the Avangrid, Inc. board of directors, specifying that the PNM Board has this authority. After review and approval by the Commission, the Delegation of Authority will be adopted by the PNM Board as a corporate resolution of PNM;
- PNM’s Board of Directors will be comprised of seven directors, all of whom shall be New Mexico residents. At least four ~~Three~~ of the directors shall be “independent” as that term is defined in the rules and regulations of the NYSE and “disinterested” as defined as follows: “A disinterested Director will qualify as independent in all material respects in accordance with the rules and regulations of the NYSE (which are set forth in section 303A of the NYSE listed company manual) from Avangrid, its holding company(ies) and its subsidiaries or affiliated interests and any entity with a direct or indirect ownership interest in PNM, PNMR and/or TNMP, and also will have no material relationship with Avangrid or Iberdrola or their subsidiaries or affiliated interests or any entity with a direct or indirect ownership interest in PNM, currently or within the previous five years, or on a going-forward basis. No independent or disinterested Director sitting on PNM’s Board shall sit on any other boards of companies or affiliated

interests owned by Avangrid, Iberdrola, or their subsidiaries, or have any financial relation with PNM or its parent/holding companies, other than receiving compensation directly related to their duties as PNM Board members. No independent disinterested director shall have an ownership interest, including shares (over which they have direct or indirect control, e.g. through a broker, to buy or sell), in PNM, Avangrid, Iberdrola, NM GREEN HOLDINGS, any holding company or any affiliated interest company and/or subsidiary of any of the aforementioned companies or their parent companies or any company or holding company that is created after the acquisition. ~~Notwithstanding any contrary provision contained herein, the matters directly under the control of PNM are subject to and are understood to be in compliance with all applicable requirements of any order of the NMPRC, including, specifically, any commitments made by PNM in connection with any such order.~~

- Board decisions will be by a simple majority vote of the directors, with the exception of dividend matters. A super majority of the Board (which means a majority of the Board that also includes a majority of independent and disinterested members) is required for dividend policy matters and the issuance of dividend payments. The independent and disinterested directors, acting by majority vote shall have the authority to prevent PNM from making any dividend, except for contractual tax payments, if they determine that it is in the best interest of PNM to retain such amounts to meet expected future requirements of PNM.

- PNM's CEO and senior management will continue to have day-to-day control over PNM's operations, and contact with local stakeholders and intervenors will be through local management and employees for all regulatory, operational and community engagement matters. This operational authority includes the sole authority by PNM to settle any proceeding at the NMPRC if in the sole discretion of senior management (subject to general oversight of the PNM Board) it is in the best interests of the Utility to do so.
- PNM's Board of Directors meetings will be held in New Mexico or virtually so long as New Mexico's or national COVID or other similar travel restrictions are in effect.
- Other than in conformance with all applicable rules, regulations and orders of the Commission based upon a Commission-approved cost allocation methodology, Avangrid, Iberdrola and any other intermediary holding companies will not charge PNM for a share of executive, management or administrative costs;
- PNM's day-to-day operations will be conducted by PNM's local management and employees, and PNM's local management will continue to establish company priorities and respond to local conditions;
- No PNM employees including PNM's President and senior management will simultaneously hold positions with any upstream affiliated interest.

- Any amendments or changes to the dividend policy must be approved by a majority vote of the directors that also includes the affirmative vote of a majority of independent and disinterested directors;
- The Compensation Committee of the PNM Board of Directors shall have sole responsibility to set the compensation and benefits for all directors and officers of PNM, in accordance with the provisions of this Stipulation. The Compensation Committee will be made up exclusively of the three independent and disinterested directors;
- Joint Applicants will establish a Lead Independent Director position, designated and elected solely by the independent board members. The position of Lead Independent Director will be designed to promote strong, independent oversight of the Company's management and affairs. The Lead Independent Director will:
 - jointly establish meeting schedules with the Chair to ensure sufficient time for discussion of all agenda items;
 - chair all meetings of the independent directors, including the independent directors' compensation committee, and preside at all meetings of the Board in the absence of the Chair;
 - in consultation with the Board, retain independent advisors and consultants on behalf of the Board;
 - facilitate the annual self-evaluation of the Board and Board committees;

-- serve as a liaison for communications between (1) management and the independent directors, and (2) the Board and other interested parties; and

-- perform such other duties as the Board may from time to time delegate.

- PNM's headquarters will remain in Albuquerque, New Mexico for so long as Avangrid, Iberdrola or any parent company or any affiliated interest owns PNM.
- This provision shall not be construed as agreement by any Party concerning the prudence of any costs associated with the Board of Directors.
- After closing of the Proposed Transaction, the Commission may initiate a management audit of PNM, to be performed by a consulting firm chosen by and under the direction of the Commission to review the impacts of the merger's Class II Transactions upon PNM's local management of the utility, including the conduct of PNM's day-to-day operations and establishment of company priorities in response to local conditions, consistent with the Commission's regulations governing the General Diversification Plan (17.6.450.10(C)(8) NMAC). The costs of this audit will be borne by PNM shareholders and not recoverable from ratepayers.
- For the formation of any holding company, PNM will not pay excessive dividends to the holding company, and the holding company will take no action that will have an adverse and material effect on the public utility's

service and rates. The public utility will obtain prior Commission approval for any PNM investment in an affiliated interest.²

- ~~○ PNM's Board of Directors will have decision-making authority over PNM dividend policy, issuance of dividends (except for contractual tax payments), debt issuance, capital expenditures, management and services fees, PNM director and officer compensation and benefits, and operation and maintenance expenditures;~~
- ~~○ PNM's Board of Directors will be comprised entirely of New Mexico residents, at least 40% of whom (e.g., 2 of 5 or 3 of 7 directors) shall qualify as "independent" as defined in the rules and regulations of the New York Stock Exchange and "disinterested" as defined as follows: A disinterested director will qualify as independent in all material respects in accordance with the rules and regulations of the New York Stock Exchange (NYSE) (which are set forth in section 303A of the NYSE listed company manual) from Avangrid, and its subsidiaries or affiliated entities and any entity with a direct or indirect ownership interest in PNM, will have no material relationship with Avangrid or Iberdrola or their subsidiaries or affiliated entities or any entity with a direct or indirect ownership interest in PNM, currently or within the previous five years, and will have no ownership interest, including shares (over which they have control to buy or sell), in PNM, Avangrid, Iberdrola, NM GREEN HOLDINGS, Inc. or any affiliated company and/or subsidiary of any~~

² The amendments to Regulatory Commitment 17 above are adopted from the recommendations in Mr. Gorman's July 16 testimony in addition to changes recommended in Section VI.G.2 of the Certification.

