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
CHRISTOPHER L. GERETY

ON BEHALF OF
TEXAS-NEW MEXICO POWER COMPANY

NOVEMBER 14, 2025

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND PLACE OF EMPLOYMENT.

A. My name is Christopher L. Gerety. I am Vice President of Technical Services & System Reliability for Texas-New Mexico Power Company ("TNMP" or the "Company"). My business address is 702 36th Street, Texas City, Texas 77590.

Q. PLEASE DESCRIBE YOUR DUTIES AS THE COMPANY'S VICE PRESIDENT OF TECHNICAL SERVICES & SYSTEMS RELIABILITY.

A. As the Vice President of Technical Services & System Reliability, I provide executive leadership and management of TNMP's Engineering organization. I direct activities related to the planning, design, construction, operation, and maintenance of the TNMP transmission and distribution system from the Engineering perspective. I am also responsible for overseeing TNMP's system protection and substation North American Electric Reliability Corporation ("NERC") compliance.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. Exhibit CLG-1 describes my background and experience, including proceedings for which I have provided testimony. As reflected in my resume, I have more than 20 years of experience in transmission line and substation engineering and operations in the utility industry. I have significant experience with construction and operation of high voltage transmission lines, substations, and switching stations, including supervising internal and third-party personnel involved with the engineering, procurement, and construction responsibilities for same.

Q. DO YOU HOLD ANY PROFESSIONAL LICENSES?

A. Yes. I am a professional engineer licensed in the state of Texas.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to:

- Provide an overview of TNMP's Technical Services & System Reliability organization and describe its area of responsibility;
- Describe the types of transmission and distribution projects that are included in TNMP's invested capital;

- Support the capital investments made to TNMP's transmission and distribution system through June 30, 2025;
- Describe and support the Operations and Maintenance ("O&M") expenses of TNMP's Engineering organization;
- Support and sponsor Schedule M submitted as part of the rate-filing package;
- Describe and support reasonableness of a Primary Service Substation Rate;
- Describe and support the reasonableness of the wholesale distribution line service for battery storage interconnections.

Q. ARE YOU SPONSORING ANY EXHIBITS?

A. Yes. I am sponsoring the Exhibits CLG-1 through CLG-5. Each of these exhibits were prepared by me or under my supervision and are true and correct to the best of my knowledge and belief.

III. ORGANIZATION OF TECHNICAL SERVICES & SYSTEM RELIABILITY

Q. PLEASE SUMMARIZE THE COMPOSITION OF TNMP'S TECHNICAL SERVICES & SYSTEM RELIABILITY ORGANIZATION.

A. TNMP's Technical Services & System Reliability organization ("Engineering") consists of all of TNMP's Engineering staff, including: transmission/distribution line engineering and major construction, substation construction and maintenance, transmission/distribution planning, protection and controls and various support personnel that provide services such as drafting, new customer service design, Geographic Information Services ("GIS") services, clerical and other various engineering support-type services. In addition, the organization also includes TNMP's System Operation Control Center personnel that monitor and operate the transmission and distribution systems on a 24-hour, seven day/week basis as well as support personnel for that function. Within those departments are also support technicians that are responsible for the operations, maintenance and emergency response for TNMP's substation, protection, controls, real-time communications monitoring equipment, central meter shop and substation/transmission customer metering functions. There are currently 205 positions within Engineering.

Q. HOW IS TNMP'S ENGINEERING ORGANIZATION STRUCTURED?

A. Currently I have three direct reports. First, a Director of TNMP System Engineering and Land Services under whom TNMP's transmission planning, substation, protection and controls, and construction engineering personnel reside in addition to field and craft

personnel responsible for O&M for transmission and distribution substations, relaying, and metering. This area is responsible for TNMP's transmission and substation construction. Second, a Director of TNMP System Operations manages the operations and support personnel for TNMP's System Operations Center, which controls TNMP's transmission and distribution system and TNMP's statewide transmission and distribution telecommunication systems. Finally, a Director of Distribution Engineering rounds out the organization structure under whom the distribution system expansion, planning and reliability engineering activities are performed. All other TNMP engineering functions and their respective support personnel are within these departments.

IV. TNMP'S CAPITAL INVESTMENT

Q. PLEASE SUMMARIZE TNMP'S CAPITAL INVESTMENT AND BUDGET DETERMINATION PROCESS.

A. TNMP develops capital budgets on a five-year basis each year generally beginning in the second quarter. In summary, TNMP Engineering collaborates with the TNMP Operations areas to evaluate transmission and distribution system performance plus future expansion needs to determine appropriate projects that are included in the capital budget. Additionally, items such as facility expansion/construction needs are included in the project list. Dollar values are assigned to these projects based upon practical experience for construction costs, industry inquiries or other financial determinants, and a total capital budget number for each year is determined. This budget is then submitted to TNMP senior management after it is derived and justified by appropriate engineering or operations personnel. After their own review, TNMP senior management submits the budget for acceptance as submitted or any adjustments. If there are no adjustments, following all requisite board approvals, the budget is implemented.

