PUC DOCKET NO. 58964
SOAH DOCKET NO. 473-26-05799

APPLICATION OF TEXAS-NEW MEXICO POWER COMPANY FOR AUTHORITY TO CHANGE RATES	§ § §	**PUBLIC UTILITY COMMISSION** **OF TEXAS**

ORDER

This Order addresses the application of Texas New-Mexico Power Company (TNMP) for authority to change its rates. On May 29, 2026, TNMP filed an unopposed agreement that, among other things, provides for a $4,499,931 increase in TNMP's total base-rate revenue requirement. TNMP, Commission Staff, the Office of Public Utility Counsel (OPUC), Cities Served by TNMP, Alliance of TNMP Municipalities (ATM), Texas Industrial Energy Consumers (TIEC), Texas Competitive Power Advocates (TCPA), Walmart Inc., Hunt Energy Network, LLC, Data Center Coalition (DCC), and Crusoe Energy Systems, LLC, CyrusOne, LLC, and Hut8Corp (collectively, Joint Data Center Group (JDCG)) (the signatories) signed the agreement. The only other parties, Texas Energy Association for Marketers (TEAM) and Amazon Data Services, Inc. (ADS), are not signatories but are unopposed to the agreement. The Commission approves the rates, terms, and conditions set forth in the agreement to the extent provided in this Order.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant

1. TNMP is a Texas corporation registered with the Texas secretary of state under filing number 19241500.
2. TNMP owns and operates for compensation facilities and equipment in Texas to transmit and distribute electricity in the Electric Reliability Council of Texas (ERCOT) region.
3. TNMP holds certificate of convenience and necessity number 30038 to provide service to the public.

621

4. TNMP's last base-rate proceeding was filed on May 30, 2018 in Docket No. 48401.[1]

Application

5. On November 14, 2025, TNMP filed an application requesting authority to change its rates based on a 12-month historical test year ending June 30, 2025, adjusted for known and measurable changes.

6. In its application, TNMP requested a net increase in transmission and distribution rates of approximately $34 million over adjusted test-year revenues, or approximately a 5% increase over adjusted test-year revenues of $673 million.

7. In addition, among other requests, TNMP requested that the Commission:

   a. find that TNMP's capital investments made to TNMP's transmission and distribution system through June 30, 2025, were prudent;

   b. approve TNMP's proposed cost allocation methodology and rate design;

   c. approve TNMP's revenue requirement;

   d. approve the requested capital structure of 52.46% debt and 47.54% equity;

   e. approve the proposed return on equity of 10.4%;

   f. reset the baseline for its distribution cost recovery factor (DCRF) for use in future proceedings;

   g. reset the baseline for its interim transmission cost of service (TCRF) updates;

   h. approve the proposed depreciation rates;

   i. approve TNMP's proposed changes to its self-insurance reserve;

   j. approve TNMP's proposed amortization periods to be applied to net regulatory assets and liabilities included in its rate base in this proceeding;

   k. approve TNMP's proposed revisions to its tariff for retail delivery service;

   l. approve TNMP's proposed revisions to its wholesale tariff for transmission service;

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[1] *Application of Texas-New Mexico Power Company for Authority to Change Rates*, Docket No, 48401, Order (Dec. 20, 2018).

m. approve TNMP's proposed changes to its discretionary service rates;

n. approve the recovery of TNMP's Hurricane Beryl restoration costs via the proposed rate rider;

o. approve the recovery of TNMP's requested rate-case expenses via the proposed rate rider;

p. find that TNMP's rate case expenses incurred in this proceeding and in Docket Nos. 53436,[2] 54807,[3] 56428,[4] 56887,[5] 57816,[6] and 58468[7] were reasonable and necessary and authorize their recovery through a proposed rider; and

q. approve all such other and further relief requested as set forth in the petition and rate filing package or to which TNMP is otherwise justly entitled.

8. Concurrent with filing its application with the Commission, TNMP provided a copy of its application with each municipality in its service area that has original jurisdiction over its rates.

9. TNMP's application affects all retail electric providers (REPs) serving end-use retail electric customers in its certificated service territory and all customers taking service under TNMP's wholesale transmission service tariff.

10. No party challenged the adequacy or completeness of TNMP's application.

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[2] *Application of Texas-New Mexico Power Company to Amend Its Distribution Cost Recovery Factor*, Docket No. 53436, Order (Nov. 3, 2022).

[3] *Application of Texas-New Mexico Power Company for Approval to Amend Its Distribution Cost Recovery Factor*, Docket No. 54807, Order (July 20, 2023).