- ~~of the aforementioned companies or their parent companies or any company or holding company that is created after the acquisition;~~
- ~~○ Local management will continue to have day-to-day control over PNM's operations;~~
 - ~~○ PNM's Board of Directors meetings will be held in New Mexico or virtually;~~
 - ~~○ Other than in conformance with all applicable rules, regulations and orders of the Commission based upon a Commission approved cost allocation methodology, Avangrid, Iberdrola and any other intermediary holding companies do not intend to charge PNM for a share of executive, management or administrative costs;~~
 - ~~○ PNM's day-to-day operations will be conducted by PNM's local management and employees, and PNM's local management will continue to establish company priorities and respond to local conditions;~~
 - ~~○ PNM's Board of Directors, including the affirmative vote of a majority of independent and disinterested directors, will have the sole right to determine dividends, except for contractual tax payments;~~
 - ~~○ Any amendments or changes to the dividend policy must be approved by a majority vote of the directors, including the affirmative vote of a majority of independent and disinterested directors;~~
 - ~~○ The independent and disinterested directors, acting by majority vote (i.e., if there are only two independent and disinterested directors, both must agree for a vote to constitute a "majority"), shall have the authority to prevent PNM from making any dividend, except for contractual tax payments, if they determine that it is in the best~~

~~interest of PNM to retain such amounts to meet expected future requirements of PNM;~~

~~○ The Compensation Committee of the PNM Board of Directors shall have sole responsibility to set the compensation and benefits for all directors and officers of PNM, in accordance with the provisions of this Stipulation. The Compensation Committee will be made up exclusively of the three independent and disinterested directors;~~

~~○ PNM's headquarters will remain in Albuquerque, New Mexico for so long as Avangrid owns PNM; and~~

~~○ This provision in the Stipulated Regulatory Commitments shall not be construed as agreement by any Party to the Stipulation concerning the prudence of any costs associated with the Board.~~

18. **Authorized Purpose of PNM.** The sole authorized purpose of PNM shall be the provision of electric utility service and the performance of activities reasonably necessary and appropriate thereto.

19. **Best Interests of PNM and Customers.** The Board of Directors and officers of PNM are obligated to act in the best interests of PNM and its customers, consistent with the terms of this settlement and order.

20. **Extinguishment of Debt.** Avangrid will extinguish all debt at PNMR, reducing it to zero within 90 days following the closing of the Proposed Transaction and maintaining it at zero going forward for as long as Avangrid has an indirect ownership interest in PNMR unless authorized in advance by the Commission.

21. **Terminations and Reductions of Wages or Benefits.** Joint Applicants commit that there will be no involuntary terminations except for cause or performance (other than those associated with the planned closure of the San Juan Generating Station) and no reductions of wages or benefits to union or non-union employees for a minimum of three years following the closing of the Proposed Transaction. The Joint Applicants also commit that the following jobs, that are currently located in New Mexico, will not be moved out of the State and will continue to be performed by PNM utility employees to the extent they currently are, for as long as Avangrid/Iberdrola or any affiliated interest or holding company owns PNM: regulatory matters, engineering, system planning, transmission and distribution system maintenance, call center and customer facing, and system dispatch and control. Job numbers with job descriptions will be provided to the NMPRC at the end of the three years following the merger and in the three subsequent rate cases that follow the approval of the Proposed Transaction.
22. **Collective Bargaining Agreement and Pension.** Joint Applicants will honor PNM's current collective bargaining agreement and will use good faith in any future collective bargaining agreement negotiation. Within six (6) months following closing of the Proposed Transaction, PNM will study the pension for union employees to evaluate whether the pension is fully funded, and will work with the union to ensure that the pension remains fully funded.
23. **Affiliate Affiliated Interest Lending and Borrowing.** Joint Applicants commit that PNM will not lend money to or borrow money from any of its ~~affiliates~~ affiliated interests, other than as permitted by the Commission.

24. **Affiliate Affiliated Interest Credit Facilities.** Joint Applicants commit that PNM will not share credit facilities with any ~~affiliates~~ affiliated interests other than as approved by the Commission.
25. **Affiliate Affiliated Interest Cross-Default Provisions.** Joint Applicants commit that PNM will not include in any of its debt or credit agreements cross-default provisions relating to any of its ~~affiliates~~ affiliated interests. Under no circumstances will any debt of PNM become due and payable or otherwise be rendered in default because of any cross-default, financial covenants, rating agency triggers or similar provisions of any debt or other agreement of any of its ~~affiliates~~ affiliated interests.
26. **Affiliate Affiliated Interest Material Asset Transfers.** Joint Applicants commit that PNM will not acquire or transfer material assets from or to any of its ~~affiliates~~ affiliated interests, except on an arm's length basis, and except with prior Commission approval, in accordance with the Commission's ~~affiliate~~ affiliated interest transaction standards and requirements.
27. **Stand-Alone Bond Credit and Debt Ratings.** Joint Applicants commit to take the actions necessary to ensure the existence of PNM's standalone bond credit and debt ratings. PNM will, except as otherwise approved by the Commission, be registered with at least two nationally recognized statistical ratings organizations that are registered with the United States Securities and Exchange Commission, which must include two of Moody's, Fitch, or Standard and Poor's. The Joint Applicants shall take the actions necessary to ensure that PNM's credit ratings reflect the ring-fence provisions adopted in this order such that the credit rating agencies provide PNM with a standalone credit rating. These credit rating

agencies are specifically identified for the purposes of this paragraph as Moody's, Standard & Poor's, and Fitch.