Q. HAVE TNMP CAPITAL BUDGETS GROWN IN RECENT YEARS?

A. Yes. Exhibit CLG-2 shows TNMP's actual and budgeted capital expenditures by function for the years 2018 through the test year. The column labeled "AOP" or "Annual Operating Plan" displays the original budget number for the year as derived by the process described above. TNMP's original capital budget in 2024 was $524,484,154 compared to $185,792,200 in 2018. This represents an average annual growth rate of nearly 19 percent per year for this seven-year period. TNMP's budgets have generally grown for the most part to meet service obligations driven by growth and to address upgrades necessary to maintain system reliability, such as providing wildfire mitigation

and storm-hardening benefits. Additionally, in some years TNMP has made budget adjustments during the course of the year to address immediate needs or changes in circumstances.

Q. WAS THE ACTUAL AMOUNT OF CAPITAL SPENT DURING THE TEST YEAR DIFFERENT THAN THE ORIGINAL AMOUNT BUDGETED IN THE AOP?

A. Yes. As shown in Exhibit CLG-2, the actual capital spend amount for the test year (12 months ended June 30, 2025) was $589,180,462. TNMP utilizes quarterly reviews during the budget year to assess current project spending levels versus planned levels, additional funding needs due to unanticipated projects or project issues, and/or to address immediate growth needs.

Q. WHAT HAS DRIVEN THE GROWTH IN TNMP'S CAPITAL BUDGETS?

A. Adding new customers, expanding existing customer load, and replacing facilities that are approaching the end of their rated or useful lives have been the primary drivers behind TNMP's growth in capital budget needs. A significant driver of growth in capital budgets has been the dramatic load growth in the Permian and Delaware Basin regions of West Texas. This load growth resulted from many factors, including new oil and gas technology, discovery of new shale plays with low breakeven price points for developers, geopolitical events, and numerous other factors. The confluence of these events created a dramatic increase in the demand for reliable power, particularly in the Permian and Delaware basins. Further, Texas has experienced an influx of businesses that have relocated their operations, corporate headquarters, manufacturing facilities, and data centers to the state. TNMP has seen a particularly significant growth in load requests from data centers during the seven-year period. This influx has driven an increase in electric demand. This is in addition to the increased demand due to Texas' overall population growth, resulting in significant growth of new housing and businesses across the state, that has occurred in the seven-year period. Finally, a significant amount of new generation projects has driven a corresponding increase in TNMP's generation interconnections and required investments in new and upgraded facilities to deliver the power. Since TNMP's last rate case, TNMP received and studied approximately 91 requests for new generation representing approximately 13,000 megawatts ("MW"), signed SGIAs and received financial commitments and notices to proceed for 36 generation projects representing approximately 5,900 MWs, and connected approximately 16 generation projects representing 2,600 MW.

Q. DOES TNMP ANTICIPATE MAKING SIGNIFICANT CAPITAL INVESTMENTS OVER THE COMING YEARS?

A. Yes. TNMP will need to continue to make additional investments in its distribution and transmission plan, including its assigned Permian Basin Reliability Plan projects, to address the continued customer growth indicators we are seeing for its service territory. There is no indication that load growth in our service territory will be slowing down anytime soon based on customer requests received across all rate classes. Therefore, constructing new facilities and addressing aging elements for both transmission and distribution infrastructure will be required on an ongoing basis. Exhibit JNW-7 to the Direct Testimony of Neal Walker shows TNMP's current capital budget for 2025 to 2029. During this period the capital budget increases from $609,106 to $1,007,780, or an average of 13.4 percent per year.

V. TNMP'S TRANSMISSION AND DISTRIBUTION PROJECTS

Q. PLEASE PROVIDE A BREAKDOWN OF TNMP'S TRANSMISSION CAPITAL EXPENDITURES OVER THE LAST SEVEN YEARS.

A. Since its last base-rate case, TNMP has made reasonable and necessary investments to ensure its ability to provide safe, reliable electric transmission service across its system. All of the investments were prudent. Exhibit CLG-3 details the transmission capital expense TNMP has incurred from 2018 through 2024 and the test year. During the test year, TNMP spent $211,754,115 on transmission projects. This amount accurately reflects the level of plant that is used and useful by TNMP in providing service to the public as of the end of the test year.

Q. WHY IS IT IMPORTANT FOR TNMP TO RECOVER THE COSTS ASSOCIATED WITH TNMP'S TRANSMISSION CAPITAL INVESTMENT?

A. TNMP's transmission capital expenditures represent strategic investments to expand the Electric Reliability Council of Texas ("ERCOT") grid, facilitate robust wholesale competition in the ERCOT market, and allow TNMP to provide safe, reliable electric power to its Texas customers in compliance with the Commission's rules and the ERCOT's protocols. Allowing cost-recovery for these investments signals to businesses, customers, and other utilities nationwide that this Commission will continue to strengthen the ERCOT grid by allowing investments that fortify the transmission system and facilitate efficient delivery of wholesale electricity. Not allowing TNMP to recover these prudent, reasonable, and necessary expenses may discourage TNMP and other utilities

from making investments that are needed to ensure that the ERCOT transmission system is able to keep pace with the rising demand resulting from Texas' unprecedented growth.

Q. PLEASE SUMMARIZE SOME OF THE MORE SIZEABLE TRANSMISSION PROJECTS TNMP HAS UNDERTAKEN IN RECENT YEARS AND DISCUSS THEIR NECESSITY.

