

PUC DOCKET NO. 58964

BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

**APPLICATION OF
TEXAS-NEW MEXICO POWER COMPANY
FOR AUTHORITY TO CHANGE RATES**

**PREPARED DIRECT TESTIMONY
OF
CARTER CHERRY**

**ON BEHALF OF
TEXAS-NEW MEXICO POWER COMPANY**

NOVEMBER 14, 2025

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BY WHOM YOU ARE EMPLOYED, AND COMPANY**
3 **ADDRESS.**

4 A. My name is Carter Cherry, and I am employed by PNMR Services Company (“PNMR
5 Services”). My business address is 414 Silver Ave, SW, Albuquerque, New Mexico
6 87102.

7 **Q. PLEASE DESCRIBE YOUR POSITION WITHIN THE COMPANY AND AREAS OF**
8 **RESPONSIBILITY WITHIN PNMR.**

9 A. I am the Director Supply Chain PNMR Services, a wholly owned subsidiary of TXNM
10 Energy, Inc. (“TXNM Energy”). I have been with PNMR Services since December 2005
11 and in this position since December 2008. I am responsible for managing the company’s
12 sourcing, purchasing, and materials management functions, as well as the General
13 Services group.

14 **Q. WOULD YOU BRIEFLY SUMMARIZE YOUR ACADEMIC AND PROFESSIONAL**
15 **BACKGROUND?**

16 A. I have a Bachelor’s of Science in Forest Management from The University of Tennessee
17 and a Masters in Business Administration in Management from Golden Gate University. I
18 have approximately 34 years of supply chain experience in various companies and
19 industries, including utility, aerospace, banking and insurance.

20 **Q. HAVE YOU PROVIDED TESTIMONY IN REGULATORY PROCEEDINGS PRIOR TO**
21 **THIS CASE?**

22 A. Yes.

23 **Q. DESCRIBE YOUR PROFESSIONAL ASSOCIATIONS.**

24 A. I am a member of the Institute of Supply Management (“ISM”) and the International
25 Facilities Management Association (“IFMA”). I also contribute as the TXNM Energy
26 sponsor to the Center for Advanced Purchasing Studies (“CAPS”) Research.

27 **Q. DO YOU CO-SPONSOR ANY SCHEDULES FOR THIS PROCEEDING?**

28 A. I co-sponsor Schedule V-K.

1 II. PURPOSE OF TESTIMONY

2 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

3 A. My testimony has several purposes. First, I describe the Supply Chain Department and
4 how it is organized to provide Supply Chain services to the TXNM Energy operating
5 companies. Second, I discuss the specific types of services provided to Texas-New
6 Mexico Power Company (“TNMP” or “Company”), a TXNM Energy subsidiary, by the
7 Supply Chain Department and how such services are necessary for TNMP to provide
8 reliable utility service. Third, I demonstrate that the costs billed to TNMP for Supply Chain
9 services are reasonable and necessary and are provided to TNMP at a price that is no
10 higher than the price charged by the Supply Chain department for services it provides to
11 other affiliates. Supply Chain is a shared service and only provides services to its affiliates.
12 Fourth, I describe TNMP’s existing facility needs and detail the necessity to add two
13 facilities coordinator roles in order to provide oversight and management of facilities
14 contractors.

15 Q. HOW IS YOUR TESTIMONY ORGANIZED?

16 A. My testimony is structured into the following sections:

17 **Supply Chain Organization and Services:** This section of my testimony outlines the
18 organization of the Supply Chain department and the way in which it provides services to
19 TNMP and other operating companies.

20 **Cost Levels and Trends:** This section examines the overall costs of Supply Chain
21 services, and the portion of those costs that are charged to TNMP. Furthermore, I outline
22 the cost components of the Supply Chain services and provide a view of the cost trends.

23 **Cost Allocation:** This section describes the method in which Supply Chain allocates costs
24 to TNMP and the other TXNM Energy operating companies.

25 **Necessity and Reasonableness of Services:** This section analyzes how the services
26 provided by the Supply Chain Department meet specific needs to benefit TXNM Energy
27 operating companies, customers, stakeholders.

28 **General Services Pro Forma:** This section of the testimony provides detailed information
29 regarding TNMP’s facility needs for the purpose of describing the necessity of adding two
30 facilities coordinators.

31 **Cost Management:** This section of the testimony reviews how Supply Chain employs
32 budgeting and cost control processes to manage and limit costs.