28. Restrictions on Dividends or Distributions Related to Debt Rating. Joint Applicants commit that PNM will not pay dividends or distributions, except for contractual tax payments, at any time that PNM's debt rating is below BBB or its equivalent with any of the credit-rating agencies, unless approved by the Commission in a proceeding opened for that purpose. PNM shall notify the Commission within five days if PNM's credit rating falls to an investment grade credit rating below BBB (or its equivalent) with any of the credit-rating agencies. PNM's notice shall include an action plan to improve an investment grade credit rating below BBB (or its equivalent). PNM's total balance sheet debt, including short-term debt, measured using a trailing 13-month average, will be included in this action plan for informational purposes. For purposes of this paragraph, references to credit rate agencies include Moody's, Standard & Poor, and Fitch or successor firms. ~~Joint Applicants commit that PNM will not pay dividends or distributions, except for contractual tax payments, at any time that PNM's debt rating is at BBB or its equivalent with any of the credit-rating agencies with a negative watch, unless approved by the Commission in a proceeding opened for that purpose. PNM shall promptly notify the Commission if PNM's credit rating falls to an investment grade credit rating of BBB with a negative watch (or its equivalent) with any of the credit-rating agencies.~~

29. Dividend Payment Limitation. PNM will limit its payment of dividends, except for contractual tax payments, to an amount not to exceed its net income as determined in accordance with GAAP. PNM, however, shall be permitted to rollover under-utilized

dividending capacity to subsequent periods for payment for the number of years the Commission allows for rollovers.

30. **Minimum Common Equity Ratio.** PNM shall maintain a minimum common equity ratio (measured using a trailing 13-month average) in compliance with the equity ratio established from time to time by the Commission for ratemaking purposes. In every general rate case following the approval of the Proposed Transaction, PNM will include in its rate schedules for the base and test year periods all short-term borrowings, notes payable and other agreements which are regarded as debt instruments by any of the credit rating agencies identified in Paragraph 28, above. PNM will make no payment of dividends, except for contractual tax payments, where such dividends would cause PNM to be below the Commission approved equity ratio (measured using a trailing 13-month average). ~~PNM shall maintain a minimum common equity ratio (measured using a trailing 13-month average) in compliance with the equity ratio established from time to time by the Commission for ratemaking purposes. The equity ratio shall be calculated in the same manner as used by the Commission in PNM's most recent rate case. The minimum equity ratio will start with the Commission approved ratemaking equity ratio set by the Commission in PNM's most recent rate case. PNM will make no payment of dividends, except for contractual tax payments, where such dividends would cause PNM to be below the Commission approved equity ratio (measured using a trailing 13-month average).~~

31. **Affiliate Affiliated Interest Pledge Restriction.** Joint Applicants commit that PNM's assets, or revenues shall not be pledged by any of its ~~affiliates~~ affiliated interests for the benefit of any entity other than PNM.

32. **Shared Services.** In Class I transactions involving shared services provided by any Avangrid/Iberdrola ~~affiliate~~ affiliated interest to PNM or through PNMR to PNM, PNM shall file for the PRC's approval of such shared services and the Cost Allocation Manual for each such ~~affiliate~~ affiliated interest. PNM's request for approval of shared services from Avangrid/Iberdrola ~~affiliates~~ affiliated interests shall include the requested accounting requirements for such shared services, consistent with the Federal Energy Regulatory Commission's ("FERC") uniform system of accounts, including applicable restrictions on the exchange of competitively sensitive, proprietary data.
33. **Incremental New Debt.** Without prior approval of the Commission, neither Avangrid nor any ~~affiliate~~ affiliated interest of Avangrid (excluding PNM) will incur, guaranty, or pledge PNM assets in respect of any incremental new debt at the closing of the Proposed Transaction or thereafter that is dependent on: (1) the revenues of PNM in more than a proportionate degree than the other revenues of Avangrid; or (2) the stock of PNM.
34. **Independent Evaluator.** Whenever PNM proposes a procurement of energy resources, power supply, energy storage, and related generation facilities intended to become a part of utility plant in service (Energy or Storage RFP), including whenever an affiliated interest expresses interest in participating in an RFP for a Class I transaction or any extension of an existing affiliated interest power purchase agreement through a repowering or otherwise, an Independent Evaluator ("IE") will be retained for the benefit of the Commission in order to ensure a fair RFP process and that there is no favoritism in the evaluation of proposals and selection of the winning bidder(s). Within thirty days from closing of the Proposed Transaction, and thereafter in PNM's annual reports pursuant to Rule 17.3.510 NMAC, PNM shall provide the Commission with a list of qualified entities

from which an IE may be selected; provided that if the Commission has not selected an IE within 90 days of submittal of the list of qualified entities, PNM shall select an IE from the list in order to ensure an IE is available to timely review any proposed procurements. PNM shall include in its preparation of the list of qualified IE entities at least three candidates as may be proposed by parties in PNM's most recent resource procurement case. The IE shall be retained on behalf of the Commission and the IE shall report to the Commission, and paid for by PNM. PNM shall provide the IE with the RFP and all necessary information during the RFP process, or upon selection of the IE if an RFP process is in progress, in order for the IE to file a report to the Commission within fifteen days of any required application filed by PNM for approval of such procurement. The IE Report shall outline the substance of the RFP process and provide an independent assessment of the development and implementation of the RFP process, including whether the bid proposals were evaluated on a fair, consistent, and comparable basis. The IE shall not have any affiliation with the owner's engineer or other consultant used by PNM in the development and implementation of the RFP process. PNM shall include in its Annual Report its list of qualified IE candidates from which the Commission will select the IE for the following year. Joint Applicants agree that shareholders will pay the cost for the services provided by the IE when an affiliated interest participates in an RFP. To the extent that PNM retains an IE where there is not an affiliated interest participating in the RFP, the parties to the Stipulation agree that all of the reasonable costs of the IE are properly recoverable through PNM rates. All parties will retain rights to oppose any new projects proposed and to oppose any affiliated interest contracts proposed. ~~Upon the effective date of a utility competitive~~