A. In recent years, TNMP has undertaken several sizeable transmission projects to address growing demand and ensure system reliability. Two of the most significant examples include the Ward Winkler Regional Planning Group ("RPG") project and the Texas City Improvement project. The Ward Winkler project was essential to address rapid load growth and increasing reliability concerns in the Far West Texas region. With expected load in the area rising from 615 MW in 2021 to 891 MW in 2024 (actuals in West Texas in 2024 exceeded 1,100 MWs), the existing infrastructure risked overloads and voltage violations, especially during contingencies on the 138-kV and 69-kV systems. The Ward Winkler RPG project involved converting much of TNMP's 69-kV network to 138-kV and adding new lines to interconnect with Oncor's system, thereby enhancing thermal and voltage capabilities, operational flexibility, and compliance with NERC and ERCOT reliability criteria. ERCOT independently endorsed the project as the most cost-effective and reliable solution to meet the region's needs. The Texas City Improvement project was developed in response to significant new industrial and cogeneration loads in Texas City, projected to be upwards of 200 MW. ERCOT studies found that, under certain outage and maintenance conditions, the existing system could not reliably support these new demands. TNMP's project included construction of new 138-kV substations, line upgrades, and transformer installations to reliably serve these major new customers and support continued regional growth. The improvements were necessary to maintain compliance with reliability standards, prevent service interruptions, and enable continued economic development in the area. Both the Ward Winkler and Texas City Improvement RPG projects were driven by sharply rising electric loads, aging or capacity-constrained systems, and the need to comply with strict reliability criteria set by ERCOT and NERC. Each project underwent comprehensive review and endorsement by ERCOT, confirming that the upgrades were essential for safe, reliable, and cost-effective service to TNMP's rapidly growing customer base. Many similar examples such as replacing transmission lines, stations, and equipment to improve reliability, support load growth, and serve customers are representative of projects TNMP undertakes and seeks recovery for in its

filings. These types of upgrades are reflected across TNMP's portfolio of transmission projects, each designed to ensure reliable service and accommodate expanding demand within its service territory.

Q. DO ANY OF THESE PROJECTS GO UNDER EXTERNAL REVIEW BEFORE THEY ARE IMPLEMENTED?

A. When required by ERCOT's Nodal Protocols, TNMP submits transmission projects to ERCOT's RPG for a necessity review before construction begins. This group reviews technical data associated with the issue that the project is designed to alleviate, tests it against alternatives, and weighs the designed results versus the proposed costs and timeframe to determine if approval is warranted. TNMP's projects have had very few or no issues obtaining RPG approval when that approval is necessary per ERCOT planning guidelines. When required, projects are also submitted for Certificate of Convenience and Necessity ("CCN") approval at the PUCT.

Q. PLEASE PROVIDE A BREAKDOWN OF TNMP'S DISTRIBUTION CAPITAL EXPENDITURES DURING THE PAST SEVEN YEARS.

A. Exhibit CLG-5 details the distribution capital expense TNMP has incurred from 2018 through 2024. During the test year, TNMP spent $377,426,347 on distribution projects.

Q. PLEASE DESCRIBE SOME EXAMPLES OF DISTRIBUTION PROJECTS TNMP HAS UNDERTAKEN IN RECENT YEARS AND DISCUSS THEIR NECESSITY.

A. As customer load has continued to grow, the need to add new distribution facilities and upgrade existing infrastructure remains critical. Additionally, providing redundancy to improve reliability and resiliency continues to drive TNMP's distribution investment strategy. TNMP has added or rebuilt numerous distribution substations in the Gulf Coast, West Texas, Central Texas, and North Texas regions of its service territory, including the installation of new transformers, breakers, and distribution feeders to serve new load and provide contingency ties to other feeders. During the test year, TNMP replaced four distribution substation transformers across the state, primarily due to the age and condition of existing units. Transformers were replaced as needed due to reaching end-of-life and capacity constraints. Expansion of customer load also led to reconductoring of overloaded distribution feeders with larger wire sizes. TNMP routinely replaces distribution substation breakers to address aging infrastructure and maintain reliability throughout its service area.

Q. DO YOU BELIEVE THAT TNMP'S TRANSMISSION AND DISTRIBUTION INVESTMENT EXPENDITURES HAVE BEEN REASONABLE AND NECESSARY?

A. Yes. Without these projects, TNMP's service levels would decline, the obligation to serve new customers in TNMP's service territories would not be met, and customers would suffer as a result. The costs for these projects are managed through competitive bidding, negotiated supplier agreements, and engineering project management and oversight.

VI. OPERATIONS AND MAINTENANCE EXPENSES (O&M) FOR TECHNICAL SERVICES & SYSTEM RELIABILITY

Q. PLEASE SUMMARIZE THE OPERATIONS AND MAINTENANCE EXPENSES FOR TECHNICAL SERVICES & SYSTEM RELIABILITY.

A. Exhibit CLG-4 details the O&M expenses incurred by the Engineering organization over the past seven years. For the test year, O&M expenses were $12,964,115.