[4] *Application of Texas-New Mexico Power Company to Amend Its Distribution Cost Recovery Factor*, Docket No. 56428, Order (June 13, 2024).

[5] *Application of Texas-New Mexico Power Company to Amend Its Distribution Cost Recovery Factor*, Docket No. 56887, Order (Oct. 3, 2024).

[6] *Application of Texas-New Mexico Power Company to Amend Its Distribution Cost Recovery Factor*, Docket No. 57816, Order (May 15, 2025).

[7] *Application of Texas-New Mexico Power Company to Amend Its Distribution Cost Recovery Factor*, Docket No. 58468, Order (Nov. 14, 2025).

11. In State Office of Administrative Hearings (SOAH) Order No. 3 filed on December 12, 2025, the SOAH administrative law judge (ALJ) found the application sufficient for further review.

Interim Rates and Effective Date of Proposed Rates

12. In the application, TNMP proposed an effective date for its proposed new rates of December 23, 2025.

13. On December 19, 2025, TNMP filed an agreed motion to suspend the effective date of the proposed new rates and for approval of TNMP's current rates as interim rates, effective May 22, 2026, if this proceeding was still pending on that date, subject to refund or surcharge based upon the final rates approved by the Commission in this proceeding.

14. In SOAH Order No. 4 filed December 30, 2025, the SOAH ALJ suspended the effective date for TNMP's rate change and approved, as interim rates, TNMP's current rates, effective May 22, 2026.

15. In the agreement filed by TNMP on May 29, 2026, the signatories agreed that TNMP will establish a surcharge after the date of this Order to recover the difference between the interim rates and the rates adopted in this Order for the period from May 22, 2026 through the effective date of the rates approved in this Order. The signatories agreed that TNMP will file the surcharge amount in a compliance docket, and the surcharge will be recovered during 2026.

Notice

16. On December 29, 2025, TNMP filed the affidavit of Natosha Manning-Greene, counsel for TNMP, attesting that on November 14, 2025, TNMP provided notice of the application as follows:

    a. to all REPs listed on the Commission's website as of November 14, 2025;

    b. to all entities listed in the Commission's transmission matrix in Docket No. 57491;[8]

    c. to the appropriate officer of each affected municipality within its service area; and

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[8] *Commission Staff's Petition to Set 2025 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas, Inc.*, Docket No. 57491, Order (June 5, 2025).

d. to all parties in TNMP's most recent base-rate proceeding, in Docket No. 48401.

17. On December 29, 2025, TNMP filed publisher's affidavits attached as exhibit B to Ms. Manning-Greene's affidavit showing that TNMP published notice of the application in the following newspapers having general circulation in each county in TNMP's service area once a week from November 19 through December 17, 2025: *The Abilene Reporter-News*; *The Brazosport Facts*; *The Dallas Morning News*; *The Star-Telegram*; *The Galveston County Daily News*; *The Mt. Pleasant Tribune*; *The Odessa American*; *The Pecos Enterprise*; *The San Angelo Standard-Times*; *The Herald Democrat*; *The Paris News*; *The Waco Tribune-Herald*; and *The Times Record News*.

18. No party challenged the sufficiency of TNMP's notice.

19. In SOAH Order No. 3 filed on December 12, 2025, the SOAH ALJ found TNMP's notice sufficient.

Interventions

20. In SOAH Order No. 2 filed on December 5, 2025, the ALJ granted the motions to intervene filed by TIEC, Cities Served by TNMP, Hunt Energy, and OPUC.

21. In SOAH Order No. 3 filed on December 12, 2025, the ALJ granted the motions to intervene filed by ATM, TEAM, and TCPA.

22. In SOAH Order No. 6 filed on January 16, 2026, the ALJ granted the motions to intervene filed by DCC, ADS, and JDCG.

23. In SOAH Order No. 10 filed on February 11, 2026, ALJs granted the motion to intervene filed by Walmart.

Appeals of Municipal and County Ordinances

24. TNMP timely filed with the Commission petitions for review of the rate ordinances for each municipality exercising original jurisdiction within its service territory. All such appeals were consolidated for determination in this proceeding.

Testimony and Statements of Position

25. TNMP included in its application the direct testimonies, including exhibits and workpapers, of: James Neal Walker, Keith Nix, Christopher Gerety, Sabrina Greinel, Ellen Lapson, Adrien McKenzie, Larry Morris, Early Simpkins, Emmanuel Lopez, Dr. Tobe

Phelps, Rebecca Teague, Claudette Horn, Carter Cherry, Leonard Sanchez, Dane Watson, Gregory Wilson, Rebecca Tafoya, Brian Arnell, Jay Joyce, Kyle Sanders, Dr. Stuart McMenamin, Stacy Whitehurst, and Patrick Pearsall.

