

P.U.C. 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 AND EXHIBITS
OF
SABRINA G. GREINEL**

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

NOVEMBER 14, 2025

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EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

1 **I. INTRODUCTION AND QUALIFICATIONS**

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

4 A. My name is Sabrina G. Greinel. I am the Vice President, Treasurer and Strategy for PNMR
5 Services Company ("PNMR Services"). PNMR Services provides corporate services
6 through shared services agreements to its parent company, TXNM Energy, Inc. ("TXNM
7 Energy"), and all of TXNM Energy's subsidiaries, including Texas-New Mexico Power
8 Company ("TNMP" or "Company"). My business address is 414 Silver Avenue, SW,
9 Albuquerque, New Mexico 87102.

10 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

11 A. I am testifying on behalf of TNMP.

12 **Q. PLEASE BRIEFLY DESCRIBE YOUR BUSINESS AND EDUCATIONAL**
13 **BACKGROUND.**

14 A. My educational background and experience are summarized in Exhibit SGG-1.

15 **Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS VICE PRESIDENT, TREASURER**
16 **AND STRATEGY FOR PNMR SERVICES.**

17 A. I have responsibility for providing financial support for TXNM Energy and its subsidiaries,
18 including TNMP. My treasury responsibilities include the formulation and implementation
19 of specific financing strategies, direction and management of professional finance staff
20 and external resources, interaction with credit rating agencies, management of financial
21 institution relationships for TXNM Energy and its subsidiaries, oversight of the financial
22 planning and budgeting for TXNM Energy and its subsidiaries, and management of
23 corporate and trust investments.

24 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN ANY REGULATORY PROCEEDING?**

25 A. Yes. Exhibit SGG-1 identifies these proceedings more specifically.

26 **Q. HAVE YOU PREPARED ANY EXHIBITS?**

27 A. Yes. I am sponsoring Exhibit SGG-1, which is attached to my testimony. This exhibit was
28 prepared by me or under my direction and control. The information contained in this
29 exhibit is true and correct to the best of my knowledge and belief.

30 **II. PURPOSE OF TESTIMONY**

31 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

1 A. The purpose of my testimony is to first describe TNMP's recommended capital structure
2 and to provide TNMP's cost of debt at test-year end. Second, I am supporting various
3 ring-fencing commitments. Third, I am supporting the affiliate billings from my organization
4 to TNMP.

5 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

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

7 **Capital Structure and Cost of Debt:** Discusses the proposed capital structure,
8 TNMP's overall cost of capital for the test year ending June 30, 2025, and TNMP's
9 cost of debt for the test year ending June 30, 2025.

10 **Ring-fencing Commitments:** Outlines the various ring-fencing commitments the
11 Company is committing to in this docket.

12 **TXNM Energy Treasury Department Organization and Services:** Outlines the
13 organization of the Treasury Department and the way in which it provides services
14 to TNMP and other operating companies.

15 **Cost Levels and Trends:** Examines the costs of Treasury Department
16 services that are charged to TNMP. Outlines the cost components of the
17 services and provides a view of the cost trends.

18 **Cost Allocation:** Describes the method by which the Treasury Department
19 allocates costs to TNMP and the other TXNM Energy operating companies.

20 **Necessity and Reasonableness of Services:** Analyzes how the services
21 provided by the Treasury Department meet specific needs to benefit TXNM
22 Energy operating companies, customers, and stakeholders.

23 **Cost Management:** Reviews how the Treasury Department employs
24 budgeting and cost control processes to manage and limit costs.

25 **Q. WHAT SCHEDULES OF THIS FILING PACKAGE ARE YOU SPONSORING OR CO-**
26 **SPONSORING?**

27 A. I am sponsoring and co-sponsoring Schedule C, except for II-C-3 and II-C-4, in the rate
28 filing package and co-sponsoring Schedule V-K as it pertains to the affiliate transactions
29 that I will be discussing in my testimony.

1 **III. RECOMMENDED CAPITAL STRUCTURE**

2 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATION REGARDING THE**
 3 **APPROPRIATE CAPITAL STRUCTURE FOR TNMP.**

4 A. The appropriate capital structure for calculating TNMP’s cost of capital is 52.46% debt /
 5 47.54% equity. Along with TNMP witnesses Ms. Ellen Lapson and Mr. Adrien McKenzie,
 6 my testimony supports the reasonableness of and necessity for this capital structure.

7 **Q. WHAT IS TNMP’S UNADJUSTED CAPITAL STRUCTURE AS OF JUNE 30, 2025?**

8 A. TNMP’s unadjusted capital structure as of June 30, 2025 is 48.82% debt / 51.18% equity.
 9 Please see Table 1.

10 **Q. WHAT IS TNMP’S ADJUSTED CAPITAL STRUCTURE AS OF JUNE 30, 2025?**

11 A. TNMP’s proforma (adjusted) capital structure as of June 30, 2025 is 52.46% debt / 47.54%
 12 equity. Please see Table 1 for a comparison of the unadjusted capital structure and the
 13 proforma capital structure as of June 30, 2025.