Q. WHAT TYPES OF O&M SERVICES DOES THE TECHNICAL SERVICES & SYSTEM RELIABILITY ORGANIZATION PERFORM?

A. TNMP's Engineering organization generally determines the planned O&M services related to TNMP's transmission and distribution substation facilities, the communication infrastructure monitoring and operating those facilities, and the operational costs for TNMP's System Operations Center ("SOC"). It also responds to unplanned outages and equipment failures when they occur. Examples of planned system maintenance performed by the Engineering organization would be: routine testing and monitoring of substation equipment (transformers, circuit breakers, system protection equipment, communications/monitoring equipment, etc.) on mostly time-based maintenance intervals, analyzing testing to determine if equipment performance, producing and documenting testing activities (derivation of testing manuals, archiving of test results, etc.) as well as other monitoring activities. Technicians within the organization perform most of this work. However, outside services are used when necessary, including circumstances where either (1) a large maintenance work-load must be performed in a confined time period, or (2) the particular type of work required is not performed by in-house personnel.

Q. PLEASE EXPLAIN THE GROWTH IN THE ENGINEERING ORGANIZATION THAT YOU IDENTIFIED EARLIER.

A. The growth in Engineering O&M costs is due to a number of different factors, including the increasing need to maintain the equipment that has been added to our substations and transmission circuits. There have been some increases in labor costs for compensation adjustments. The total number of employees in the Engineering organization has increased, and the organization has had a difficult time filling vacant job positions. TNMP has also utilized outside consultants and service providers, such as for transmission planning studies and NERC compliance, which has increased our outside services expenses associated with that assistance. Finally, the expenses in general for overall goods and services needed to maintain TNMP's system have also increased.

Q. HAS TNMP MADE ANY PRO-FORMA ADJUSTMENTS TO O&M EXPENSE IN THE TECHNICAL SERVICES AND SYSTEM RELIABILITY ORGANIZATION?

A. TNMP has made a pro-forma adjustment to its operations and O&M expenses to account for the necessary growth in staffing as its electric system and customer base expand. In 2024, TNMP engaged PA Consulting to perform a comprehensive operational assessment focused on reliability and operational procedures. As a result of this analysis, PA Consulting recommended several operational improvements, including the hiring of 25 additional energy, relay, and substation technicians to keep pace with the increasing number of facilities, rising load, and growth in customers. Of these positions, seven were allocated to the Engineering organization to cover roles such as system, relay, meter, and SCADA/telecommunications technicians. The assessment also called for further staffing increases within Engineering to help maintain reliable, safe, and compliant operations, emphasizing redundancy and role continuity. These recommended hires include 13 project managers, engineers or engineering technicians assigned to distribution, transmission, and substation/protection functions; three employees dedicated to land services; three employees focused on transmission and distribution real-time operations; and two employees responsible for NERC compliance. All of these positions are crucial for TNMP to effectively plan, engineer, construct, operate, and maintain both its existing infrastructure and any anticipated expansions. To reflect these staffing needs, TNMP witness Kyle Sanders included a pro-forma adjustment to the Technical Services and System Reliability test year costs to annualize the salaries and associated expenses for these 28 full-time employees, ensuring that operational resources grow in parallel with the system and customer growth

Q. WHY DID TNMP DECIDE TO HIRE THESE ADDITIONAL EMPLOYEES IN THE TECHNICAL SERVICES AND SYSTEM RELIABILITY ORGANIZATION?

A. TNMP's decision to hire additional employees was driven by the company's need to reduce its reliance on third-party contractors and to build internal expertise for long-term reliability and operational resilience. As TNMP experienced rapid growth across its service areas, the utility frequently engaged project management, engineering, land services, construction, and field services contractors to supplement its workforce and address increased workloads. Contractors can be quickly mobilized to meet short-term labor demands; however, a recent operational assessment by PA Consulting highlighted that TNMP was increasingly utilizing contractor labor for functions traditionally performed by internal staff. In response, TNMP carefully reviewed organizational needs and identified critical areas where internal expertise was lacking and staffing was needed to support sustainable operations. The company then authorized additional full-time positions in functions requiring deeper internal technical competency and operational continuity. As of the date of the filing, eight of these new positions have already been filled, and recruitment is ongoing for the remaining roles, reflecting TNMP's commitment to building a robust internal workforce capable of meeting current and future utility demands.

Q. HAVE ANY OTHER PRO FORMA ADJUSTMENTS BEEN MADE THAT IMPACT THE COSTS OF THE TECHNICAL SERVICES AND SYSTEM RELIABILITY ORGANIZATION?

A. Yes. TNMP witnesses Neal Walker testifies to changes in compensation that impact the cost of TNMP's Technical Services and System Reliability organization based on a comprehensive market compensation study performed by PWC.

Q. HOW DOES YOUR ORGANIZATION MONITOR O&M EXPENSES?

A. Each month a budget report is sent to management personnel detailing the current month's O&M expenditures, and management personnel compares that to budget for both the month and year-to-date for review. The management team reviews expenditures for each of their individual areas and then reports any variance (both positive and negative) to me as well as a plan to manage any anomalies. I then report this information to the TNMP Senior Management team for an overall consolidation with the other TNMP organization and a consolidated budget discussion is held. Using that

information, quarterly budget reforecasts are then prepared and utilized for further monitoring purposes and adjustments are made accordingly to operating plans.