26. On January 26, 2026, TNMP filed the supplemental direct testimony, including exhibits, of Stacy Whitehurst.

27. On February 9, 2026, parties filed the following direct testimonies, exhibits, or workpapers:

    a. ATM filed the direct testimonies, including appendices, exhibits, and workpapers of David J. Garrett, Mark E. Garrett, and J. Randall Woolridge;

    b. Cities Served by TNMP filed the direct testimonies, exhibits, and workpapers of Karl J. Nalepa and Lane Kollen;

    c. DCC filed the direct testimony and exhibits of Cameron Brooks;

    d. Hunt Energy filed the direct testimonies and exhibits of Kit Pevoto and Pat Wood, III;

    e. JDCG filed the direct testimony of Will McAdams;

    f. OPUC filed the direct testimonies and exhibits of James S. Garren and Kyra Coyle;

    g. TCPA and TIEC jointly filed the direct testimony and exhibits of Charles S. Griffey;

    h. TIEC filed the direct testimonies and exhibits of Shawn McGlothlin and Michael P. Gorman; and

    i. Walmart filed the direct testimony and exhibits of Eric S. Austin.

28. On February 10, 2026, parties filed the following workpapers:

    a. Hunt Energy filed the workpapers in support of the direct testimony of Kit Pevoto;

    b. TCPA and TIEC jointly filed the workpapers in support of the direct testimony of Charles S. Griffey; and

    c. TIEC filed the workpapers in support of the direct testimony of Shawn McGlothlin and Michael P. Gorman.

29. On February 13, 2026, Hunt Energy filed errata to the direct testimony of Pat Wood, III and errata to the direct testimony and workpapers of Kit Pevoto.

30. On February 17, 2026, Commission Staff filed the direct testimonies and exhibits of Emily Sears, Gage Dravenport, Emily Cantu, Joseph Cooper, including workpapers, John Poole, and Kathryn Eiland.

31. On February 27, 2026, OPUC filed errata to the direct testimony of Kyra Coyle.

32. On February 27, 2026, TNMP filed the rebuttal testimonies of Carter Cherry, Larry Morris, Leonard Sanchez, Brian Arnell, Jay Joyce, Emannuel Lopez, Keith Nix, Patrick Pearsall, Rebecca Tafoya, Kyle Sanders, Rebecca Teague, Dane Watson, Sabrina Greinel, Dr. Stuart McMenamin, James Neal Walker, Ellen Lapson, Adrien McKenzie, Gregory Wilson; Stacy Whitehurst, and Christopher Gerety.

33. On March 2, 2026, Commission Staff filed errata to the direct testimony of Gage Dravenport.

34. On March 2, 2026, parties filed the following cross-rebuttal testimonies with exhibits:

    a. Commission Staff filed the cross-rebuttal testimony of Adrian Narvaez;

    b. Cities Served by TNMP filed the cross-rebuttal testimony of Karl Nalepa;

    c. Hunt Energy filed the cross-rebuttal testimony of Kit Pevoto; and

    d. TIEC filed the cross-rebuttal testimony of Shawn McGlothlin.

35. On March 2, 2026, ADS, DCC, Hunt Energy, JDCG, OPUC, TCPA, TEAM, and Walmart each filed a statement of position.

36. On March 3, 2026, Commission Staff filed a second errata to the direct testimony of Gage Dravenport, and errata to the direct testimony of Kathryn Eiland.

37. On March 3, 2026, TNMP filed the rebuttal testimony workpapers of Ellen Lapson.

38. On March 3, 2026, Walmart filed an amended statement of position.

39. On March 4, 2026, Commission Staff filed a supplement to the direct testimony of Kathryn Eiland and of John Poole.

40. On March 6, 2026, TNMP filed errata to Stacy Whitehurst's direct and rebuttal testimony and errata to Kyle Sanders' direct testimony.

41. On March 6, 2026, Commission Staff filed supplemental direct testimony of Joseph Cooper.

42. On March 10, 2026, TNMP filed supplemental rebuttal testimony of Stacy Whitehurst, with exhibits.

43. On May 29, 2026, TNMP filed settlement testimony of Stacy Whitehurst, with exhibits.

Referral to and Remand from SOAH

44. On November 18, 2025, the Commission referred this matter to SOAH.

45. On December 18, 2025, the Commission filed a preliminary order identifying the issues to be addressed at SOAH.

46. In SOAH Order No. 4 filed on December 30, 2025, the SOAH ALJ adopted an agreed proposed procedural schedule, set the hearing on the merits for March 9 through March 12, 2026, and approved interim rates effective May 22, 2026.