Table 1: TNMP Capital Structure						
		A	B	C	D=A+C	E
Description	Reference	Unadjusted Balance at 6/30/2025	Unadjusted Capital Structure	Proforma Adjustment (Note 1)	Adjusted Balance at 6/30/2025	Proforma Capital Structure
Common Equity	II-C-2.1	1,658,440,165	51.18%	(226,664,902)	1,431,775,263	47.54%
Preferred Stock	II-C-2.2	-	0.00%		-	0.00%
Preferred Trust Securities	II-C-2.3	-	0.00%		-	0.00%
Long Term Debt	II-C-2.4	1,581,650,216	48.82%	(1,939,027)	1,579,711,189	52.46%
Short Term Debt	II-C-2.5	-	0.00%		-	0.00%
Total		3,240,090,381	100.00%	(228,603,929)	3,011,486,453	100.00%

14 Note 1: Please see Table 2 for list of proforma adjustments

15 **Q. PLEASE DESCRIBE THE PROFORMA ADJUSTMENTS TO TNMP’S CAPITAL**
 16 **STRUCTURE.**

17 A. Please see Table 2 for a list of proforma adjustments to TNMP’s June 30, 2025 capital
 18 structure.

Table 2: Proforma Adjustments to Capital Structure		
	Common Equity	Long Term Debt
June 30, 2025 Balance per books and records	1,658,440,165	1,581,650,216
Pro Forma Adjustments:		
- Remove Goodwill	(226,664,902)	
- Remove temporary financing - Principal		(1,084,300,000)
- temporary financing - Unamortized issuance expense at 6/30/2025		3,700,419
- Add FMB issuance July 21, 2025 - Principal		1,084,300,000
- FMB issuance Costs for July 21, 2025 Bonds		(5,639,446)
Total Proforma Adjustments	(226,664,902)	(1,939,027)
Proforma Test Period Balance	1,431,775,263	1,579,711,189

1
2 To calculate TNMP’s adjusted capital structure, the equity associated with goodwill (\$227
3 million) on TNMP’s books was removed from the capital structure. This adjustment is
4 consistent with the historical methodology used in calculating TNMP’s cost of capital in
5 the Earnings Monitoring Report required by the Public Utility Commission of Texas (the
6 “Commission”) and in prior rate cases.

7 The proforma adjustment to long term debt is necessary to properly reflect known and
8 measurable changes that occurred shortly after the end of the test period. I discuss these
9 changes later in my testimony when I discuss TNMP’s cost of debt.

10 **Q. WHAT IS TNMP’S CURRENT AUTHORIZED CAPITAL STRUCTURE?**

11 A. In TNMP’s last rate case, the Commission authorized a capital structure of 55% debt /
12 45% equity.

13 **Q. WHAT CAPITAL STRUCTURE IS TNMP REQUESTING IN THIS PROCEEDING?**

14 A. TNMP is requesting a 52.46% debt / 47.54% equity capital structure. As I previously
15 discussed, this capital structure is consistent with TNMP’s actual adjusted capital structure
16 at June 30, 2025, the end of the test period.

17 **Q. WHY IS TNMP REQUESTING A CAPITAL STRUCTURE THAT IS DIFFERENT THAN
18 WHAT IS CURRENTLY AUTHORIZED?**

19 A. TNMP’s capital plan has grown substantially since TNMP’s most recently approved rate
20 case, driven in large part by TNMP’s approved System Resiliency Plan and projects to
21 support growth in the Permian Basin. TNMP’s average annual capital spend from 2025 to
22 2027 (estimated) is approximately \$700 million, compared to TNMP’s average annual
23 capital spend from 2018 to 2020 of approximately \$270 million. This issue is noted by

1 Moody’s Investor Services (“Moody’s”) in its June 2025 credit opinion on TNMP, where
 2 the agency specifically mentions TNMP’s “elevated capital investment program, requiring
 3 additional debt issuance” as a credit challenge. A larger equity layer in TNMP’s capital
 4 structure would help address the challenge noted by Moody’s by reducing the amount of
 5 debt required to fund its future capital expenditures. This lower amount of debt would
 6 strengthen TNMP’s credit metrics, as calculated by credit rating agencies and relied upon
 7 by both debt and equity investors. For example, one key metric monitored by the rating
 8 agencies is the measure of cash flow from operations to total debt. This metric, commonly
 9 referred to as FFO to Debt, is improved when the amount of debt in the denominator is
 10 reduced. As described in more detail by witness Ellen Lapson, TNMP’s credit metrics,
 11 including FFO to Debt, are weak for its current ratings. Strengthening its credit metrics
 12 during this period of elevated capital expenditures is critical to maintaining TNMP’s current
 13 credit ratings.