1 **III. ORGANIZATION OF THE SUPPLY CHAIN DEPARTMENT**

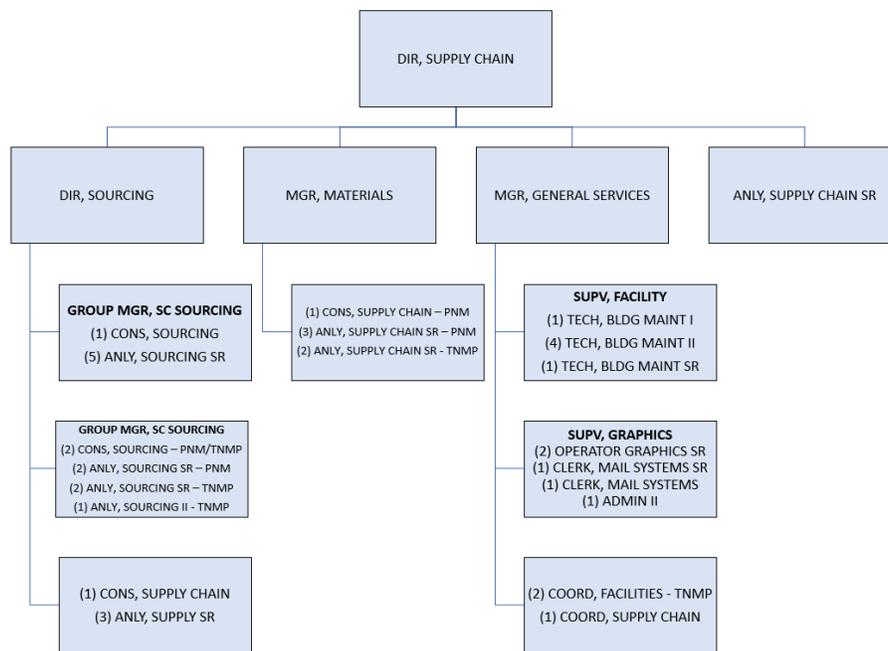
2 **Q. PLEASE BRIEFLY DESCRIBE / SUMMARIZE THE SUPPLY CHAIN DEPARTMENT.**

3 A. The Supply Chain department manages cross-organizational processes to support
 4 internal clients by providing and overseeing contractors and vendors across the following
 5 business areas for all TXNM Energy’s subsidiaries: construction and professional
 6 services, equipment purchases, materials management, business technology services,
 7 facility services, office and occupied real estate services. Facility Services are provided
 8 with a combination of PNMR Services’ employees and contractors.

9 **Q. PLEASE PROVIDE AN OVERVIEW OF HOW THE SUPPLY CHAIN DEPARTMENT IS**
 10 **ORGANIZED.**

11 A. See Table 1 below.

12 **TABLE 1: SUPPLY CHAIN ORGANIZATION CHART**



13

14 **Q. WHERE ARE THE DEPARTMENT’S PERSONNEL LOCATED?**

15 A. See Table 2 below.

1

TABLE 2: SUPPLY CHAIN EMPLOYEE LOCATIONS

Supply Chain - FTEs by Location	
FTEs	Location
Albuquerque HQ	26
Albuquerque ESC	12
Lewisville Headquarters	7
Texas City	2
Afton NM	1
Grand Total	46

2

3 **Q. PLEASE DESCRIBE THE HISTORY OF THE SUPPLY CHAIN ORGANIZATION AND**
 4 **ANY RELATED INITIATIVES TO ACHIEVE ORGANIZATIONAL FLEXIBILITY AND**
 5 **OPTIMAL SERVICE DELIVERY.**

6 A. The Supply Chain department was initially formed and centralized in 2006. The current
 7 organizational structure was created in 2011 by the addition of General Services to the
 8 Supply Chain department. General Services included facilities, real estate, office services,
 9 graphics, lease management, records management and corporate security. Records
 10 Management and Corporate Security were both subsequently moved over to business
 11 technology services (“BTS”) in 2015. All other functions remain the same. Supply Chain
 12 functions that have not changed in scope since the formation of the group in 2006 include
 13 sourcing, capabilities development, general services and materials management. Staff
 14 levels have been adjusted to reflect changes in client needs and certain company
 15 divestures and the closure of the San Juan Generating Station.

16 **IV. SERVICES PROVIDED BY THE SUPPLY CHAIN DEPARTMENT**

17 **Q. DESCRIBE THE SERVICES SUPPLY CHAIN IS RESPONSIBLE FOR PROVIDING TO**
 18 **THE OPERATING COMPANIES.**

19 A. The primary services that the Supply Chain department provides are as follows:

- 1 • Sourcing is responsible for the procurement of goods, services and other
2 solutions across TXNM Energy as well as the enhancement of capabilities of
3 the supply chain function to achieve effective sourcing of key products and
4 services for the organization. Activities include identification of needs, search
5 for potential sources, coordination of requests for proposals, negotiation and
6 administration of contracts, evaluation of vendors performance, and supplier
7 relationship management activities such as strategic business reviews.
- 8 • Capabilities Development manages technology solutions and initiatives for
9 Supply Chain such as budget planning that enhance and support the functions
10 of the supply chain team to achieve company goals. This organization also
11 manages the company purchasing credit card program and personal
12 communication devices (cellular phones). The capabilities department is also
13 responsible for the NERC CIP (“Critical Infrastructure Protection”) Supply
14 Chain Risk Management plan as part of CIP-013 compliance, the Supplier
15 Development program, and special projects such as the implementation of
16 asset management systems.
- 17 • Materials Management is responsible for activities related to inventory
18 management and warehouse operations, such as warehouse optimization,
19 asset management, material forecasting, and replenishment purchasing.
- 20 • General Services is responsible for providing and/or coordinating the delivery
21 of office support services which includes mail/freight and logistics;
22 copier/printer fleet management and centralized copy production; facilities
23 management and real estate transaction support for occupied owned or leased
24 facilities and project support for facility related capital and O&M projects.