~~procurement rule promulgated by the Commission, this Paragraph shall be superseded by such rule and shall no longer be in force or effect.~~

~~Whenever PNM proposes a procurement of energy resources, power supply, energy storage, or any related utility equipment intended to become a part of utility plant in service (Energy or Storage RFP), including whenever an affiliate expresses interest in participating in an RFP for a Class I transaction or any extension of an existing affiliate power purchase agreement through a repowering or otherwise, PNM will choose and retain an Independent Evaluator ("IE") in order to ensure a fair RFP process and that there is no favoritism in the evaluation of proposals and selection of the winning bidder(s). The IE shall be retained on behalf of the Commission and shall report to the Commission. PNM shall provide the IE with the RFP and all necessary information during the RFP process in order for the IE to file a report to the Commission within fifteen days of any required application filed by PNM for approval of such procurement. The IE Report shall outline the substance of the RFP process and provides an independent assessment of the development and implementation of the RFP process, including whether the bid proposals were evaluated on a fair, consistent, and comparable basis. The IE shall not have any affiliation with the owner's engineer or other consultant used by PNM in the development and implementation of the RFP process. PNM shall include in its Annual Report its list of qualified IE candidates from which PNM will select the IE for the following year. Joint Applicants agree that shareholders will pay the cost for the services provided by the IE when an affiliate participates in an RFP. To the extent that PNM retains an Independent Evaluator where there is not an affiliate participating in the RFP, the parties to the Stipulation agree~~

~~that all of the reasonable costs of the Independent Evaluator are properly recoverable through PNM rates. All parties will retain rights to oppose any new projects proposed and to oppose any affiliate contracts proposed.~~

35. **Affiliate Affiliated interest Contracts Other Than Shared Services.** Joint Applicants commit that PNM will implement policies with respect to existing and/or potential future ~~affiliate~~ affiliated interest contracts that would accomplish the following:

- PNM has the burden of proving that any new ~~affiliate~~ affiliated interest transactions are based on reasonable charges for services rendered and that the services received benefit ratepayers;
- No PNM ~~affiliate~~ affiliated interest can obtain a new ~~affiliate~~ affiliated interest power purchase agreement (“PPA”) with PNM or an extension of an existing ~~affiliate~~ affiliated interest Purchase Power Agreement (including through repowering) without winning a competitive RFP (with an Independent Evaluator) with evidence of direct head-to-head competition with non-Iberdrola or non-Avangrid ~~affiliates~~ affiliated interests, and will be subject to obtaining Commission approval;
- Any information that PNM provides to its ~~affiliate~~ affiliated interest with respect to any such RFP (including with respect to any extension of an existing PPA, such as through a repowering) must simultaneously be provided to all bidders;
- No other non-public information about a competitive RFP (including with respect to any extension of an existing PPA, such as through a repowering) will be shared between PNM and ~~affiliates~~ affiliated interests at any time, unless as described in this paragraph;

- All executed contracts between PNM and any affiliated interest must be managed and enforced on an arm's length basis as if they were contracts with a non-affiliated interest entity; and
- PNM and Avangrid will comply with all ~~affiliate~~ affiliated interest transaction requirements under New Mexico and federal laws and regulations.

36. Reliability and Safety. Joint Applicants commit that:

- PNM will invest in its system to ensure reliability and safety;
- The Service Reliability Standards, Reporting Requirements and Penalties in Attachment 1 are hereby incorporated into this Stipulation.
- PNM will continue to invest in its transmission and distribution system to ensure standards of utility service to customers are consistent with industry established metrics for reliability and safety. PNM will maintain minimum capital investments in transmission and distribution infrastructure equal to the remaining four years of PNM's current five-year budget for 2021-2025, subject to adjustments necessary for new service related to economic development projects, transmission and distribution interconnection projects and any general economic conditions that affect new service needs; and provided that recovery of such investments shall be subject to Commission approval in ratemaking proceedings.
- Joint Applicants agree to do a power quality and service quality study for customers 10 MW and larger within twelve months from the final order in this case, or as agreed to with customers, and share the results of that study with the customers. After the results of the power and service quality study are analyzed, Joint

Applicants agree to work with customers to resolve the power and service quality issues.

- In each of the next three rate case subsequent to the approval of the Proposed Transaction, PNM will report on the number of full time employees and contract workers it believes are needed to fulfill this commitment and any material changes (plus or minus 10%) may make to that number during the time that the proposed rates will be in effect. PNM shall designate one or more customer service representative(s) to provide customer support for large customers whose monthly demand is greater than 3 MW and shall identify for large customers their assigned customer representative. The designated customer service representative(s) shall assist the large customers assigned to them in addressing service reliability issues, service quality studies, and other technical matters relating to those customers' accounts.
- The Joint Applicants commit that they will ensure that there will be no material diminution in current levels of quality of customer service or system reliability for as long as Avangrid, or an affiliated interest, owns PNMR and PNM.
- ~~The Joint Applicants commit that PNM will file a detailed report with the Commission by April 1 of each year identifying the system-wide SAIDI and SAIFI performance and identifying the SAIDI and SAIFI performance for each feeder that serves 10 or more customers. PNM will provide information by feeder for SAIFI and SAIDI separately. PNM will provide the information by feeder by rank order from worst performing to best performing feeders for the reporting year and will include each feeder's ranking for that index for the previous year.~~