14 **Q. WHAT ARE TNMP’S CREDIT RATINGS FROM THE CREDIT RATING AGENCIES?**

15 A. TNMP is rated by two rating agencies: Moody’s and Standard and Poor’s Financial
 16 Services LLC (“S&P”). TNMP’s ratings from these agencies are shown in Table 3.

Table 3: Current Long-Term Credit Ratings			
Rating Agency	TNMP Senior Secured Debt Rating	TNMP Issuer Rating	Outlook
S&P	A	BBB+	Stable
Moody’s	A2	Baa 1	Stable

17
 18 **Q. WHY IS THE ONGOING FINANCIAL STRENGTH OF TNMP IMPORTANT TO TNMP’S CUSTOMERS?**

19
 20 The utility business is a capital-intensive business and TNMP must frequently raise capital
 21 to fund ongoing transmission and distribution investments to support customer growth and
 22 ensure reliability and resiliency of the electric grid. For example, from 2020 through June
 23 2025, TNMP issued total debt of just over \$1 billion, or an average of \$170 million per
 24 year, by selling bonds to investors in the debt capital markets. Having strong credit metrics
 25 and credit ratings allows the utility access to necessary funding from the capital markets
 26 and to issue new debt and refinance existing debt at a lower borrowing cost, resulting in
 27 lower costs for customers. TNMP’s sound financial health means that its customers can

1 rely on TNMP to deliver long-term, high-quality, reliable service; expand service to new
2 customers as needed; comply with governmental mandates; and respond promptly to
3 operational emergencies. These actions are only possible if TNMP can raise capital to
4 fund ongoing investments in its electric system. During periods of financial market distress,
5 sound financial health is even more critical because it supports TNMP's ability to navigate
6 difficult market conditions and continue to access the capital markets for the funding
7 necessary to serve its customers.

8 **Q. WHAT STEPS HAS THE COMPANY TAKEN TO ACHIEVE THE 52.46% DEBT / 47.54%**
9 **EQUITY CAPITAL STRUCTURE REQUESTED IN THIS APPLICATION?**

10 A. In addition to effectively managing the business and its debt structure, TNMP has received
11 equity contributions from its parent, TXNM Energy, to regularly strengthen its capital
12 structure. Since TNMP's most recent rate case, TXNM Energy has made \$615.9 million
13 in equity contributions to TNMP.

14 **Q. WHAT WILL HAPPEN TO TNMP'S ACTUAL CAPITAL STRUCTURE IF THE**
15 **COMMISSION DOES NOT APPROVE TNMP'S RECOMMENDATION?**

16 A. As described in more detail by witness Ellen Lapson, it is impractical for TNMP to maintain
17 for very long a capital structure that is not aligned with the capital structure approved by
18 the Commission. If the Commission approves a capital structure with a lower equity ratio
19 than recommended by TNMP in this filing, TNMP would in the near-term reduce its actual
20 equity ratio to align with the approved amount. This would result in weaker credit metrics,
21 including FFO to Debt, and put further pressure on TNMP's credit ratings. A reduction in
22 TNMP's credit ratings will reduce the ability for the Company to access the capital markets,
23 particularly during periods of financial market distress, and increase the cost of future
24 financing and refinancing, thus directly increasing the cost of providing service to TNMP's
25 customers.

26 **IV. COST OF CAPITAL**

27 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS REGARDING TNMP'S**
28 **PROPOSED COST OF CAPITAL.**

29 A. Table 4 provides TNMP's proposed cost of capital of 7.88%. The table incorporates the
30 recommended cost of debt, the recommended capital structure (as supported by Ellen
31 Lapson and Adrien McKenzie), and Adrien McKenzie's recommended return on equity in
32 order to arrive at TNMP's pro-forma weighted average cost of capital ("WACC") for the
33 test period ending June 30, 2025.

Table 4: TNMP Capital Structure			
	Proforma Capital Structure	Cost of Capital	Weighted Average Cost of Capital
Common Equity	47.54%	10.40%	4.94%
Long Term Debt	52.46%	5.60%	2.94%
Total	100.00%		7.88%
Source: Schedule II-C-2.1			

1
2
3 Refer to the prior section in my testimony and to testimony from Ellen Lapson and Adrien
4 McKenzie for support for the proposed capital structure. Refer to Adrien McKenzie's
5 testimony for his recommendation of and support for the equity cost of capital, also known
6 as return on equity. Support for the cost of debt is provided in the next section of my
7 testimony.