25 **Q. WHAT IS THE PROCESS OR FORUM TO SET AND EVALUATE SERVICE LEVELS**
26 **AND PROVISIONS?**

- 27 A. TXNM Energy uses General Services Agreements (“GSA”) to establish terms and
28 provisions of services provided by PNMR Services to the operating companies. Details
29 about the GSA are in the testimony of TNMP witness EJ Lopez.

30 **Q. HOW DO THE AFFILIATED OPERATING COMPANIES OBTAIN SUPPLY CHAIN**
31 **SERVICES?**

- 32 A. Requests for materials or services are generally entered into Maximo, which then routes
33 the request to the appropriate sourcing or supply chain analyst. Maximo is the Enterprise
34 Asset Management (“EAM”) system that is used to create work orders, plan work, request

1 materials and services, and reconcile that the materials and services are correctly
 2 accounted for as assets in the financial systems. Sourcing coordinates Requests for
 3 Proposal (“RFP”) event activities utilizing an RFP tool (Jaggaer). Internal clients’ needs
 4 are generally communicated via email or phone call to the appropriate sourcing or supply
 5 chain analyst. Service requests for General Services are by phone call, email, instant
 6 messaging (IM) or through Service Now as an open ticket requiring attention.

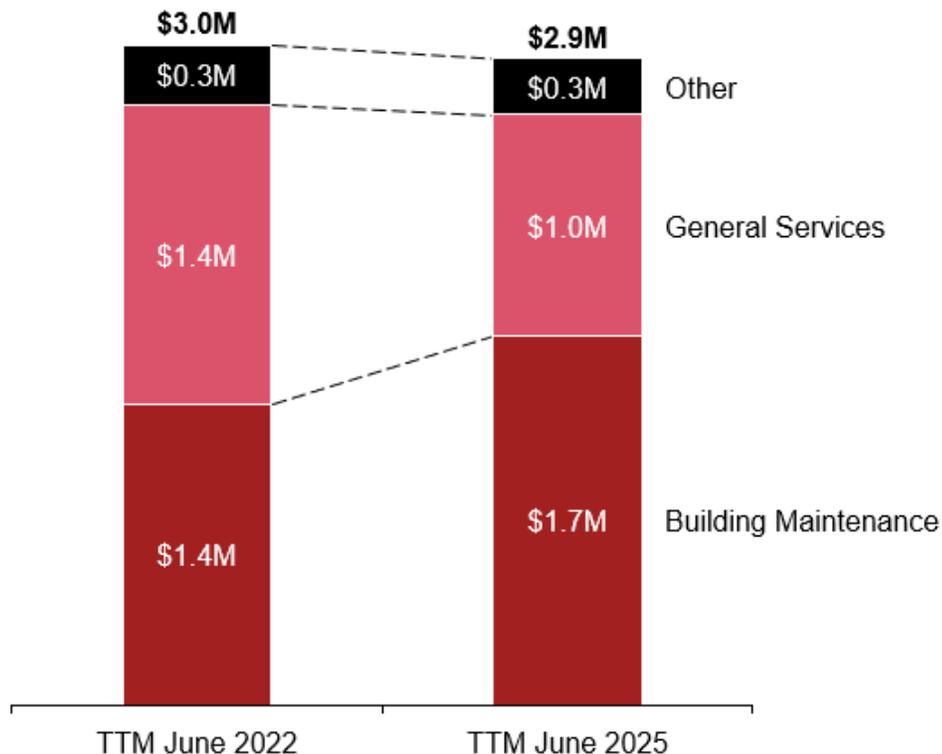
7 **v. COST LEVELS AND COST TRENDS**

8 **Q. WHAT ARE THE TOTAL COSTS OF SUPPLY CHAIN SERVICES DURING THE TEST**
 9 **YEAR AND WHAT HAS BEEN THE TREND IN EXPENDITURES?**

10 A. The total test year Supply Chain/General Services costs for TXNM Energy and its
 11 operating companies are \$2.9 million. Comparing June 2022 Trailing Twelve Months
 12 (“TTM”) to the test year (“TTM June 2025”), total Supply Chain costs decreased by \$0.1
 13 million, from \$3.0 million to \$2.9 million. The figures below show the overall trend for
 14 Supply Chain. [REDACTED]

15 **TABLE 3: SUPPLY CHAIN CATEGORY BY COST TYPE**

PNMR Services: Supply Chain Costs by Sub-Category
 (Nominal, \$M)