- ~~○ The system-wide standards will be the average SAIDI and SAIFI based on the five-calendar year period for 2016-2020, identified as the base period. Within 180 days of submitting its annual service reliability report, PNM will develop and submit a plan to address the service reliability issues for any distribution feeders that have SAIFI or SAIDI indices that are in the worst 10% of reported feeders for four or more consecutive years. The plan shall provide the estimated cost and benefit of remediating a feeder's performance and shall also include a feeder performance improvement plan for any distribution feeder with ten or more customers that sustains a SAIDI or SAIFI value for a reporting year that is more than 300% greater than the system average of all feeders during any two consecutive reporting years.~~
- In addition to the enforcement measures in Attachment 1, any person, including the Utility Division Staff, may petition the Commission for appropriate enforcement action regarding the stipulated reliability performance standards, including proposed fines or penalties, taking into consideration a distribution feeder's operation and maintenance history, causes of service interruptions, PNM's responsive actions, and any other relevant factors.
- PNM will meet with representatives from the Commission's Consumer Relations Division and Utility Division Staff to establish a list of other appropriate customer service quality indices and reliability standards and file a report with the Commission as part of its Rule 17.3.510 NMAC annual report that reflects its performance based on these measures. Joint Applicants also commit to work with Staff to support the initiation of a Commission rulemaking proceeding to create

customer service quality standards and reliability standards based upon the average SAIDI and SAIFI with appropriate enforcement provisions for under-performance.

- PNM agrees that, for as long as Avangrid or any ~~affiliate~~ affiliated interest owns PNM, it will retain a sufficient number of dedicated operations and maintenance employees to ensure that it can promptly respond to service calls, outages, distribution line knock-downs, substation issues, and similar service issues.

37. Maintenance of Books, Records, and Accounts. Joint Applicants commit that PNM will maintain accurate, appropriate, and detailed books, financial records (including upon request, audited financials), and accounts, including checking and other bank accounts, and custodial and other securities safekeeping accounts that are separate and distinct from those of any other entity.

38. Access to Books, Records, and Accounts and Audits. Joint Applicants commit that the Commission and its Staff will have access to the books, records, accounts, or documents of PNM, its corporate subsidiaries, and its holding companies, including PNMR, Networks, Avangrid, and Iberdrola, pursuant to NMSA 1978, Sections 62-6-17 and 62-6-19. In the event the Commission determines it is necessary to conduct an audit of books, records, accounts, or documents of PNM, its corporate subsidiaries and its holding companies, including PNMR, Avangrid Networks, and Iberdrola, the costs of the audit shall be treated as a regulatory asset, with such carrying costs as may be set by the Commission in its order authorizing the audit and shall be recoverable in PNM's rates; provided that the costs of any audit that finds imprudent practices shall not be recovered from customers.

39. Name and Logo. PNM will maintain a separate name and logo from Avangrid, Iberdrola, and all other Avangrid and Iberdrola subsidiaries and ~~affiliates~~ affiliated interests, but may

also include the same Avangrid name and logo for branding (e.g., “an Avangrid company”).

40. **Dividend Notice.** PNM will provide at least 30 days’ notice to the Commission before making any dividend payments. The notice will include the amount of the proposed dividend, the proposed pay-out ratio, and historic pay-out ratios for the preceding three years.

41. **Restriction on ~~Affiliate~~ Affiliated Interest Commingling.** Except insofar as the Commission may authorize PNM to participate in the Avangrid Networks shared credit facilities or ~~affiliate~~ affiliate interest money pool, PNM shall not commingle its funds, assets, or cash flows with its ~~affiliates~~ affiliate interests.

42. **Regional Transmission Organization.** In recognition of the potential benefits to New Mexico and PNM's customers of PNM joining a Regional Transmission Organization or Independent System Operator (“RTO”), including the implementation of open and competitive electric generation markets, elimination of barriers to market entry and preclusion of control of bottleneck electric transmission facilities in the provision of retail and wholesale electric service, Joint Applicants shall use all reasonable efforts to find or participate in the development of a viable RTO that it can join by January 1, 2030, or as soon thereafter as possible, subject to Commission review and approval. As soon as possible following the completion of the merger, but not later than January 1, 2022, PNM will organize and convene an RTO stakeholder initiative, to include representatives of Staff, the Attorney General and interested organizations, to develop and initiate the process by which PNM will explore and participate in the development of an RTO. PNM will communicate the progress of its exploration and development activities on a regular basis

to the members of the stakeholder initiative and the ~~Utility Division~~ Staff. PNM will also participate in and report on any other organized efforts to form an RTO that it could potentially join. PNM will work with stakeholders, including Staff, the NM AG, to determine if joining the RTO is in the best interests of customers and the State. The Commission shall make the final determination as to whether joining an RTO is in the public interest, including the interests of customers and the State. Participation in the Western EIM, EDAM, or other similar market would not constitute participation in an RTO. Any party may support or oppose PNM jointing an RTO, and their failure to participate in the RTO planning process will not foreclose any party's position on the issue in the future.

43. **Carbon Reduction Task Force.** In recognition of the importance of meeting PNM's carbon reduction goals, the Joint Applicants will create a task force within one month following closing of the Proposed Transaction to include stakeholder representatives of environmental interests, clean energy industry representatives, consumer interests and state agencies (NMED, EMNRD, NM AG, NMPRC) ("PNM Carbon Reduction Task Force") to ensure that PNM will not only meet but exceed its zero carbon goals by achieving net zero emissions by or before 2040, and if feasible and otherwise in the public interest, 2035. PNM shall seek opportunities and apply for all available and feasible federal and private funding and grants to leverage outside funding sources to achieve carbon reduction goals, and report to the Carbon Reduction Task Force at each meeting. PNM shall have a dedicated full-time employee who will identify and with the assistance and support of PNM, apply for third party funding opportunities. Within 6 months following the creation of the PNM Carbon Reduction Task Force, and each six-month period thereafter until 2040