Q. DO YOU BELIEVE THAT TNMP'S ENGINEERING ORGANIZATION'S O&M COSTS ARE REASONABLE?

A. Yes. The expenses I have described represent the necessary funding for the Engineering organization to provide the services that it has been tasked to perform and these costs are reasonable. TNMP prepares reasonable budgets for each of the Business Units and has procedures in place to review budget compliance monthly, control our costs, and maximize the use of available O&M dollars within TNMP.

VII. SCHEDULE M

Q. PLEASE PROVIDE BACKGROUND REGARDING THE NEW SCHEDULE M IN THE RFP.

A. Schedule M is one of the newest additions to the Commission's RFP. It was adopted by the Commission in July 2020. Schedule M creates a single schedule for certain transmission projects above a $250,000 cost threshold. Schedule M contains information including the estimated and final costs of projects and identifies where a greater-than-10% variance exists between the estimated and final costs. Where such variances exist, Schedule M requires explanations and contextual information regarding these variances. Given that TNMP's rate case includes TNMP projects from January 1, 2018, through June 30, 2025, many of the projects be included on TNMP's Schedule M were planned, certificated, and/or constructed well before the requirements of Schedule M were adopted in 2020.

Q. IN PARTICULAR, WHAT CATEGORIES OF PROJECTS ARE INCLUDED IN SCHEDULE M?

A. Schedule M covers four categories of projects when the capital cost of the project exceeds $250,000: (1) transmission lines granted a CCN; (2) transmission lines that were exempt from CCN requirements; (3) substations that have facilities with transmission-level voltages; and (4) high-voltage switching stations. The instructions for Schedule M state that transmission plant additions that did not require a CCN, equipment replacements, and station capital maintenance are not included.

Q. HAS TNMP INCLUDED SCHEDULE M IN THIS RATE CASE FILING?

A. Yes. I sponsor Schedule M in TNMP's filing.

Q. HOW MANY PROJECTS ARE INCLUDED IN TNMP'S SCHEDULE M?

A. TNMP's Schedule M includes over 260 projects.

Q. DOES SCHEDULE M INCLUDE EXPLANATIONS FOR ANY COST AND ESTIMATE VARIANCES?

A. Yes. Under Schedule M, Section VI-M-3.1, TNMP provides an explanation for each cost variance more of than 10%. These explanations describe the reasons cost variances were incurred and provide relevant context as to why the work was necessary.

Q. LOOKING AT THE PROJECTS WHERE FINAL COSTS EXCEEDED ESTIMATED COSTS BY MORE THAN 10%, ARE THERE COMMON DRIVERS OR REASONS THAT COSTS WERE GREATER THAN ESTIMATED?

A. While each project is different, and project-specific factors will always be present, there are certain recurring, and often related, variance explanations that impact multiple projects on Schedule M. These common drivers include increases in labor and/or material costs, outage or clearance scheduling issues through ERCOT, unforeseen construction obstacles, and necessary changes in project scope. While this list is not exhaustive, these factors impact multiple projects, so I will address them each in turn.

Q. CAN YOU EXPLAIN HOW INCREASING LABOR AND MATERIAL COST DRIVES VARIANCE?

A. Significant events, including the global pandemic and significant restraints within the global supply chain, have impacted the market for labor and materials since TNMP's last rate case. Coupled with the significant increase in demand for goods related to the electric utility industry, these factors have led to increasing costs. These cost increases have materially impacted TNMP's ability to complete projects at or below the estimated cost.

Q. YOU MENTION HOW THE ERCOT OUTAGE SCHEDULING PROCESS CAN HAVE IMPACTS ON FINAL PROJECT COSTS. CAN YOU EXPLAIN THIS CLEARANCE PROCESS AND ITS IMPACTS?

A. Yes. Except in emergency situations, Transmission Service Providers ("TSPs") must obtain approval from ERCOT to de-energize transmission equipment by requesting a clearance in ERCOT's Outage Scheduler. For projects requiring de-energization of transmission equipment, TNMP makes reasonable efforts to submit planned clearance requests in compliance with ERCOT protocols. While projects proceed under the assumption that ERCOT will approve the outage requests required to complete the

project, ERCOT may and often does deny requested outages with little notice. In those instances where ERCOT denies an outage request, work often must proceed on energized facilities at a higher cost, or the project may be delayed while TNMP submits another request to ERCOT. The latter can have a cascading impact on other projects and other market participants.

Q. CAN CHANGES IN PROJECT SCOPE ALSO BE A DRIVER OF COST VARIANCES?

A. Certainly. Occasionally, unforeseen factors beyond TNMP's control require changes to the scope of a project as it was initially conceptualized. Often, these changes will result in cost variances. These include unexpected land acquisition issues, unmarked underground utilities, environmental constraints, changing outage schedules due to system or third-party conditions, and adverse weather that necessitates specialized construction techniques. Such changes arise only as projects progress and typically require flexibility in design, routing, and construction methods to adapt and ensure successful project completion.