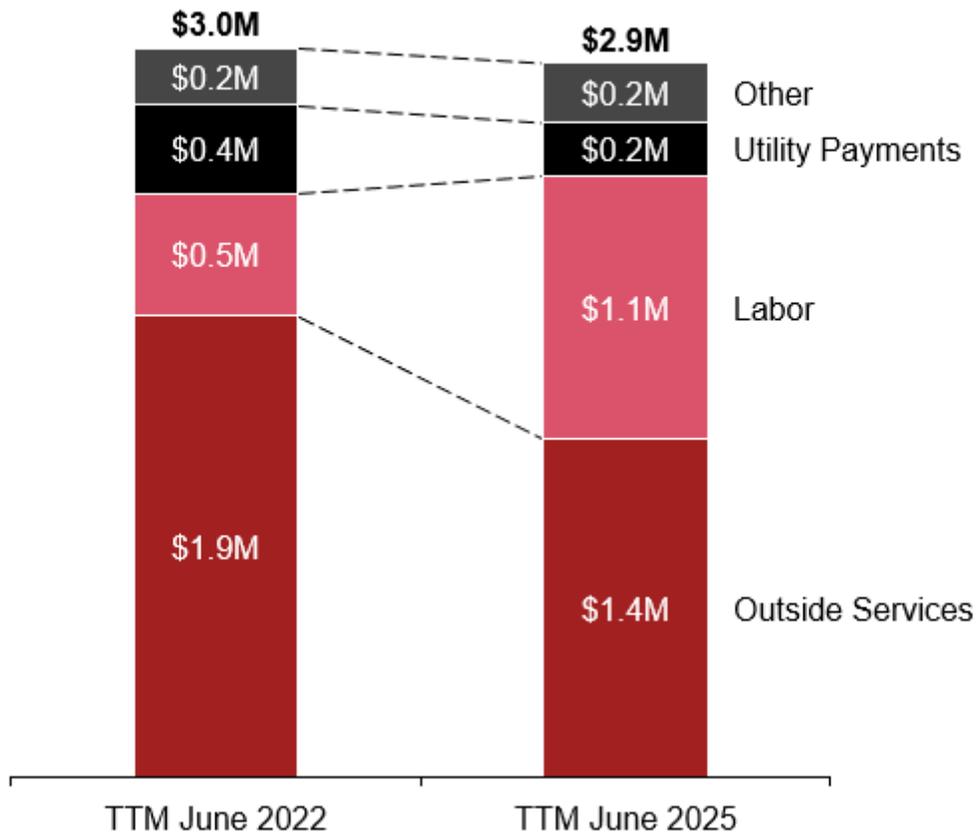
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1 Q. WHAT HAS BEEN THE OVERALL TREND BY COST TYPE?

2 A. The figure below shows the changes in TXNM Energy’s costs from TTM June 2022 to the
3 test year by cost type.

4 TABLE 4: SUPPLY CHAIN CATEGORY BY COST TYPE

PNMR Services: Supply Chain Costs by Cost Type
(Nominal, \$M)



5
6 Overall Supply Chain costs have decreased primarily due to the elimination or reduction
7 of some outside services which are now being self-performed by the Building Maintenance
8 staff. The services that are being self-performed include building and facilities
9 maintenance and repairs as well as some oversight of contractors. Upgrades to facilities
10 systems resulted in reduced utility and outside services costs. This was partially offset by
11 a slight increase in costs for mail equipment, postage and shipping, graphics equipment,
12 and copy/print equipment. These increases were due to market demands that have driven
13 costs upward, the increase in postal and shipping rates, and the use of fuel surcharges by
14 the delivery companies. Additionally, General Services and Sourcing executed an RFP

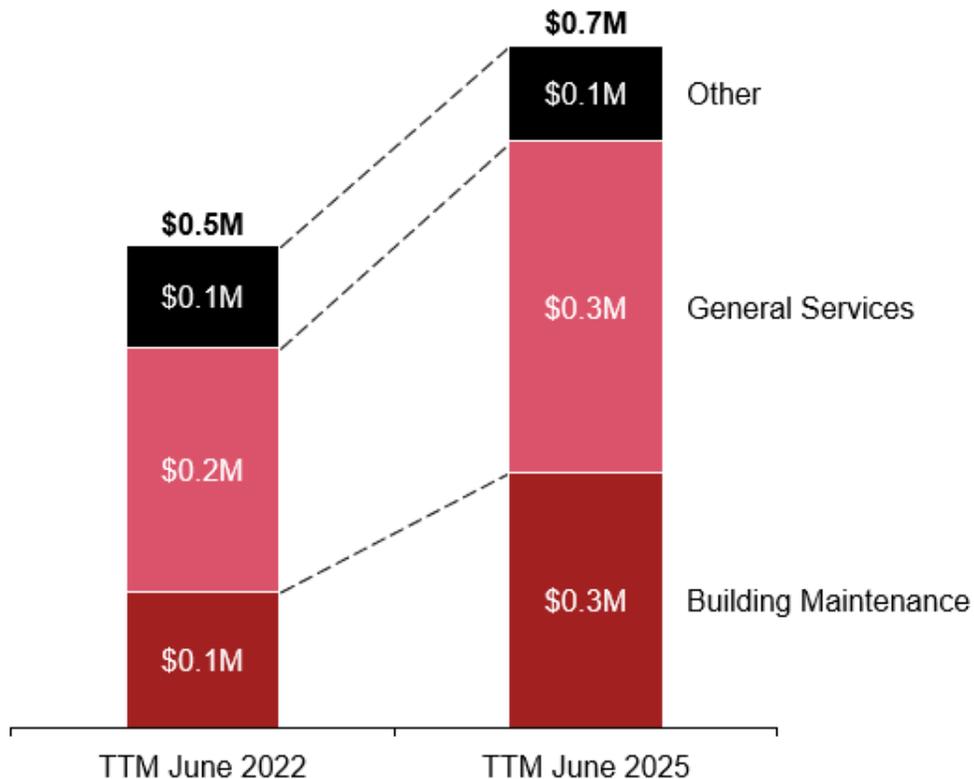
1 process for Graphics in 2022 that resulted in the selection of a new outsource provider for
 2 printers.