47. In SOAH Order No. 15 filed on March 9, 2026, the SOAH ALJs granted the parties' motion to abate, cancelled the hearing on the merits, and ordered the filing of a status update or settlement documents by March 13, 2026.

48. On May 29, 2026, TNMP filed the agreement resolving all issues between the signatories. The only two parties who are not signatories, TEAM and ADS, are unopposed to the agreement.

49. In SOAH Order No. 18 filed on June 4, 2026, the SOAH ALJ dismissed this proceeding from SOAH's docket and remanded the case to the Commission.

Evidentiary Record

50. In SOAH Order No. 18 filed on June 4, 2026, the SOAH ALJ admitted into the evidentiary record the exhibits listed in exhibit 1 to the Order.

51. In the Commission's Order No. 3 filed on July 9, 2026, the Commission ALJ admitted the parties' revised copy of the Wholesale Tariff for Transmission Service included as

attachment A to TNMP's response to orders requiring clarification and unopposed motion to admit evidence filed on July 6, 2026.

Agreement – Overall Revenues

52. On May 29, 2026, the signatories entered into the unopposed agreement that resolves the issues between them in the proceeding. TNMP filed a copy of the agreement on the same date.

53. Under the agreement, TNMP's total base-rate revenue requirement should be set at $677,248,921 million as reflected in attachment 4 at I-A.1 to II-F to the agreement. This agreed total base-rate revenue requirement reflects an increase of approximately $4.5 million.

54. Consistent with the agreement, the rates approved in this Order will become effective for electricity bills rendered on and after 45 days from the date of this Order.

55. The revenues produced by the rates approved in this Order will provide TNMP with revenues sufficient to cover its expenses and provide TNMP a reasonable opportunity to earn a reasonable return.

56. The agreement's treatment of revenue requirement issues is appropriate.

Agreement – Return on Equity, Capital Structure, and Weighted Average Cost of Capital

57. Under the agreement, beginning with the implementation of the rates authorized in this proceeding, TNMP's agreed return on equity is 9.65%, TNMP's agreed cost of debt is 5.56%, TNMP's agreed regulatory capital structure is 55% long-term debt and 45% equity, and TNMP's weighted average cost of capital used in establishing rates is 7.40%.

58. Under the agreement, the weighted average cost of capital, cost of debt, return on equity, and capital structure of TNMP will apply, in accordance with PURA[9] and Commission rules, in all Commission proceedings or Commission filings requiring the application of those items.

[9] Public Utility Regulatory Act, Tex. Util. Code §§ 11.001–66.017.

59. It is appropriate for the agreed weighted average cost of capital, cost of debt, return on equity, and capital structure for TNMP to apply in all Commission proceedings or Commission filings requiring the application of those items.

60. The agreed return on equity, cost of debt, capital structure, and resulting weighted average cost of capital are reasonable and appropriate.

Agreement – Allocation of Revenue Requirement

61. Under the agreement, TNMP's revenue requirement, including the $4.5 million revenue increase, must be distributed among the functions and customer classes per the allocation set forth in attachment 4 to the agreement.

62. The allocation of the revenue requirement set forth in attachment 4 to the agreement is just and reasonable.

Agreement – Rates and Tariff Approval

63. Under the agreement, TNMP will use the tariffs and rates set forth in attachment 2 to the agreement and attachment A to the TNMP's response to orders requiring clarification and unopposed motion to admit evidence.

64. The tariffs and rates in attachment 2 to the agreement and attachment A to TNMP's response to orders requiring clarification and unopposed motion to admit evidence incorporate the total base-rate revenue increase approved by this Order and are just and reasonable.

65. The tariffs and rates in attachment 2 to the agreement and attachment A to the TNMP's response to orders requiring clarification and unopposed motion to admit evidence properly reflect the rates approved by this Order.

Agreement – Invested Capital

66. TNMP's invested capital placed into service through the end of the test year of $3,875,834,485, including $3,008,406,883 of net plant in service, is used and useful in providing service, was prudently incurred, and is properly included in the rate base.

67. Under the agreement, TNMP's rate base as of the close of the test year, as reflected on attachment 3 to the agreement, will not be revisited in a future base-rate proceeding.

Agreement – Single Capital Investment Recovery Filings

68. Under the agreement, if TNMP files an application for single capital investment recovery under PURA § 36.216 after the rates approved in this Order become effective, the baseline values to be used in that application are reflected on the DCRF baseline and TCOS baseline pages within attachment 4 to the agreement.

69. The agreement's treatment of baselines for single capital investment recovery filings made under PURA § 36.216 is appropriate.