8 **V. COST OF DEBT**

9 **Q. WHAT IS TNMP'S TEST-YEAR COST OF DEBT?**

10 A. As shown in Table 4, TNMP's cost of long-term debt for the test period is 5.60%.

11 **Q. HOW DID YOU CALCULATE TNMP'S COST OF DEBT?**

12 A. TNMP's cost of debt was calculated in accordance with the Commission's practices and
13 using a methodology consistent with prior TNMP filings. The issue and maturity date, par
14 value outstanding, and bond interest rate are used to determine the yield-to-maturity rate
15 for each debt series. The cost of each series is weighted by the amount outstanding as
16 of June 30, 2025 to yield an overall cost of debt. The expense of unamortized loss on
17 reacquired debt is also subtracted from the debt balance. The calculation for the weighted
18 average cost of debt at the end of the test period is shown in Schedule II-C.2.4.2 in the
19 Rate Filing Package ("RFP").

20 **Q. HAS TNMP MADE ANY PRO-FORMA ADJUSTMENTS TO THE CALCULATION OF
21 THE COST OF DEBT?**

22 A. Yes. TNMP adjusted the cost of debt calculation to reflect the issuance of \$1.084 billion
23 of first mortgage bonds ("FMBs") to replace temporary financing that was in place as of
24 June 30, 2025, as described further below. The calculation for the pro-forma weighted
25 average cost of total debt is shown in Schedule II-C.2.4.1 in the RFP.

1 **Q. PLEASE EXPLAIN THE PRO FORMA ADJUSTMENT TO TNMP'S CALCULATION OF**
2 **THE COST OF DEBT.**

3 A: At the end of the test period, TNMP had a temporary bridge facility in place under which
4 approximately \$1.084 billion was drawn. The facility was repaid shortly after the end of the
5 test period using proceeds from the issuance of new FMBs of an equal amount. The
6 proforma cost of debt reflects the net change in the cost of debt from removing the
7 temporary bridge facility from the cost of debt calculation and including TNMP's new and
8 more permanent FMBs. A similar adjustment is made to TNMP's long-term debt balances
9 as shown in Table 2.

10 **Q. DESCRIBE THE TEMPORARY BRIDGE FACILITY AND THE ISSUANCE OF NEW**
11 **FIRST MORTGAGE BONDS.**

12 A. The execution of the merger agreement between TXNM Energy and Blackstone
13 Infrastructure meets the definition of a change in control in certain of TNMP's bond
14 documents and triggered an obligation requiring TNMP to offer to prepay \$1.505 billion of
15 its outstanding bonds at par value (the "Offer to Prepay"). As a result, approximately
16 \$1.084 billion of TNMP's existing FMBs were tendered back to TNMP ("Tendered Bonds").
17 On June 23, 2025, TNMP drew on the temporary bridge facility to pay the principal amount
18 of the Tendered Bonds. On July 21, 2025, TNMP issued approximately \$1.084 billion of
19 new FMBs ("Replacement FMBs"). The proceeds from this issuance were used to repay
20 TNMP's borrowings under the temporary bridge facility. As a result of the proforma
21 adjustment to the cost of debt calculation previously discussed, the interest expense and
22 issuance costs related to the temporary bridge facility will not be recovered from
23 customers.

24 **Q. ARE THE INTEREST RATES ON THE REPLACEMENT FMBS HIGHER THAN THE**
25 **INTEREST RATES ON THE TENDERED BONDS?**

26 A: Yes. The original issuance date of the Tendered Bonds ranged between 2016 and 2025,
27 with coupon rates between 2.44% and 5.79% for various maturities. Due to Federal Open
28 Market Committee changes to monetary policy since January 2022, interest rates have
29 increased. The Fed Funds rates increased from 0-0.25% in January 2022 to 3.75-4.00%
30 as of October 2025. As seen on Schedule II-C-2.4.1, the coupon rates for the
31 Replacement FMBs range between 4.83% and 6.02%.

32 **Q. IS THE HIGHER COST OF DEBT INCLUDED IN TNMP'S WACC IN TABLE 4?**

1 A: Yes. The interest on the Replacement FMBs is included in TNMP's test period weighted
2 cost of debt that is utilized to calculate the WACC. TNMP recognizes this higher cost of
3 debt will increase the test period revenue requirement and is a direct result of the
4 execution of the merger agreement with Blackstone Infrastructure. Therefore, TNMP is
5 proposing the use of a refinancing adjustment to offset the higher cost of debt driven by
6 the issuance of the Replacement FMBs.