3 **Q. WHAT ARE THE TOTAL SUPPLY CHAIN COSTS CHARGED TO TNMP IN THE TEST**
 4 **YEAR AND WHAT HAS BEEN THE TREND IN EXPENDITURES?**

5 A. The total cost of Supply Chain services allocated to TNMP during the test year totaled
 6 \$0.7 million, all costs were for General Services, there were no allocated O&M costs for
 7 core supply chain including materials management and sourcing support services. The
 8 trend in costs allocated to TNMP for Supply Chain services has increased by \$0.2 million,
 9 from \$0.5 million to \$0.7 million, between 2022 and the test year. Table 5 below shows
 10 the total TNMP allocated costs by the Supply Chain organization during the test year
 11 categorized by service groups.

12 **TABLE 5: SUPPLY CHAIN CATEGORY BY SUB-CATEGORY**
 13 **TNMP ALLOCATION**

TNMP Allocations: Supply Chain Costs by Sub-Category
 (Nominal, \$M)



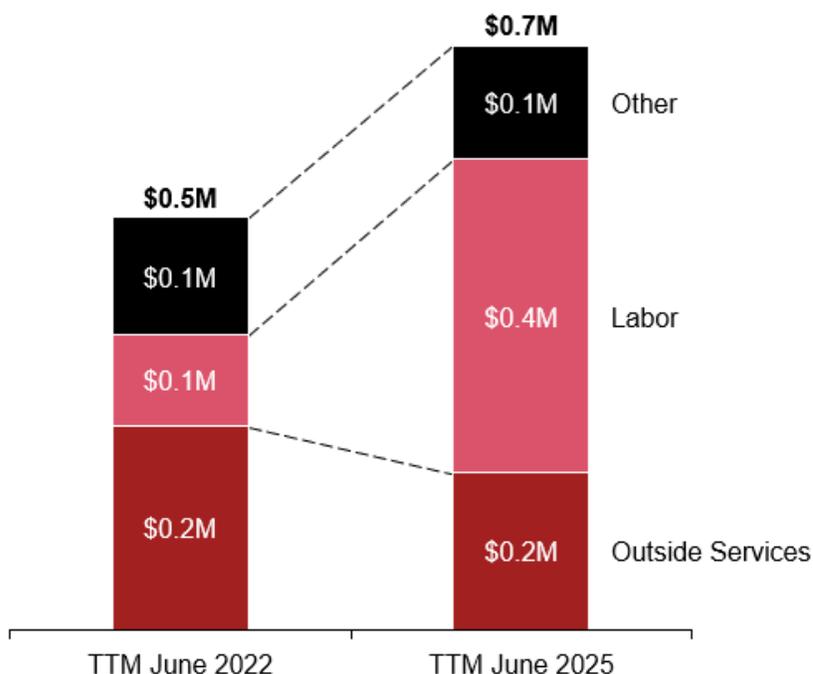
14

1 Q. WHAT HAS BEEN THE OVERALL TREND BY COST TYPE?

2 A. The figure below shows the changes in TNMP allocated Supply Chain costs from TTM
3 June 2022 to test year by cost type.

4 **TABLE 6: SUPPLY CHAIN CATEGORY BY COST TYPE – TNMP ALLOCATION**

TNMP Allocations: Supply Chain Costs by Cost Type
(Nominal, \$M)



5

6 These cost changes are explained by the pro forma addition of two facilities coordinators
7 for General Services that are dedicated to TNMP.

8 Q. WHAT ARE THE PREDOMINANT BILLING METHODS USED FOR THIS CLASS OF
9 SERVICE?

10 A. The general allocation method is used for cost types and services that cannot be directly
11 charged or do not have a causative cost driver. Per the table above, the general allocation
12 for TNMP is 5.7%, direct is 43.9%, and transactional is 50.4%.

13 Q. PLEASE EXPLAIN THE RATIONALE AND IMPORTANCE OF THE BILLING
14 METHODS USED.

15 A. The billing methods used by the Supply Chain department are appropriate. The costs that
16 reside in the Supply Chain organization are primarily overhead costs related to the core

1 Supply Chain and General Services departments. The overhead costs are appropriately
 2 allocated as described above.

3 **Q. WHICH ENTITIES ARE THE PNMR SERVICES COSTS FOR SUPPLY CHAIN BILLED**
 4 **TO? how are the supply chain costs billed to these entities?**

Allocation Method	Location	Allocation Driver	PNMR Allocations	TNMP Allocations
General	941	MMF - Employee Headcount, Gross Margin, Net Plant.	3.6%	5.7%
	951	MMF - Employee Headcount, Gross Margin, Net Plant.	3.0%	-
Direct	942	PNM Electric Services	27.0%	-
	947	PNM Electric Transmission Services	5.0%	-
	953	TNMP – Texas	10.1%	43.9%
	999	TXNM Energy	0.4%	-
Transactional	980	Number of Occupied Square Footage	51.0%	50.4%

5
 6 A. Supply Chain bills to all TXNM Energy affiliated companies that it serves. Supply Chain
 7 bills PNM, TNMP, and TXNM Energy. Each entity receives its direct and allocated share
 8 of the service company costs per the cost allocation manual.