(or earlier depending upon when zero carbon goals are achieved), the Joint Applicants will cause PNM to present a workable step-by-step plan to exceed its carbon reduction goals (“Plan”) to the PNM Carbon Reduction Task Force. The PNM Carbon Reduction Task Force will provide comments and suggestions to PNM with respect to its Plan and Joint Applicants will cause PNM to address each and every comment and suggestion and use all reasonable efforts to improve its Plan. The PNM Plan, the Task Force’s comments and suggestions and PNM’s response shall also be filed with the Commission. *In addition, PNM will work with stakeholders to craft reasonable and appropriate New Mexico legislation in 2022 that would create a market-based credit program to achieve reasonable and consistent progress in reducing emissions to meet the ETA’s 2045 decarbonization requirements.** The signatories reserve all positions on all such legislation, and acknowledge that this paragraph does not constitute regulatory endorsement of stakeholder actions and that any party may take an independent position including opposition to any legislation that might be proposed. PNM will also report annually to the stakeholders and file with the Commission the reduction in emissions resulting from the seasonal operations agreement by the joint owners of the Four Corners Power Plant for so long as PNM remains a joint owner. **[*The Hearing Examiner leaves the italicized language for the**

Commission’s review]

44. **Compensation and Carbon Reduction Targets.** ~~The Joint Applicants agree that the carbon reduction goals set forth above are of preeminent importance. Accordingly~~ In recognition of the importance of meeting PNM’s carbon reduction goals, the incentive compensation for all relevant PNM executives will include goals related to the achievement of PNM’s 2040 carbon reduction targets (or earlier depending upon when zero carbon goals

are achieved), including the PNM President, and senior executive officers (including Chief Financial Officer and Chief Operating Officer to the extent applicable) responsible for operations, planning, and procurement for power generation, and environmental compliance, as well as other executives that PNM's Board of Directors determine will have a reasonable and achievable impact on carbon reduction. The carbon reduction goals shall also include the maximization of efforts to avoid emission leakage and ensure net reductions in GHG emissions to the atmosphere, by, for example, avoiding merely selling or transferring its interests in carbon-emitting resources as a means of reducing PNM's own emissions (unless the sale or transfer would result in a net decrease of GHG emissions into the atmosphere). The incentive compensation shall be borne by shareholders and will not be included in the PNM's cost of service. All parties reserve all rights with respect to the prudence of any additional expenditures in conjunction with this provision.

45. Contract Impacts On Emissions. For the five calendar years following closing of the Proposed Transaction, the Joint Applicants commit that PNM will file a report with the Commission identifying any material emissions impact resulting from any new contracts signed by PNM during each such calendar year. Each such report will be filed as part of PNM's Rule 17.3.510 Annual Report.

46. Transportation Electrification. Joint Applicants commit that PNM will triple its proposed transportation electrification plan budget that would be included in its next transportation electrification plan that will be filed with the Commission, subject to Commission review and approval. The dedicated PNM employee responsible for seeking third-party funding referenced in Section 43 above will also be responsible for seeking

grants and funds for transportation electrification to assist PNM in the build-out of transportation electrification, including low-income offerings, which will reduce amounts that PNM may seek to reflect in rates. All parties to this stipulation reserve the right to challenge the increase of this proposed transportation electrification plan budget in PNM's transportation electrification plan filing. Regulatory Commitment 46 will be subject to any individual rate cap for TEP programs set by the Commission.

47. **Renewable Resources Development.** Avangrid commits to have one or more ~~affiliates~~ affiliate interests (other than PNM) work with the Navajo Nation toward the development of one or more renewable energy and/or energy storage projects on Navajo Nation land of no less than 200 MW within 2 years of the closing of the Proposed Transaction. Nothing in this section is intended to modify or interfere with any existing PNM request for proposal. Nothing in this section is intended to establish a preference by PNM for the selection of any such projects in any existing or future PNM competitive RFP process that requests resources to replace any existing PNM resources relied on by PNM to provide retail service to its New Mexico customers or to otherwise meet PNM's retail service needs or any preference by the Commission to approve any such projects if proposed in response to a competitive PNM RFP process.

48. **PNM Environmental Studies.** Within one year following closing of the Proposed Transaction, PNM will submit to the Commission and stakeholders the following studies regarding: (a) the infrastructure requirements resulting from projected electric vehicle demands; (b) efforts needed to decarbonize commercial buildings in its service territory by 2040; and (c) efforts needed to reach 1.5% annual incremental energy efficiency savings

in its service territory. PNM will not request rate recovery from ratepayers for the cost of the studies.

49. **Chief Environmental Officer.** By no later than December 1, 2022, PNM will name a Chief Environmental Officer with significant environmental and climate change experience responsible for meeting PNM's carbon reduction goals. The Chief Environmental Officer will report directly to the PNM President and will present (no less than once each year) to the PNM Board of Directors on PNM's carbon reduction plans and progress. All parties reserve all rights with respect to the prudence of any executive compensation with respect to this new position.

50. **Transmission Plan.** Within one year following closing of the Proposed Transaction, PNM shall develop and complete a 20-year long-term transmission plan for PNM's transmission system, which PNM will subsequently update and shall include in all future Integrated Resource Plans (IRPs) filed with the Commission. Based on the most recently available forecasted future system conditions, the long-term transmission plan will identify the expected material transmission needs of PNM to support the Most Cost Effective Portfolio(s) of its IRP and the year in which PNM projects the transmission need might be most cost-effectively met. It will also identify each reasonable alternative available to PNM to meet transmission needs including transmission projects that reasonably could be pursued by PNM itself, and publicly identifiable transmission projects known to PNM that could be pursued with other electric utilities in the region or merchant project developers. The plan will identify the most cost effective group of transmission projects that may reasonably meet PNM's transmission needs for reliability and renewable generation integration. In each IRP, PNM shall update the Transmission Plan. PNM shall also

include, and separately identify, and shall include the results of any feasible scenario modeling requested by the Carbon Reduction Task Force with each updated Transmission Plan. As part of each IRP reviewed with public advisory participants and filed with the Commission, PNM shall include the following in its Transmission Plan: (a) PNM shall report its publicly disclosable existing transmission capabilities, and projected future needs during the planning period, for facilities of 115 kilovolts and above, including associated substations and terminal facilities. PNM shall generally identify the location and extent, to the extent publicly disclosable, of transfer capability limitations on its transmission network that may affect the future siting of resources; (b) With respect to future needs, PNM shall submit a description of all new transmission lines and related facilities that are reasonably projected to be placed into service during the action plan period; (c) For each such transmission line and related facility identified, PNM shall include a description of the transmission line's length and location, estimated in-service date, injection capacity, estimated costs, terminal points, and voltage and MW rating; and (d) PNM shall include a report on coordination with other utilities within and outside of New Mexico regarding transmission planning.