7 **Q. PLEASE DESCRIBE THE CALCULATION OF THE REFINANCING ADJUSTMENT.**

8 A. TNMP first calculated its weighted average cost of long-term debt outstanding of \$1.58
9 billion before issuance of the Replacement FMBs, which was 4.695%, and applied that
10 rate to its net long-term debt outstanding, resulting in an annual interest cost of \$74.19
11 million. After issuance of the Replacement FMBs on July 21, 2025, TNMP's weighted
12 average cost of debt increased to 5.598%, resulting in an annual interest cost of \$88.43
13 million. The refinancing therefore increased TNMP's annual interest costs by \$14.24
14 million. To determine the total refinancing adjustment, TNMP multiplied the annual
15 interest cost increase by the remaining weighted average life of the Tendered Bonds of
16 10.4 years, starting at the expected implementation of TNMP's new rates in May 2026.
17 This calculation results in a total adjustment of approximately \$148.2 million to be provided
18 to customers through rates. This amount is consistent with the direct testimony of
19 Emmanuel Lopez in Docket No. 58536, and any changes in the calculation of the
20 refinancing adjustment in that docket will impact the calculation I have described here.
21 Please see the direct testimony of TNMP witness Kyle Sanders for further discussion on
22 how this adjustment is reflected in the pro forma revenue requirement requested in this
23 case.

24 **Q. PLEASE DESCRIBE THE PROCESS TNMP UNDERTOOK TO ISSUE THE**
25 **REPLACEMENT FMBS.**

26 A: The process to issue the \$1.084 billion Replacement FMBs started with identifying the
27 need to notify existing bondholders of the change in control due to the execution of the
28 merger agreement. Under the bond purchase agreements, TNMP was required to notify
29 existing bondholders within 30 business days from the execution of the merger agreement
30 of TNMP's Offer to Prepay. Bondholders then had 20 calendar days to notify TNMP of
31 their intent to tender their bonds. Of the approximately \$1.5 billion of eligible bonds that
32 could be tendered, bondholders holding approximately \$1.084 billion gave notice of
33 tender.

1 Once the amount of bonds to be tendered was known, TNMP executed its financing plan
2 to redeem the principal of the tendered bonds and replace them with the Replacement
3 FMBs, as previously described.

4 TNMP engaged multiple banks to facilitate the issuance of the Replacement FMBs. TNMP
5 conducted a marketing process for the new bonds that consisted of an investor
6 presentation call followed by a question-and-answer session. This was further followed by
7 a period of extensive investor due diligence, during which prospective debt investors
8 reviewed TNMP's financial, regulatory, and operations information. TNMP evaluated
9 optimal tenors and coupons prior to entering the competitive bid process for issuing the
10 Replacement FMBs. TNMP evaluated the various investor bids and selected those that
11 were most in line with the preferred mix of maturities and interest rates.

12 **Q. HOW DID TNMP ENSURE THE COUPON RATES ON THE NEWLY ISSUED BONDS**
13 **WERE REASONABLE?**

14 A. As discussed above, TNMP issued the Replacement FMBs after extensive due diligence
15 by investors and through a competitive bid process. This process allowed the market to
16 set the rate, rather than a select few bondholders, and is consistent with how debt is
17 typically issued in the capital markets. The competitive bid process ensures the Company
18 receives the most favorable rates possible based on market conditions at the time of the
19 issuance.

20 **Q. DOES TNMP EXPECT TO NOTIFY BONDHOLDERS OF A SECOND OFFER TO**
21 **PREPAY AFTER CLOSE OF THE MERGER AGREEMENT WITH BLACKSTONE**
22 **INFRASTRUCTURE?**

23 A. No. With consent from the remaining bondholders who did not tender their bonds to TNMP
24 in June 2025, TNMP amended the bond documents governing \$417.7 million of the
25 remaining \$420.7 million of non-tendered bonds on November 6, 2025. The amendment
26 updated the change in control ("CIC") definition such that the closing of the merger
27 agreement does not trigger a CIC and TNMP is not required to make a second Offer to
28 Prepay. TNMP expects to repay the remaining \$3 million of bonds for which the CIC
29 definition was not amended prior to the closing of the merger agreement.

30 **Q. PLEASE DESCRIBE CHANGES IN TNMP'S LONG-TERM DEBT SINCE TNMP'S LAST**
31 **GENERAL RATE CASE FILING.**

32 A. A summary of TNMP's long-term debt can be found in Schedule II-C-2.4.

1 On March 29, 2019, TNMP issued three tranches of FMB's totaling \$225.0 million: \$75.0
2 million, 3.79%, 15-year maturity; \$75.0 million, 3.92%, 20-year maturity; and \$75.0 million,
3 4.06%, 25-year maturity. Proceeds from the FMBs were used to replace maturing long-
4 term debt, reduce short-term debt, and for other operational purposes. On June 23, 2025,
5 \$178.5 million of the originally issued bonds were tendered, leaving \$46.5 million
6 remaining at the end of the test period. The \$46.5 million remaining consists of \$26.9
7 million, 3.92%, 20-year maturity; and \$19.6 million, 4.06%, 25-year maturity.