9 **Q. HOW DOES SUPPLY CHAIN ENSURES THAT ITS CHARGES TO TNMP ARE NO**
 10 **HIGHER THAN THE CHARGES TO OTHER AFFILIATES FOR THE SAME OR SIMILAR**
 11 **SERVICES, AND THAT THE CHARGES RESONABLY APPROXIMATE THE ACTUAL**
 12 **COST OF PROVIDING THE SERVICE TO TNMP?**

13 A. The accounting system at TXNM Energy is configured whereby Supply Chain’s actual
 14 costs are allocated. No markup or additional calculations are systematically applied to
 15 costs; the costs are simply assigned to affiliates using the allocation methodology
 16 associated with the location code applied to the costs.

17 **Q. WHAT IS YOUR OVERALL CONCLUSION WITH RESPECT TO THE**
 18 **APPROPRIATENESS OF THE COST ALLOCATION / BILLING METHODS USED IN**
 19 **THIS CLASS?**

20 A. My overall conclusion is that the cost allocations and billing methods used by Supply Chain
 21 are appropriate.

1 VI. **NECESSITY AND REASONABLENESS OF SERVICES**

2 Q. **ARE THE SERVICES PROVIDED BY THE SUPPLY CHAIN DEPARTMENT TO THE**
3 **OPERATING COMPANIES NECESSARY TO SUPPORT THE BUSINESS OF THE**
4 **OPERATING COMPANIES?**

5 A. Yes, the services provided by the Supply Chain department to the operating companies
6 are necessary for effective management and operation of the business through
7 standardizing processes, maximizing efficiencies and achieving scale across all operating
8 companies.

9 Q. **WHAT OVERSIGHT OF SUPPLY CHAIN DEPARTMENT'S ACTIVITIES IS IN PLACE**
10 **TO ENSURE THAT ITS SERVICES ARE THOSE THAT ARE MOST BENEFICIAL FOR**
11 **THE OPERATING COMPANIES?**

12 A. The Supply Chain function provides forums for key managers in the operating companies
13 to meet monthly to discuss their organization's supply chain needs. Supply Chain holds
14 forums that include monthly phone calls or meetings with company executives, operating
15 staff, and support staff. These meetings function as an opportunity for operating
16 companies to oversee existing and future Supply Chain activities to ensure that Supply
17 Chain is meeting company needs in the most beneficial manner. Further, Supply Chain
18 provides monthly project status updates, ad hoc reporting, and can organize additional
19 meetings as requested. Additionally, Supply Chain prepares daily and monthly reporting
20 from various contractors including copier usage and costs, cellular phones costs and
21 usage, and travel activities and costs for review by company executives, managers, and
22 staff. As detailed below, the addition of two Facility Coordinators at TNMP will enhance
23 the ability to track and manage costs incurred for building repairs and maintenance. These
24 costs will be tracked and reported at the location and funding project level, offering further
25 oversight of Supply Chain services.

26 Q. **DO SUPPLY CHAIN SERVICES DUPLICATE SERVICES PROVIDED BY PERSONNEL**
27 **WITHIN THE OPERATING COMPANIES OUTSIDE OF THE SUPPLY CHAIN**
28 **DEPARTMENT?**

29 A. No, Supply Chain services for TNMP are managed by the Supply Chain department.
30 Supply Chain is highly integrated into TNMP's supply chain related activities. Additionally,
31 PNMR Services has an integrated Enterprise Asset Management ("EAM") system
32 (Maximo) which is used to plan and schedule work as well as to facilitate the ordering of

1 materials and services for the work. This level of integration and usage helps to prevent
2 duplicate services.

3 **Q. IS IT NECESSARY AND REASONABLE FOR SUPPLY CHAIN ACTIVITIES TO BE**
4 **PROVIDED BY AN AFFILIATE?**

5 A. Yes, it is reasonable and necessary for these activities to be provided by an affiliate rather
6 than by the operating companies themselves. Centralized Supply Chain activities allow
7 standardization across the operating companies, maximize efficiencies and achieves
8 economies of scale, all of which are factors in providing reliable electrical service to TNMP
9 customers.

10 **VII. GENERAL SERVICES PRO FORMA**

11 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF TESTIMONY?**

12 A. The purpose of this section of testimony is to explain the need for the addition of two
13 Facilities Coordinators to support TNMP operations.