Agreement – Baseline Values for Rider DCRF

70. Under the agreement, if TNMP files an application for a DCRF after the rates approved in this Order become effective and before the issuance of a final order in TNMP's next base-rate proceeding, the baselines for TNMP's DCRF will be those set forth in attachment 4 to the agreement.

71. The agreement's treatment of baselines for DCRF filings is appropriate.

Agreement – Baseline Values for TCOS Filings

72. Under the agreement, if TNMP files a petition for approval of an update to its TCOS under 16 Texas Administrative Code (TAC) § 25.192 after the rates approved in this Order become effective and before the issuance of a final order in TNMP's next base-rate proceeding, the baselines for TNMP's interim update of its TCOS will be those set forth on the TCOS baseline pages within attachment 4 to the agreement.

73. The agreement's treatment of baselines for TCOS update filings is appropriate.

Agreement –Transmission Cost Recovery Factor (TCRF)

74. Under the agreement, TNMP's current TCRF rates established in Docket No. 58161[10] will be in effect until the TCRF rates approved in Docket No. 59009[11] under 16 TAC § 25.193 become effective.

[10] *Petition of Texas-New Mexico Power Company to Update Its Transmission Cost Recovery Factor*, Docket No. 58161, Notice of Approval (July 3, 2025).

[11] *Petition of Texas-New Mexico Power to Update Its Transmission Cost Recovery Factor*, Docket No. 59009 (pending).

Agreement – Depreciation Rates

75. Under the agreement, beginning on the effective date of the rates authorized by this Order, TNMP will use the depreciation rates as adjusted in exhibit DJG-4 of the direct testimony of ATM's witness David Garrett filed on February 9, 2026, and as described in section E of the agreement.

76. The agreement's treatment of depreciation rates is appropriate.

Agreement – Balances and Amortization of Regulatory Assets and Liability

77. Under the agreement, all of TNMP's total regulatory asset balances as of the end of the test year, which include but are not limited to the net unamortized amount of what was approved in previous proceedings and the additional balances since Docket No. 48401 for self-insurance reserve, Hurricane Beryl recovery, pension benefits and other post-employment benefits, transmission line safety inspections, REP bad debt regulatory asset, non-standard metering, AMS recovery, TNMP load shed incentives, TNMP AMS deferred depreciation and interest, and TNMP circuit segmentation, should be approved.

78. Under the agreement, regulatory assets and liabilities will be amortized over five years, except that protected excess accumulated deferred federal income taxes are required to be amortized using the average rate assumption methodology.

79. Under the agreement, the balances for certain of those regulatory assets as of May 22, 2026, are as shown below, and the balances will be amortized over five years, with the revised annual amortizations shown below to begin on the day that new rates become effective by this Order:

    a. Self-insurance reserve:

       Balance: $(6,827,252)

       Annual amortization: $1,365,450

    b. Hurricane Beryl (Rider hurricane cost recovery factor (HCRF)):

       Balance: $20,509,755

       Annual Amortization: $5,612,368

80. Under the agreement, until the day the new rates become effective by this Order, TNMP will continue the amortizations of its regulatory assets as approved in Docket No. 48401.

81. The agreement's treatment of regulatory assets and liabilities is appropriate.

Agreement – Self Insurance Reserve

82. TNMP's self-insurance plan with its threshold levels is in the public interest, is a lower cost alternative to purchasing commercial insurance, and provides its ratepayers the benefit of the savings.

83. In computing rates, liability insurance for self-insured utilities does not include liability coverage for intentional torts or for employee misconduct such as discrimination.

84. A liability and catastrophic property damage loss self-insurance program with an annual accrual of $4,346,450, not including the self-insurance deficit, and a target reserve of $7,492,000 is in the public interest.

85. Under the agreement, the annual amortization figure calculated to cover TNMP's self-insurance reserve deficit over the next five years will be $1,365,450.

86. Under the agreement, TNMP's annual accrual and insurance reserve deficit total is $5,711,900 per year, and TNMP's target reserve level should be set at $7,492,000.

87. The agreement's treatment of the self-insurance reserve is appropriate.

Agreement – Other Cost-of-Service Annual Accruals

88. Under the agreement, aside from TNMP's self-insurance reserve annual accrual, all other cost-of-service annual accruals will be set as presented in TNMP's application.

89. Under the agreement, until the new rates become effective by this Order, TNMP will continue the cost-of-service annual accruals at the levels approved in its last base-rate proceeding, Docket No. 48401.

90. The agreement's treatment of the cost-of-service annual accrual levels is appropriate.

Agreement – Affiliate Expenses

91. Under the agreement, the affiliate expenses included in the rates developed through the agreement are reasonable and necessary and are allowable.