8 On July 1, 2019, TNMP issued a single tranche of FMBs totaling \$80.0 million, 3.60%, 10-
9 year maturity. Proceeds from the FMBs were used to reduce short-term debt and for other
10 operational purposes. On June 23, 2025, \$79.0 million of the originally issued bonds were
11 tendered, leaving \$1.0 million remaining at the end of the test period.

12 On April 24, 2020, TNMP issued two tranches of FMBs totaling \$110.0 million: \$85.0
13 million, 2.73%, 10-year maturity; and \$25.0 million, 3.36%, 15-year maturity. Proceeds
14 from the FMBs were used to reduce short-term debt and for other operational purposes.
15 On June 23, 2025, \$106.1 million of the originally issued bonds were tendered, leaving
16 \$3.9 million remaining at the end of the test period. The \$3.9 million remaining consists of
17 \$2.0 million, 2.73%, 10-year maturity; and \$1.9 million, 3.36%, 15-year maturity.

18 On July 15, 2020, TNMP issued two tranches of FMBs totaling \$75.0 million: \$25.0 million,
19 2.93%, 15-year maturity; and \$50.0 million, 3.36%, 30-year maturity. Proceeds from the
20 FMBs were used to reduce short-term debt and for other operational purposes. On June
21 23, 2025, \$67.7 million of the originally issued bonds were tendered, leaving \$7.3 million
22 remaining at the end of the test period. The \$7.3 million remaining consists of \$6.0 million,
23 2.93%, 15-year maturity; and \$1.3 million, 3.36%, 30-year maturity.

24 On May 12, 2022, TNMP issued a single tranche of FMBs totaling \$65.0 million, 4.13%,
25 30-year maturity. Proceeds from the FMBs were used to reduce short-term debt and for
26 other operational purposes. On June 23, 2025, \$20.0 million of the originally issued bonds
27 were tendered, leaving \$45.0 million remaining at the end of the test period.

28 On July 28, 2022, TNMP issued a single tranche of FMBs totaling \$95.0 million, 3.81%,
29 10-year maturity. Proceeds from the FMBs were used to reduce short-term debt and for
30 other operational purposes. On June 23, 2025, \$93.0 million of the originally issued bonds
31 were tendered, leaving \$2.0 million remaining at the end of the test period.

1 On April 28, 2023, TNMP issued a single tranche of FMBs totaling \$130.0 million, 5.01%,
2 10-year maturity. Proceeds from the FMBs were used to reduce short-term debt and for
3 other operational purposes. On June 23, 2025, \$86.0 million of the originally issued bonds
4 were tendered, leaving \$44.0 million remaining at the end of the test period.

5 On July 28, 2023, TNMP issued a single tranche of FMBs totaling \$55.0 million, 5.47%,
6 30-year maturity. Proceeds from the FMBs were used to reduce short-term debt and for
7 other operational purposes. On June 23, 2025, \$44.0 million of the originally issued bonds
8 were tendered, leaving \$11.0 million remaining at the end of the test period.

9 On March 28, 2024, TNMP issued two tranches of FMBs totaling \$117.0 million: \$32.0
10 million, 5.26%, 5-year maturity; and \$85.0 million, 5.55%, 12-year maturity. Proceeds from
11 the FMBs were used to repay maturing long-term debt, reduce short-term debt and for
12 other operational purposes. On June 23, 2025, \$45.0 million of the originally issued bonds
13 were tendered, leaving \$72.0 million remaining at the end of the test period. The \$72.0
14 million remaining consists of \$32.0 million, 5.26%, 5-year maturity; and \$40.0 million,
15 5.55%, 12-year maturity.

16 On July 1, 2024, TNMP issued two tranches of FMBs totaling \$168.0 million: \$40.0 million,
17 5.65%, 15-year maturity; and \$128.0 million, 5.79%, 30-year maturity. Proceeds from the
18 FMBs were used to repay maturing long-term debt, reduce short-term debt and for other
19 operational purposes. On June 23, 2025, \$80.0 million of the originally issued bonds were
20 tendered, leaving \$88.0 million remaining at the end of the test period. The \$88.0 million
21 remaining consists of \$40.0 million, 5.65%, 15-year maturity; and \$48.0 million, 5.79%,
22 30-year maturity.

23 On February 14, 2025, TNMP issued a single tranche of FMBs totaling \$140.0 million,
24 5.19%, 6-year maturity. Proceeds from the FMBs were used to reduce short-term debt
25 and for other operational purposes. On June 23, 2025, \$40.0 million of the originally issued
26 bonds were tendered, leaving \$100.0 million remaining at the end of the test period.