14 **Q. HOW HAVE TNMP'S OCCUPIED FACILITIES CHANGED SINCE ITS LAST GENERAL**
15 **RATE CASE?**

16 A. X. TNMP currently has approximately 30 occupied facilities across Texas. The
17 occupied portfolio has steadily increased over the past few years. These increases include
18 the Alvin System Operations Center, Lewisville Engineering Facility, and Lewisville
19 Hillside back-up System Operations Center. TNMP provides facilities for corporate
20 functions including Legal, HR, BTS, and Sourcing, which were previously housed in TXNM
21 Energy offices.

22 **Q. HAS TNMP EVALUATED THE OPTION TO INCREASE THE ABILITY TO SELF-**
23 **PERFORM THE MAINTENANCE AND REPAIR WORK WITH THE ADDITION OF TWO**
24 **FACILITY COORDINATORS AT TNMP?**

25 A. Yes. Based on the market and facilities growth at TNMP, two dedicated facility
26 coordinators are needed to assist and support TNMP operations. TNMP witness Kyle
27 Sanders has included the payroll-related costs of these additional personnel in TNMP's
28 revenue requirement. These positions would be responsible for the items listed below in
29 addition to various daily maintenance activities. In essence, these positions will be able to
30 determine the level of maintenance needed and, if applicable, perform the repair
31 themselves, or coordinate with a contractor. Facility coordinator duties will include, but are
32 not limited to, the following:

- 1 • Monitor and schedule routine and preventative maintenance;
- 2 • Coordinate with Mgmt./General Services/Sourcing for remodels, office moves,
3 etc.;
- 4 • Oversight of compliance activities (i.e., fire system inspections, Backflow and
5 Generator tests, etc.) tracking logs;
- 6 • Create centralized repositories for key documents, i.e., assessments, asset
7 inventories, etc.;
- 8 • Research and coordinate contractor agreements;
- 9 • Work with TNMP/Management to develop and maintain a comprehensive
10 portfolio of all TNMP facilities;
- 11 • Assist local managers with service requests and coordination with service
12 providers to minimize operational disruptions and increase productivity;
- 13 • Develop business unit space requirements, interact with brokers, interpret,
14 analyze, and communicate lease requirements, improvements, and
15 obligations;
- 16 • Select and negotiate with regional/local vendors for services;
- 17 • Oversee contracts with outside vendors, including pricing and place orders for
18 procurement;
- 19 • Administer janitorial contracts, develop, maintain, and review janitorial
20 standards, and initiate improvement authorizations;
- 21 • Manage and coordinate building remodels, relocations, and procurement as
22 dictated by projects and organizational changes;
- 23 • Standardize and improve facility management processes, utilizing best
24 practices for efficiency and cost effectiveness;
- 25 • Coordinate with procurement on furniture standards, contract changes, and
26 recommend requisite furnishings and equipment;
- 27 • Assist in developing annual operating budgets for facilities and related vendor
28 services and expenses;
- 29 • Work with TNMP representatives to compile five- and ten-year forecasts for
30 capital improvements, including benchmarks and estimates of annual
31 operating cost per square foot.

1 **VIII. COST MANAGEMENT**

2 **Q. WHAT PROCESSES DO YOU EMPLOY TO ENSURE THAT SUPPLY CHAIN**
3 **EXPENSES INCURRED BY OR ON BEHALF OF THE OPERATING COMPANIES ARE**
4 **REASONABLE?**

5 A. To ensure that Supply Chain expenses incurred by or on behalf of the operating
6 companies are reasonable, processes are in place that improve cost transparency through
7 increased direct cost allocations to operating companies which allows for direct oversight
8 of actual costs and evaluation of reasonableness. The Supply Chain department provides
9 reports that are available to all supervisors detailing costs assigned to individual
10 departments. This cost transparency has resulted in improved cost review as well as
11 benefiting the reporting, planning, and budgeting processes.

12 **Q. DISCUSS HOW THE SUPPLY CHAIN DEPARTMENT EMPLOYS BUDGETING,**
13 **PLANNING, COST REVIEW AND REPORTING TO CONTROL ITS CHARGES TO THE**
14 **OPERATING COMPANIES.**

15 A. The Supply Chain department follows the standard PNMR Services budgeting process.
16 In the third quarter, the Supply Chain department begins to develop annual budgets by
17 month for both O&M and Capital using the O&M and Capital targets issued by the
18 Executive Policy Committee ("EPC"). The detailed budgets are created at the home
19 center level by cost type. The Supply Chain department also coordinates with each of the
20 business partners to gather input from the operating companies. Once budgets are
21 established, the Supply Chain department monitors actual costs against budgeted
22 amounts and works with the Director of Supply Chain through monthly variance reviews
23 to make necessary adjustments. Additional discussion about TNMP budgeting, planning,
24 and cost review can be found in the testimony of TNMP witness EJ Lopez.

25 **Q. WHAT ARE THE RAMIFICATIONS OF DEVIATIONS FROM THE BUDGET?**

26 A. TXNM Energy's short-term incentives program links incentive pay to workgroup O&M
27 budget targets. Cost control is an essential part of performance scorecards for the overall
28 Supply Chain department. If scorecard targets are not met, incentive pay is not received
29 by employees, according to plan. Performance against the scorecard goals impacts the
30 manager and employee's total incentive pay. Therefore, Supply Chain must carefully
31 monitor its budget in order for its staff to be eligible for incentive pay.