92. The agreement's treatment of affiliate expenses is just and reasonable.

Agreement – Rate-Case Expense Surcharge

93. Through its final update on rate-case expenses filed on April 1, 2026, TNMP sought to recover a total of $5,115,530, which includes all of TNMP's own rate-case expenses incurred in this proceeding through April 1, 2026, and in Docket Nos. 53436, 54807, 56428, 56887, 57816, and 58468, plus expenses paid by TNMP to Cities Served by TNMP and ATM for participation in these dockets.

94. TNMP filed documentation supporting its requested rate-case expenses with the direct, supplemental direct, rebuttal, and supplemental rebuttal testimonies of Stacy Whitehurst. TNMP also filed documentation supporting its requested rate-case expenses in responses to Commission Staff's first request for information and supplemental responses thereto. TNMP also filed direct and rebuttal testimonies, and an affidavit of Patrick Pearsall, a licensed attorney, attesting to the reasonableness of TNMP's requested rate-case expenses.

95. On February 9, 2026, Cities Served by TNMP filed the direct testimony and exhibits of Karl J. Nalepa who provided testimony in support of Cities Served by TNMP's rate-case expenses in this proceeding.

96. On February 9, 2026, ATM filed direct testimony, exhibits, and workpapers of David J. Garrett who provided testimony in support of ATM's rate-case expenses in this proceeding.

97. On April 1, 2026, TNMP filed its final rate-case expense documentation for expenses incurred through April 1, 2026 as a supplemental response to Commission Staff's first request for information.

98. TNMP agreed to a $105,000 reduction to its requested rate-case expenses.

99. Under the agreement, TNMP will reimburse:

    a. Cities Served by TNMP for its rate-case expenses incurred in this proceeding invoiced through April 1, 2026, in the amount of $279,807.50; and

    b. ATM for its rate-case expenses incurred in this proceeding invoiced through May 1, 2026, in the amount of $385,673.75.

100. Cities Served by TNMP's reasonable rate-case expenses invoiced after April 1, 2026, and ATM's reasonable rate-case expenses invoiced after May 1, 2026, will be reimbursed after

TNMP's receipt of such invoices, received no later than 30 days after issuance of this Order.

101. These reimbursements will be made within 30 days from the date of this Order or TNMP's receipt of such invoices, whichever is later.

102. TNMP will forgo recovery of Cities Served by TNMP's and ATM's reasonable rate-case expenses in this proceeding.

103. Under the agreement, TNMP should recover its own rate-case expenses in the total amount of $5,010,530.11, representing all rate-case expenses TNMP reasonably incurred in this docket submitted on or before April 1, 2026, as well as the deferred recovery of total reasonable expenses associated with Docket Nos. 53436, 54807, 56428, 56887, 57816, and 58468, less the reduction identified in Finding of Fact 98.

104. Under the agreement, the rate-case expenses identified in Finding of Fact 103 will be recovered by TNMP over a three-year period as a separate surcharge through Rider RCE-Rate Case Expense Surcharge, included in TNMP's retail tariff included in the agreement as attachment 2 and TNMP's wholesale tariff filed by TNMP on July 7, 2026 as attachment A to TNMP's response to orders requiring clarification and unopposed motion to admit evidence, and this rate-case expense surcharge will become effective when the rates approved in this Order become effective.

105. Under the agreement, TNMP will defer any of its rate-case expenses incurred or invoiced after April 1, 2026, as a regulatory asset to be addressed in a future proceeding.

106. The agreement's treatment of rate-case expenses is appropriate.

107. It is reasonable for TNMP to recover $5,010,530.11 in rate-case expenses.

<u>Agreement – Tariff Language, Cost Allocation, and Rate Design</u>

108. Under the agreement, the rates are based on the class allocations reflected in the class cost-of-service study summary and in the revenue distribution summary included in attachment 4 of the agreement.

109. Under the agreement, the rate design and tariff language in TNMP's current approved tariffs will be revised to incorporate the revised rates approved by this Order and the following changes:

a. the addition of the Rider RCE – Rate Case Expense Surcharge to TNMP's tariff for retail delivery service as reflected in attachment 2 to the agreement;

b. the addition of the interim rates surcharge to recover the difference between interim rates and the rates approved by this Order for the period from May 22, 2026, through the effective date of the rates approved in this Order, in accordance with SOAH Order No. 4 and as reflected in attachment 7 to the agreement, to be recovered during 2026;

c. the addition of Rider HCRF for recovery of system restoration costs associated with Hurricane Beryl in the amount of $20,509,755 plus carrying charges, with the balance amortized over five years, as reflected in attachment 5 to the agreement;

d. the addition of Rate XFMR – Wholesale Substation Service in TNMP's tariff for wholesale delivery service as reflected in chapter 3 subsection 2 of the tariff included in attachment A to TNMP's response to orders requiring clarification and unopposed motion to admit evidence; and

e. all other changes to the tariffs proposed by TNMP that do not conflict with, and are not otherwise addressed by, the agreement.