51. **Solar Direct Program.** The Joint Applicants commit that, within six months following the closing of the Proposed Transaction, they will work with stakeholders, including large users and governmental customers to develop a second renewable energy resource and participation tranche for the Solar Direct program to be filed within one year of closing. The Joint Applicants also commit to expand voluntary renewable energy programs and green tariffs, subject to Commission approval, as a means of promoting economic development.

52. Current Tariffs and Contracts and Other Proceedings. Joint Applicants agree to honor and support existing green tariffs and all contracts between PNM and current customers. The parties and intervenors in this case reserve all rights in all other dockets in which PNM is a party. Specifically, nothing in this Stipulation shall affect the rights or limit the positions of any party in Case No. 21-00017-UT regarding any matter or issue in that case or any future case relating to the Four Corners Power Plant. The Parties agree that until closing of the Proposed Transaction, either a non-decision or a dismissal of Case No. 21-00017-UT will not affect this merger. Events that occur after closing of the Proposed Transaction in that Case No. 21-00017-UT will not be deemed to have an impact on the merger.

53. PNM's 2020-2039 Integrated Resource Planning and Case No. 21-00083-UT Resource Modeling Information. PNM will supplement its 2020 IRP filed in Case No. 21-00033-UT at least ten business days prior to the deadline for submittal of public comments on that IRP, as currently filed with the Commission in that docket to i) clarify that feasible new resource technology options PNM will consider to meet the resource adequacy requirements and reliability criteria and satisfy PNM's goal of a carbon-free portfolio by 2040 described in that IRP include heavy frame combustion turbines, including such resources currently available to PNM under existing power purchase agreements with PNM that expire prior to December 31, 2039, with or without modifications that would provide such resources with fast-start capacity, that would not be relied on by PNM for retail service after December 31, 2039 unless modified to be fueled thereafter by a non-CO₂ emitting fuel; and 2) provide portfolios in its Appendices that include modeling of an existing heavy frame combustion turbine located in PNM's northern New Mexico load center, with and

without fast-start capacity, that would operate only until December 31, 2039, based on the owner's proposals, including firm pricing, submitted to PNM in response to its June 25, 2020 RFP, that relies on the same cost and other inputs relied on by PNM in that IRP to model its other feasible resource options. Through the discovery process in Case No. 21-00083-UT, PNM agrees to produce, upon request by any party, modeling runs of resource portfolios that include modeling of an existing heavy frame combustion turbine located in PNM's northern New Mexico load center, with and without fast-start capacity, that would not operate after December 31, 2039, based on the owner's proposals, including firm pricing, submitted to PNM in response to its June 25, 2020 RFP that relies on the same cost and other inputs relied on by PNM to model its other feasible resource options to meet its service needs. To the extent such PNM modeling runs disclose specific bidder pricing or other competitively-sensitive information, PNM will only disclose such information to persons who execute and file a confidentiality agreement as required by the protective order issued by the Commission in that case. Nothing in this section shall obligate PNM or other Signatories to endorse or propose any of the above-described informational bids, proposals, resource portfolios or model runs in any pending or future PNM resource planning or procurement cases, nor prevent PNM, other Signatories, or other parties from presenting their own positions to the Commission with regard to that information in those cases. Moreover, nothing in this section shall be interpreted to impair or conflict with Joint Applicants' sections 43 and 44 commitments for PNM to achieve net-zero emissions by or before 2040, and by 2035 if feasible and otherwise in the public interest.

54. Enforceability of Stipulated Commitments. Joint Applicants and, as applicable, Iberdrola, will fulfill all merger commitments. For the five years following the closing of

the Proposed Transaction, PNM will submit with its Annual Report³ a report detailing the progress Joint Applicants have made toward meeting each Stipulated Regulatory Commitment. Joint Applicants shall include in that Annual Report information about the capital structure of PNM and the composition of the Board of Directors of PNM (and any changes to each from the previous Annual Report). Joint Applicants acknowledge and agree that to the extent that there is any failure to meet each Stipulated Regulatory Commitment, any stakeholder or the Commission may initiate a proceeding to enforce the merger commitments and Joint Applicants will be subject to potential consequences, including the penalties provided for pursuant to NMSA 1978, Section 62-12-4.

55. Effectiveness, Amendments and Modifications. These regulatory commitments will become effective upon Commission approval. Any amendments or modifications to these regulatory commitments will require prior Commission approval.

56. San Juan Decommissioning. PNM will use its good faith efforts to work with the San Juan Generating Station (“SJGS”) owners and former SJGS owners who have an obligation to participate in decommissioning the SJGS to identify and present feasible options for commercially reasonable actions, available under the terms of the SJGS contracts and consistent with the established decommissioning agreement, that would allow decommissioning options, including decommissioning, demolition and site restoration of the SJGS site to standards applicable to ongoing economic development, commercial and industrial uses of the SJGS plant site, at a cost comparable to the lowest reasonable cost alternative identified in the owners’ most recent decommissioning study that applies a whole-life cost analysis

³ 17.3.510.12 NMAC.

57. **Controlling Law.** All provisions of this document are subject to, and are governed by New Mexico law and shall be addressed in New Mexico venues.

ATTACHMENT 1

Service Reliability Reporting Requirements and Penalties for Public Service of New Mexico

Service Reliability Standards, Reporting Requirements and Penalties

(a) General.