1 **Q. WHAT BENCHMARKING HAS BEEN CONDUCTED BY SUPPLY CHAIN TO**
 2 **EVALUATE COST / PERFORMANCE LEVELS?**

3 A. There are annual or periodic benchmarking studies conducted by CAPS for sourcing and
 4 warehouse activities. The CAPS benchmarks an all-industries survey that is conducted
 5 every year. The results of these studies provide input into the annual planning process.
 6 The table below shows key utility benchmarking results from the 2024 CAPS study:

7 **TABLE 7: SUPPLY CHAIN BENCHMARKING RESULTS**

Supply Chain CAPS 2024 Benchmarking Results		
Metric	TXNM	Utility Average
SC Team to All Employees	1.00%	2.50%
Sourceable spend to Revenue	65.27%	52.60%
Managed spend per SC Employees (millions)	\$73.83	\$24.20
SC Operating Expenses as a percent of Company Revenue	0.18%	0.20%
SC Operating Expenses as a percent of Total Managed Spend	0.29%	0.60%

8
 9 **Q. DOES SUPPLY CHAIN OUTSOURCE TO CONTROL COSTS?**

10 A. Yes, Supply Chain outsources to drive cost savings and service level improvement for the
 11 enterprise. Supply Chain works with other support functions to evaluate and execute
 12 outsourcing opportunities. PNMR Services and the operating companies currently have
 13 outsourcing programs in operations that were facilitated through interactions with supply
 14 chain, such as janitorial services and data center related IT infrastructure and system
 15 support. Outsourcing is evaluated on a case-by-case basis and must provide economic
 16 and operational benefits.

17 The Supply Chain department outsources some procurement and warehousing activities
 18 to Stuart C. Irby, an integrated supplier. Strategic outsourcing of supply chain activities
 19 provides benefits such as flexibility and access to expertise that would otherwise be
 20 difficult to build and retain.

1 **Q. WHAT IS YOUR OVERALL CONCLUSION ON REASONABLENESS AND NECESSITY**
2 **OF COSTS IN THIS AFFILIATE CLASS?**

3 A. My overall conclusion is that Supply Chain's cost control practices are reasonable and
4 necessary for reliable operations of the company. As shown in the benchmarking results,
5 1.00% of the total TXNM employees are part of the Supply Chain team compared to 2.5%
6 utility average indicating that the Supply Chain organization is lean and highly efficient.
7 Managed spend per Supply Chain employee is considerably higher than the industry
8 average, suggesting strong productivity compared to other utilities. This is also possible
9 as a result of highly automated systems and the use of an Integrated Supplier.

10 **IX. OVERALL CONCLUSIONS**

11 **Q. WHAT IS YOUR OVERALL CONCLUSION?**

12 A. My overall conclusion is that the services the Supply Chain department provides are
13 necessary for enhancing the operational excellence of TXNM Energy and its operating
14 companies. Supply Chain services have demonstrated measurable benefits to the
15 organization through cost savings initiatives such as strategic outsourcing and contract
16 renegotiations. Further, TNMP will benefit by adding two facilities coordinators to support
17 its specific facility operations and maintenance activities and alleviate the usage of
18 contractors and operations staff to perform routine maintenance. Additionally, due to
19 TXNM Energy and its operating companies' effective cost management practices, such
20 as discussion forums and benchmarking studies, the costs for Supply Chain activities are
21 reasonable.

22 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

23 A. Yes, it does.

AFFIDAVIT

STATE OF NEW MEXICO §
 §
COUNTY OF BERNALILLO §

BEFORE ME, the undersigned authority, on this day personally appeared Carter Cherry, who, upon proving his identity to me and by me being duly sworn, deposes and states the following:

“My name is Carter Cherry. I am of legal age, a resident of the State of New Mexico, and have never been convicted of a felony. I certify that the foregoing testimony, offered by me on behalf of Texas-New Mexico Power Company, is true and correct and based upon my personal knowledge and experience.”



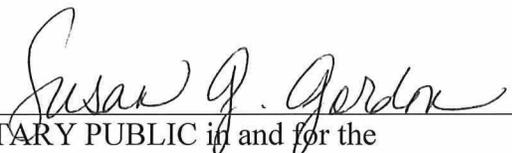
Witness

SWORN TO AND SUBSCRIBED before me, Notary Public, on this 10 day of November, 2025, to certify which witness my hand and seal of office.



STATE OF NEW MEXICO
NOTARY PUBLIC
Susan G Gordon
Commission No. 1066921
Expires: September 15, 2028

SEAL:



NOTARY PUBLIC in and for the
State of New Mexico

Printed Name: Susan G. Gordon

My Commission expires: September 15, 2028

Notary ID# 1066921

APPLICATION OF TEXAS-NEW MEXICO POWER COMPANY
FOR AUTHORITY TO CHANGE RATES

WORKPAPERS FOR
THE DIRECT TESTIMONY OF
CARTER CHERRY

TNMP Witness Carter Cherry has no supporting workpapers for his direct testimony.