27 On July 21, 2025, TNMP issued six tranches of replacement FMBs totaling \$1,084.3
28 million: \$245.0 million, 4.83%, 5-year maturity; \$245.0 million, 5.12%, 7-year maturity;
29 \$240.0 million, 5.44%, 10-year maturity; \$100.0 million, 5.54%, 12-year maturity; \$154.3
30 million, 5.93%, 20-year maturity; and \$100.0 million, 6.02%, 30-year maturity. Proceeds
31 from the FMBs were used to repay the TNMP backstop facility, as previously described.

1 **VI. RING-FENCING COMMITMENTS**

2 **Q. PLEASE BRIEFLY DESCRIBE RING-FENCING AS IT RELATES TO UTILITY**
3 **REGULATION.**

4 A: Ring-fencing refers to general requirements or policies that insulate a regulated utility from
5 its unregulated parent company.

6 **Q. DOES TNMP CURRENTLY HAVE RING FENCING MEASURES IN PLACE?**

7 A: Yes. However, TNMP has not formally committed to such ring-fencing measures to the
8 Commission.

9 **Q. WHAT RING-FENCING COMMITMENTS IS TNMP PROPOSING IN THIS CASE?**

10 A: In this case, TNMP is committing to the following ring-fencing provisions, which align with
11 its existing practices:

12 1. Separate Books and Records – TNMP will maintain accurate, appropriate, and
13 detailed books, financial records and accounts, including bank accounts and custodial
14 securities safekeeping accounts, separate from other entities under the TXNM Energy
15 umbrella.

16 2. Code of Conduct – TNMP will file with the Commission for authority to amend and
17 update its code of conduct to incorporate any commitments in this case.

18 3. Pledging Assets – TNMP will not pledge its assets or revenue for the benefit of any
19 other entity.

20 4. Affiliate Asset Transfer – TNMP will not transfer any assets or facilities to any other
21 affiliate.

22 5. No Commingling of Assets – TNMP will not commingle assets with any other affiliate
23 other than those that are shared under the Commission's affiliate rule.

24 6. No Sharing of a Credit Facility – TNMP will not share a credit facility with any
25 unregulated affiliates.

26 7. Inter-Company Lending – TNMP will not lend money to any other affiliate or
27 unregulated parent company.

28 8. Secured Debt Assets – TNMP debt will not be secured by non-TNMP assets. TNMP's
29 assets will not be used to secure affiliate debt.

- 1 9. Affiliate Debt – TNMP will not hold out its credit as being available to pay the debt of
2 any affiliate.
- 3 10. Bankruptcy Cost Commitment – TNMP will not seek to recover from customers any
4 costs incurred as a result of the bankruptcy of any of its affiliates.
- 5 11. Cross-Default Provision – TNMP’s credit agreement and indentures will not contain
6 cross-default provisions by which a default by its affiliates would cause a default by
7 TNMP.
- 8 12. Financial Covenants or Rating Agency Triggers – Without Commission approval,
9 TNMP will not enter into any credit agreement containing a financial covenant related
10 to any entity other than TNMP.
- 11 13. Dividend Restriction – TNMP will limit its annual payment of dividends to an amount
12 not to exceed TNMP’s net income, as determined in accordance with generally
13 accepted accounting principles.
- 14 14. Amendments and Modifications of Regulatory Commitments – These regulatory
15 commitments will remain in force unless specifically amended and approved by the
16 Commission through a future filing made with the Commission.

17 **VII. ORGANIZATION OF THE TREASURY DEPARTMENT**

18 **Q. PLEASE BRIEFLY DESCRIBE / SUMMARIZE THE AFFILIATE EXPENSES YOU WILL**
19 **COVER IN THIS TESTIMONY.**

20 A: I will cover the Treasury Department expenses. These expenses include straight time
21 labor, employee expenses, and other costs related to bank fee processing, financial
22 management, cash management, remittance processing, pension plan management,
23 medical plan management, 401(k) program management, enterprise risk management,
24 and insurance liability management.

25 **Q. PLEASE PROVIDE AN OVERVIEW OF HOW THE TREASURY DEPARTMENT IS**
26 **ORGANIZED.**

27 A. The Treasury Department function is organized into three groups: Treasury, Financial
28 Planning & Budget, and Corporate Risk. There is a fourth group in the Treasury
29 Department called Strategy, which was established in May 2025. This group did not incur
30 any costs in the test period ending June 30, 2025, and is therefore not included in this
31 discussion of affiliate costs.