110. The agreement's treatment of cost allocation and rate design is just and reasonable.

Informal Disposition

111. More than 15 days have passed since the completion of notice provided in this docket.

112. All of the parties in this proceeding are either signatories to the agreement or do not oppose the agreement.

113. No hearing was requested, and no hearing is needed.

114. This decision is not adverse to any party.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. TNMP is a public utility as that term is defined in the PURA § 11.004(1), an electric utility as that term is defined in PURA § 31.002(6), and a transmission and distribution utility as defined in PURA § 31.002(19).

2. The Commission has authority over this matter under PURA §§ 14.001, 32.001, 33.051, 36.001 through 36.211, and 39.552.

3. Under PURA § 33.001, each municipality in TNMP's service area that has not ceded jurisdiction to the Commission has jurisdiction over TNMP's application, which seeks to change rates for service within each municipality.

4. The Commission has authority over the appeal from the rate proceedings of each municipality in TNMP's service area under PURA § 33.051.

5. The Commission processed this docket in accordance with the requirements of PURA, the Texas Administrative Procedure Act,[12] and Commission rules.

6. SOAH exercised authority over this proceeding under PURA § 14.053 and Texas Government Code § 2003.049.

7. TNMP provided notice of its application in compliance with PURA § 36.103 and 16 TAC § 22.51(a) and filed an affidavit attesting to the completion of notice in compliance with 16 TAC § 22.51(d).

8. TNMP timely appealed to the Commission the actions of the municipalities in accordance with PURA § 33.053(b).

9. The rates approved in this Order are just and reasonable under PURA § 36.003(a).

10. The rates approved by this Order are not unreasonably preferential, prejudicial, or discriminatory and are sufficient, equitable, and consistent in application to each customer class under PURA § 36.003(b) and 16 TAC § 25.234(a).

11. The rates approved by this Order are different than the interim rates approved in SOAH Order No. 4 and are therefore subject to refund or surcharge under 16 TAC § 22.125(e).

12. In accordance with PURA §§ 36.051 and 36.052, the overall revenues produced by the rates approved by this Order permit TNMP a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses.

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[12] Texas Gov't Code §§ 2001.001–.903.

13. The rates approved by this Order do not include any expenses prohibited from recovery under PURA §§ 36.061(a) and 36.062.

14. TNMP's invested capital through the end of the test year, as modified by the agreement, meets the requirements of PURA § 36.053 and is used and useful, prudent, and includable in the rate base.

15. The affiliate expenses included in TNMP's rates under the agreement comply with the requirements of PURA § 36.058.

16. PURA § 36.064 permits a utility to self-insure against "potential liability or catastrophic property loss, including windstorm, fire, wildfire, and explosion losses, that could not have been reasonably anticipated and included under operating and maintenance expenses." The Commission approves a self-insurance plan under PURA § 36.064 if it finds that the coverage is in the public interest, that the plan, considering all of its costs, is a lower cost alternative to purchasing commercial insurance, and that ratepayers receive the benefits of the savings.

17. TNMP's self-insurance plan is modified and approved in accordance with PURA § 36.064 and 16 TAC § 25.231(b)(1)(G).

18. TNMP's recoverable rate-case expenses incurred by it in this proceeding through April 1, 2026, as well as the deferred recovery of reasonable expenses associated with Docket Nos. 53436, 54807, 56428, 56887, 57816, and 58468, in the total amount of $5,010,530 comply with PURA § 36.061 and 16 TAC § 25.245.

19. Under PURA § 33.023(b), TNMP is required to reimburse Cities Served by TNMP and ATM for their reasonable rate-case expenses incurred in this proceeding.

20. The tariff sheets and rate schedules approved in this Order are just and reasonable.

21. The requirements for informal disposition under 16 TAC § 22.35 have been met in this proceeding.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The Commission approves the rates, terms, and conditions of the agreement to the extent provided in this Order.

2. The Commission approves:

   a. the retail delivery service tariff filed by TNMP on May 29, 2026 as attachment 2 to the agreement; and

   b. the wholesale tariff filed by TNMP on July 7, 2026 as attachment A to TNMP's response to orders requiring clarification and unopposed motion to admit evidence;

   including the rates in those tariffs, effective for electricity bills rendered on and after 45 days from the date of this Order.