VIII. NEW PRIMARY SERVICE SUBSTATION RATE

Q. WHAT NEW RATE CLASS IS TNMP PROPOSING IN THIS PROCEEDING?

A. TNMP is proposing the implementation of a Primary Service Substation Rate Class separated from the Primary Interval Data Recording ("IDR") rate.

Q. IS THE PRIMARY SERVICE SUBSTATION RATE INCLUDED IN THE CLASS COST OF SERVICE STUDY PROVIDED BY TNMP?

A. Yes.

Q. DESCRIBE THE DIFFERENCE BETWEEN THE PROPOSED TNMP PRIMARY SERVICE SUBSTATION RATE CLASS AND TNMP'S EXISTING PRIMARY IDR RATE CLASS?

A. Currently under TNMP's existing Primary IDR rate class, every customer connected to primary distribution, regardless of whether connected at a substation or at any other point on the distribution system, receives the same Primary IDR service delivery rate. Under the proposed TNMP Primary Service Substation Rate Class, customers can choose to construct their own distribution facility buildout, with a point of delivery within one span of a substation in order to receive a lower delivery rate.

Q. PLEASE DESCRIBE THE PURPOSE OF A PRIMARY SERVICE SUBSTATION RATE CLASS. WHAT BENEFITS SUPPORT THE CREATION OF THE PRIMARY SERVICE

SUBSTATION RATE CLASS SEPARATED FROM THE EXISTING PRIMARY IDR RATE CLASS?

A. The purpose of a Primary Service Substation Rate Class is to provide customers with the ability to strategically utilize TNMP services by capitalizing on the individual customer's logistical business needs from both an economic and engineering perspective. TNMP's service area includes customers in the Permian Basin, often oil and gas or industrial large load customers, who require increased load at primary voltages. These customers often have significant experience constructing their own distribution infrastructure specifically tailored to their facility's energy needs. Additionally, many large load customers prefer to maintain their own distribution facilities. Therefore, the Primary Service Substation Rate Class allows customers who design, construct, install, and maintain their own distribution facilities with a point of delivery within one span of a substation to receive a lower rate than other primary IDR rates because these types of customer constructed and maintained buildouts are inherently less dependent on the maintenance of the entire distribution circuit.

Q. HOW MANY, AND WHAT TYPES OF, CUSTOMERS WOULD BE AFFECTED BY THE SEPARATION OF THE PRIMARY SERVICE SUBSTATION DELIVERY RATE FROM THE EXISTING PRIMARY IDR RATE?

A. Typical customers that would be affected by the separation of the Primary Service Substation Rate Class include data center customers as well as oil and gas production facility customers. TNMP understands that approximately nine existing customers will be affected by the separation from the primary IDR rate class.

IX. EXPANDED WHOLESALE DISTRIBUTION LINE SERVICE RATE

Q. WHAT REVISED RATE CLASSES IS TNMP PROPOSING IN THIS PROCEEDING?

A. TNMP is proposing an expansion of the Wholesale Distribution Line Service Rate to include distributed energy storage resources ("DESR").

Q. IS THE EXPANDED WHOLESALE DISTRIBUTION LINE SERVICE RATE INCLUDED IN THE CLASS COST OF SERVICE STUDY PROVIDED BY TNMP?

A. Yes, the expanded Wholesale Distribution Line Service Rate to include DESRs is included with distribution service providers in the class cost of service study within the Wholesale Distribution Line Service Rate Class.

Q. DO RATES FOR DISTRIBUTED ENERGY STORAGE RESOURCES ON TNMP'S SYSTEM CURRENTLY EXIST? IF NOT, PLEASE DESCRIBE THE PURPOSE OF EXPANDING THE WHOLESALE DISTRIBUTION LINE SERVICE RATE TO INCLUDE DISTRIBUTED ENERGY STORAGE RESOURCES.

A. No, rates including DESRs do not currently exist. At this time DESR customers utilize TNMP's system, but do not pay for costs associated with a DESRs direct TNMP system use, or costs associated with necessary upgrades, cost of operation or cost of maintenance. The purpose of creating the expanded Wholesale Distribution Line Service rate to include DESR services is to allow TNMP to collect costs associated with the operation and maintenance of TNMP's system to support DESR infrastructure and use. TNMP customers should all contribute their share for use of TNMP's system to avoid customers incurring costs on behalf of non-contributors.

Q. HOW MANY, AND WHAT TYPES OF, CUSTOMERS WOULD BE AFFECTED BY THE EXPANDED WHOLESALE DISTRIBUTION LINE SERVICE RATE CLASS?

A. There are currently 24 Distributed Energy Generation Resources ("DEGR") connected to the TNMP system that would be affected. Those DGR customers are 9.95 MWs energy storage systems connected to 24 distribution power transformers across the TNMP power system.

Q. HAS TNMP INCLUDED DATA DETAILING ENERGY AND DEMAND FOR DISTRIBUTED ENERGY STORAGE RESOURCES DURING THE TEST YEAR?

A. Yes. TNMP witnesses Whitehurst and McMenamin have included such data in Schedule H.

Q. HAS TNMP CONSIDERED OTHER RATE DESIGN APPROACHES TO RECOVER COSTS FROM DISTRIBUTED ENERGY STORAGE RESOURCES OTHER THAN THE EXPANSION OF THE WHOLESALE DISTRIBUTION LINE SERVICE RATE?