- (1) Public Service Company of New Mexico (“PNM”) shall make all reasonable efforts to prevent interruptions of service. When interruptions occur, PNM shall re-establish service within the shortest possible time.
- (2) PNM shall make reasonable provisions to manage emergencies resulting from failure of service and shall instruct its employees covering procedures to be followed in the event of emergency in order to prevent or mitigate interruption or impairment of service.
- (3) PNM shall maintain adequately trained and experienced personnel throughout its service area so that PNM is able to comply with these service reliability standards fully and adequately.

(b) Reliability Indices Monitored.

- (1) System Average Interruption Frequency Index (SAIFI) - The number of times that an average customer experiences a sustained outage over a one-year period. SAIFI is calculated by summing the number of customers interrupted for each event and dividing by the total number of customers on the system being indexed. A lower SAIFI value represents a higher level of service reliability.
- (2) System Average Interruption Duration Index (SAIDI) - The total duration of interruptions for the average customer during a one-year period. SAIDI is calculated by summing the restoration time in minutes for each interruption event times the number of customers interrupted for each event, and dividing by the total number of customers. A lower SAIDI value represents a higher level of service reliability.

(c) Record of Interruptions. PNM shall keep complete records of sustained interruptions of all classifications. Where possible, PNM shall keep a complete record of all momentary interruptions. These records shall show the type of interruption, the cause for the interruption, the date and time of the interruption, the duration of the interruption, the number of customers interrupted, the substation identifier, and the transmission line or distribution feeder identifier. In cases of emergency interruptions, the remedy and steps taken to prevent recurrence shall also be recorded. PNM shall retain records of interruptions for five years.

(d) System Reliability. A “reporting year” is the 12-month period beginning January 1 and ending December 31 of each year.

- (1) PNM shall file a report with the Commission by April 1 of each calendar year identifying the system-wide SAIDI and SAIFI performance and identifying the SAIDI and SAIFI performance for each feeder that serves 10 or more customers.

PNM will provide information by feeder for SAIFI and SAIDI separately. PNM will provide the information by feeder by rank order from worst performing to best performing feeders for the reporting year and will include the feeders' ranking for that index for the previous year. Reliability data reported will be developed based on definitions established in Institute of Electrical and Electronics Engineers ("IEEE") Standard 1366-2003. The system-wide reliability report will be consistent with the reliability information PNM has historically reported annually pursuant to Paragraph 26 of the Stipulation in NMPRC Case No. 04-00315-UT.

(2) System-wide performance standards. The standards will be PNM's average system SAIFI and SAIDI performance from the base period comprised of the reporting years 2010 through 2020 ~~2013 through 2017~~. Furthermore,

(A) PNM shall maintain and operate its electric distribution system so that its SAIFI value does not exceed its system-wide SAIFI standard by more than 10.0%.

(B) PNM shall maintain and operate its electric distribution system so that its SAIDI value does not exceed its system-wide SAIDI standard by more than 10.0%.

(C) PNM can petition the Commission to modify the base period to a more current five-year period, (i) if PNM can demonstrate the weather in the base period is no longer representative or (ii) if PNM implements for improvements in data acquisition systems and PNM is able to demonstrate the new system significantly impacts its reported reliability performance.

(3) Distribution feeder performance standards. The Commission will evaluate the performance of distribution feeders with ten or more customers after each reporting year. PNM shall maintain and operate its distribution system so that no distribution feeder with ten or more customers ~~has~~ produces an annual SAIDI or SAIFI value, separately, that is in the worst 10% of all reported distribution feeders for any two or more consecutive reporting years.

(4) Enforcement Provisions. The Commission shall take appropriate enforcement action and assess penalties against PNM if the system and feeder performance is not operated and maintained in accordance with the performance standards defined in subparts (2) and (3) of this section.

(A) System-wide Performance Penalties – PNM will incur a performance penalty if its system SAIFI or SAIDI indices, separately, exceed the system-wide standard by 10% or more for two or more consecutive years. The penalties will be as follows:

(i) A penalty of \$340,000 for each reliability index that exceeds the

standard by more than 10% for two consecutive years. The penalty will increase by \$34,000 for each additional percentage above 10%;

(ii) A penalty of \$510,000 for each reliability index that exceeds the standard by more than 10% for three consecutive years. The penalty will increase by \$51,000 for each additional percentage above 10%; and

(iii) The penalty for each reliability index that exceeds the standard by more than 10% for four or more consecutive years will increase by \$170,000 each consecutive year. The penalties will also increase by \$17,000 each consecutive year for each additional percentage above 10%.

(B) Distribution Feeder Penalties – PNM will incur a performance penalty for each distribution feeder with ten or more customers that sustains a SAIDI or SAIFI value, separately, for a reporting year that is in the worst 10% of all reported distribution feeders during any two or more consecutive reporting years. The penalties for each underperforming feeder will be as follows:

(i) A penalty of \$12 per customer served for each reliability index that exceeds the standard by more than 10% for two consecutive years;

(ii) A penalty of \$18 per customer served for each reliability index that exceeds the standard by more than 10% for three consecutive years; and

(iii) A penalty of \$24 per customer served for each reliability index that exceeds the standard by more than 10% for four or more consecutive years.

(C) Within 90 days of submitting its annual service reliability report, PNM must develop and file a plan to correct the service reliability issues for any distribution feeders that have SAIFI or SAIDI indices that are in the worst 10% of reported feeders for four or more consecutive years.

(D) In determining the appropriate enforcement action, the Commission may consider:

- (i) a feeder's operation and maintenance history;
- (ii) the cause of each interruption in a feeder's service;
- (iii) any action taken by PNM to address a feeder's performance;
- (iv) the estimated cost and benefit of remediating a feeder's

performance; and

(v) any other relevant factor as determined by the Commission.

(E) The combined assessment for system-wide and feeder performance penalties will be credited ~~refunded~~ to all of PNM's retail distribution customers. Upon recommendation by Staff, the Commission may elect to waive payment of the performance penalty in lieu of a shareholder contribution to system improvements in an equal amount.