3. Within 10 days of the date of this Order, TNMP must provide to the Commission clean copies of the tariffs as approved by this Order to be stamped *Approved* by Central Records and retained by the Commission.

4. TNMP may surcharge the difference between the final rates approved in this Order and the interim rates for the period from May 22, 2026, through the effective date of the rates approved in this Order. The surcharge must be recovered during 2026. The surcharge must be approved and implemented in a separate compliance docket, Docket No. 59973, *Compliance Filing for Surcharges for Docket No. 58964 (Application of Texas-New Mexico Power Company for Authority to Change Rates).*

5. TNMP may recover the final Rider HCRF amount of $20,509,755 plus carrying charges accrued, amortized over five years, until restoration costs are collected. The Rider HCRF recovery must be made in a separate compliance docket, Docket No. 59972, *Compliance Filing for Recovery of Rider HCRF for Docket No. 58964 (Application of Texas-New Mexico Power Company for Authority to Change Rates).* The compliance docket shall determine the final amount of carrying charges through the final date TNMP collects all restoration costs and calculate the resulting final Hurricane Beryl Rider amounts. TNMP shall only collect the Hurricane Beryl Rider rates for so long as necessary to recover the

final Hurricane Beryl Rider amounts as determined in the compliance docket.

6. In all Commission proceedings or filings requiring the application of such items, TNMP must use a weighted average cost of capital of 7.40%, which is based on a 5.56% cost of debt, an authorized return on equity of 9.65%, and an authorized regulatory capital structure of 55% long-term debt and 45% equity, in all Commission proceedings or filings requiring application of those items.

7. TNMP must use the depreciation rates set forth in Section E of the agreement.

8. TNMP must use the baseline values for an interim update of its TCOS rates as set forth in attachment 4 to the agreement.

9. TNMP must use the DCRF baseline values in DCRF applications as set forth in attachment 4 to the agreement.

10. TNMP must use the baseline values for a single capital investment recovery filing set forth in attachment 4 to the agreement if it files an application for single capital investment recovery under PURA § 36.216 after the rates approved by this Order become effective.

11. In establishing base rates in this proceeding, TNMP must allocate the revenue requirement approved in this Order among the rate classes as set forth in attachment 4 to the agreement.

12. TNMP must reimburse Cities Served by TNMP for their reasonable rate-case expenses incurred in this proceeding and invoiced by April 1, 2026, and ATM for its reasonable rate-case expenses incurred in this proceeding and invoiced by May 1, 2026. Such reimbursements must be made within 30 days from the date of this Order or receipt of such invoices, whichever is later, and TNMP may record and seek recovery of its reasonable rate-case expenses associated with this proceeding that have not been addressed in this Order in a future rate proceeding.

13. TNMP must receive all invoices for Cities Served by TNMP's reasonable rate-case expenses invoiced after April 1, 2026 and for ATM's reasonable rate-case expenses invoiced after May 1, 2026 no later than 30 days after the date of this Order and reimburse Cities and ATM for those reasonable rate-case expenses within 30 days of the issuance of this Order or receipt of such invoices, whichever is later.

14. TNMP will defer any rate-case expenses incurred or invoiced after April 1, 2026, as a

regulatory asset to be addressed in a future proceeding.

15. The Commission authorizes TNMP to recover rate-case expenses through the riders approved in this case in an amount not to exceed $5,010,530, with any over- or under-recovery of this amount to be added to the balances requested in a future proceeding.

16. Once TNMP has completed its recovery of the rate-case expenses authorized by this Order, it must file a report documenting the collection of the monthly rate-case expense surcharge from its customers. The report must be made in Docket No. 59973, *Compliance Filing for Surcharges for Docket No. 58964 (Application of Texas-New Mexico Power Company for Authority to Change Rates).*

17. TNMP must accrue the self-insurance reserve accrual amount approved by this Order until modified by a Commission order in a future proceeding.

18. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the agreement and must not be regarded as precedential as to the appropriateness of any principle or methodology underlying the agreement.

19. The Commission denies all other motions and any other requests for general or specific relief that are not expressly granted.

Signed at Austin, Texas on the 30th day of July 2026.

PUBLIC UTILITY COMMISSION OF TEXAS

THOMAS J. GLEESON, CHAIRMAN

Kathleen Jackson

KATHLEEN JACKSON, COMMISSIONER

Courtney K. Hjaltman

COURTNEY K. HJALTMAN, COMMISSIONER

PATRICK RHODE, COMMISSIONER

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