A. TNMP previously considered upfront cash cost evaluations related to initial installation and maintenance of equipment serving a DESR. Ultimately, the upfront cost design considerations were not economical or feasible for these types of customers. The inclusion of DESR interconnections within the Wholesale Distribution Line Service rate class is the best way to balance economics and use for all customers, TNMP, and DESRs.

Q. DOES TNMP ANALYZE HOW THE CHARGING OR DISCHARGING OF DISTRIBUTED ENERGY STORAGE RESOURCES COMPARE TO THE TOTAL LOAD ON TNMP'S SYSTEM?

A. Yes, TNMP evaluates peak load and analyzes when DESRs are charging or discharging. This analysis provides TNMP insight regarding potential equipment upgrades needed, system reliability, and overall load. Further, the analysis offers information on the level of service a DESR is receiving and compliance with customer requirements.

Q. ARE TNMP'S PROPOSED RATE CLASS CHANGES REASONABLE AND NECESSARY?

A. Yes. As described in my direct testimony, TNMP's proposed rate class changes and additions are reasonable and necessary.

X. OVERALL CONCLUSIONS

Q. WHAT IS YOUR OVERALL CONCLUSION?

A. My overall conclusion is that TNMP's Engineering organization provides the appropriate and necessary engineering, construction and maintenance services to support the requirements of a growing TNMP transmission and distribution system at costs that are reasonable and necessary. The Engineering organization provides direction through an effective capital construction and maintenance program that is based upon a five-year timeframe and utilizes effective processes to determine required capital projects and investment levels. The projects that we have completed include major transmission upgrades to various facilities, as well as distribution projects, to address the growth TNMP has experienced and have been vetted effectively both internally and externally as required. The Engineering organization is also responsible for an O&M budget that is used to service and maintain TNMP's transmission switching station and distribution substation infrastructure, provide real time operations to that infrastructure and maintain compliance with applicable requirements which is effectively developed and monitored to help TNMP meet required service levels. Further, the separation of the Primary Service Substation Rate from the standard primary IDR rate will allow customers additional choice, benefits, and better fit with customer's individual utility goals and needs. Finally, the proposed expansion of implementation of the Wholesale Distribution Line Service Rate Allows for TNMP to receive contribution from DESR customers who utilize TNMP's

system but have not had to contribute financially to its maintenance and operations to date.

Q. ARE TNMP'S CAPITAL INVESTMENTS AS DESCRIBED IN YOUR DIRECT TESTIMONY USED AND USEFUL?

A. Yes. TNMP's invested capital, as described in my direct testimony, is used and useful in rendering service to the public under PURA, the Commission's Substantive Rules, and the Company's tariffs.

Q. ARE THE LEVELS OF CAPITAL INVESTMENT DESCRIBED IN YOUR DIRECT TESTIMONY REASONABLE AND NECESSARY FOR THE CONTINUED SAFE AND RELIABLE OPERATION OF THE TNMP SYSTEM?

A. Yes. The capital investment described in my direct testimony and included in the Company's rate base is reasonable and necessary for constructing new facilities, maintaining, upgrading, modifying, or relocating existing facilities, and serving new and existing customers. In summary, the capital investment described in my testimony is reasonable and necessary for TNMP to provide service to the public consistent with the requirements of PURA, the Commission's Substantive Rules, and the Company's tariffs.

Q. ARE TNMP'S O&M EXPENSES REASONABLE AND NECESSARY?

A. Yes. As described in my direct testimony, TNMP's O&M expenses related to its transmission and distribution assets and related substations and other facilities are reasonable and necessary.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

AFFIDAVIT

STATE OF TEXAS §
§
COUNTY OF GALVESTON §

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

"My name is Christopher Gerety. I am of legal age, a resident of the State of Texas, 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 10th day of November, 2025 to certify which witness my hand and seal of office.

NOTARY PUBLIC in and for the
State of Texas

Printed Name: Lisa Nigro

My Commission expires: 08.28.28

Notary ID# 5702885

SEAL

LISA NIGRO
My Notary ID # 5702885
Expires August 28, 2028

CHRIS GERETY

SKILLS

- 20 years of experience in engineering and operations in the electric utility industry in Texas and New Mexico.
- Managed annual capital and O&M budget, ensuring optimal allocation of resources and cost efficiency.
- Successfully led the last twelve years of TNMP's accelerated capital investment efforts.
- Extensive support of TNMP regulatory and legal departments in planning and permitting for future transmission facilities.
- Experience in development, negotiating and managing multi-million-dollar capital contracts/budgets for all types of electric utility projects.
- Experience in developing an annual five-year capital investment plan based on transmission planning and operations input on future system needs and current conditions.
- Experience in inter-utility and large customer interconnection agreement negotiations, project execution and operational relationships.
- Responsible for TNMP's North American Electric Reliability Corporation (NERC) compliance.
- Created and directs a leadership team who manages a large and dynamic workload and budget in a diverse service territory spanning multiple geographic regions in Texas

EXPERIENCE

JULY 2022 - CURRENT
VICE PRESIDENT, TECHNICAL SERVICES AND SYSTEM RELIABILITY,
TEXAS-NEW MEXICO POWER (TNMP)

- **Leadership and Direction:**
  - Responsible for leading and directing all of Texas-New Mexico Power Company's engineering efforts.
  - Also manages TNMPs real time T&D operations center and substation, relay, scada communications and metering field operations.
- **Strategic Planning:**
  - Participates in developing business and strategic long-range plans with Texas Operations leadership.
  - Develops strategic plans for technical services and system reliability, focusing on worst-performing distribution circuits, substations, and transmission lines.
- **Budget Management:**
  - Strategic planning of TNMPs entire capital expenditure portfolio and Technical Services' capital and O&M budgets.

- **Regulatory Compliance:**
  - Ensures compliance with regulations (PUCT, NERC, ERCOT).
- **Customer Service and Team Leadership:**
  - Prioritizes high-quality customer service, holds managers accountable, and fosters a safe working environment.
  - Leads teams toward long-range goals and resolves stake holder, organizational and technical challenges.

OCT. 2014 – JULY 2022
ENGINEERING DIRECTOR, SYSTEM ENGINEERING & LAND SERVICES, TEXAS-NEW MEXICO POWER (TNMP)

- Leads TNMP system engineering, including transmission line, substation and system protection engineering and operations, and project engineering and management.
- Manages union-represented field and craft employees and technical staff spread across seven TNMP construction centers/offices throughout Texas.
- Manages TNMP's overall capital budgeting efforts as chair of TNMP Capital Allocation Team.
- Lead on all TNMP transmission customer extension agreements, large generator interconnection agreements and neighboring utility interconnection agreements.
- Coordinates capital budget projects across TNMP's system planning, engineering and all field operation groups.

JULY 2012 – OCT. 2014
ENGINEERING MANAGER, STATEWIDE PROJECT MANAGEMENT, TNMP

- Leads and directs TNMP employees as well as engineering, procurement, and construction contractors to ensure productivity and tasks are completed in a timely, safe and professional manner.
- Subject matter expert in transmission line engineering, and transmission and substation construction.
- Managed annual capital budget with projects focused on meeting transmission planning requirements and replacement of end-of-life assets.

DEC. 2008 – JULY 2012
ENGINEERING SUPERVISOR, SOUTH TEXAS PROJECTS, TNMP

- Supervised TNMP's large south Texas substation and switching station projects as well as all transmission line projects statewide.
- Consulted with all statewide engineering groups to implement the best options for consulting engineering and construction contractors to successfully complete large projects outside of south Texas.

DEC. 2005 – DEC. 2008
TRANSMISSION LINE ENGINEER, PUBLIC SERVICE COMPANY OF NEW MEXICO (PNM)

- Engineer and project manager of high voltage transmission line construction projects across the state of New Mexico and PNM's electric system.
- Utilized company line crews to construct small to medium sized projects.
- Participated in permitting of line facilities in multiple municipalities.

EDUCATION & TRAINING

2004
BACHELOR'S IN CIVIL ENGINEERING, UNIVERSITY OF NEW MEXICO

2011
REGISTERED PROFESSIONAL ENGINEER, TEXAS

2018
UTILITY EXECUTIVE COURSE, UNIVERSITY OF IDAHO

TNMP Capital Budget

Year	Original AOP	Actual
2018	$185,792,200	$223,885,665
2019	$215,415,754	$247,951,643
2020	$338,205,680	$337,546,273
2021	$330,100,000	$324,995,556
2022	$424,924,329	$444,509,971
2023	$448,597,493	$482,044,920
2024	$524,484,154	$560,901,805
12 M.E. 6/2025	$559,567,968	$589,180,462

TNMP CAPITAL BUDGET – Transmission Only

Year	Original AOP	Actual
2018	$81,821,177	$90,118,205
2019	$66,971,562	$69,856,373
2020	$121,976,916	$132,996,385
2021	$151,356,295	$135,583,425
2022	$183,570,758	$177,231,427
2023	$166,555,116	$129,789,792
2024	$166,701,010	$168,242,656
12 M.E. 6/30/2025	$213,071,487	$211,754,115

TNMP O&M BUDGET - Technical Services & System Reliability

Year	Original AOP	Actual
2018	$9,464,834	$9,947,240
2019	$8,742,915	$9,117,178
2020	$8,733,564	$9,149,522
2021	$9,321,615	$10,187,067
2022	$9,639,145	$10,584,823
2023	$9,853,755	$11,720,787
2024	$10,551,787	$12,796,400
12 M.E. 6/30/2025	$10,772,632	$12,964,115

TNMP CAPITAL BUDGET – Distribution & Other

Year	Original AOP	Actual
2018	$103,971,024	$133,767,460
2019	$148,444,192	$178,095,270
2020	$216,228,764	$204,549,888
2021	$178,743,705	$189,412,132
2022	$241,353,571	$267,278,544
2023	$282,042,377	$352,255,128
2024	$357,783,144	$392,659,149
12 M.E. 6/30/2025	$346,496,481	$377,426,347

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

WORKPAPERS FOR THE DIRECT TESTIMONY OF CHRISTOPHER GERETY

TNMP Witness Christopher Gerety has no supporting workpapers for his direct testimony.