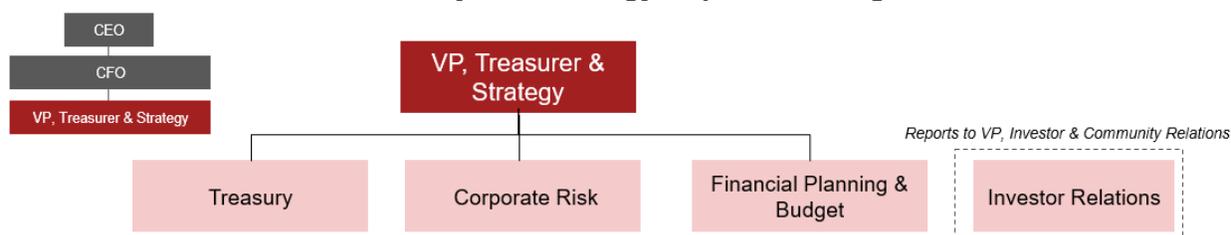
1 **Q. ARE YOU DISCUSSING ANY AFFILIATE DEPARTMENT COSTS FOR**
 2 **DEPARTMENTS THAT ARE NOT PART OF THE TREASURY DEPARTMENT?**

3 A. Yes. I will discuss the appropriateness of costs for the Investor Relations department,
 4 which reports to TXNM’s Vice President, Investor and Community Relations. Refer to
 5 Table 5.

6 **Q. GIVEN THAT THE INVESTOR RELATIONS DEPARTMENT DOES NOT REPORT TO**
 7 **YOU, PLEASE DESCRIBE HOW YOU HAVE FAMILIARITY WITH THE SERVICES**
 8 **PROVIDED BY THAT DEPARTMENT.**

9 A. In my role as Treasurer, I work closely with the Investor Relations department to respond
 10 to investor inquiries and present TXNM and its subsidiaries to prospective investors.

11 **Table 5: Treasury and Strategy Department Organization Chart**



12

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

14 A. Treasury and Investor Relations personnel are located primarily in Albuquerque, New
 15 Mexico, with one employee located in Clifton, Texas and one employee located in
 16 Lewisville, Texas. Table 6 shows the Treasury Department’s and Investor Relations’ full-
 17 time employees by group and location, as of October 31, 2025.

Table 6: FIE Location			
	New Mexico	Texas	Total
Treasury	6	-	6
Financial Planning & Budget	12	1	13
Corporate Risk	3	1	4
Investor Relations	1	-	1
Total	22	2	24

18

19 **Q. PLEASE DESCRIBE ANY INITIATIVES THAT HAVE BEEN INTRODUCED IN RECENT**
 20 **YEARS TO PROVIDE FOR ORGANIZATIONAL FLEXIBILITY AND SERVICE**
 21 **OPTIMIZATION.**

1 A. The Treasury Department continues to evaluate and make changes that optimize services
2 to TNMP. Since TNMP's last rate case, the Risk Management group has moved one full-
3 time employee to Texas in order to more efficiently serve TNMP's insurance needs, while
4 still serving TXNM and its other subsidiaries. In addition, the Budget group, which at the
5 time of the last rate case reported to the Controller department under the CFO, was moved
6 into the Treasury Department and under one leader with oversight for both Financial
7 Planning and Budget. This move served to better align near-term budgeting with long-
8 range financial planning. Finally, TXNM Energy's enterprise risk management program
9 and TXNM Energy's insurance program were consolidated under one leader to capitalize
10 on overlap in the two areas and increase efficiency.

11 **VIII. SERVICES PROVIDED BY THE TREASURY DEPARTMENT**

12 **Q. DESCRIBE THE SERVICES THE TREASURY DEPARTMENT AND INVESTOR**
13 **RELATIONS ARE RESPONSIBLE FOR PROVIDING TO THE OPERATING**
14 **COMPANIES.**

15 A. I will elaborate on each of the categories later in my testimony, but the primary
16 responsibilities of the Treasury Department and Investor Relations include the following:

17 **Treasury** - involves managing the strategic and day-to-day financial activities of
18 the Company, including treasury services and managing the investments of the
19 Company's corporate trusts and investments.

20 **Financial Planning and Budget** – includes long term financial planning as well
21 as short term annual operating budget management.

22 **Corporate Risk** - entails managing the Company's insurance program and
23 execution of the Company's enterprise risk management program.

24 **Investor Relations**– not part of the Treasury Department; includes responding to
25 inquiries from buy- and sell-side analysts and institutional investors, directing
26 investor questions and inquiries, and managing relationship with stock exchanges,
27 specialists, analysts and institutional investors.

28 **Q. ARE THE SERVICE OFFERINGS CONSISTENT WITH THOSE OF OTHER TREASURY**
29 **DEPARTMENTS IN THE INDUSTRY?**

30 A. Yes, the service offerings of the Treasury Department and Investor Relations are
31 consistent with those of other similar departments in the industry. This opinion is based
32 on my frequent engagement with TNMP's peer utilities and resulting knowledge of the
33 services their treasury and investor relations departments provide.

34 **Q. HOW DO THE OPERATING COMPANIES OBTAIN THESE SERVICES?**

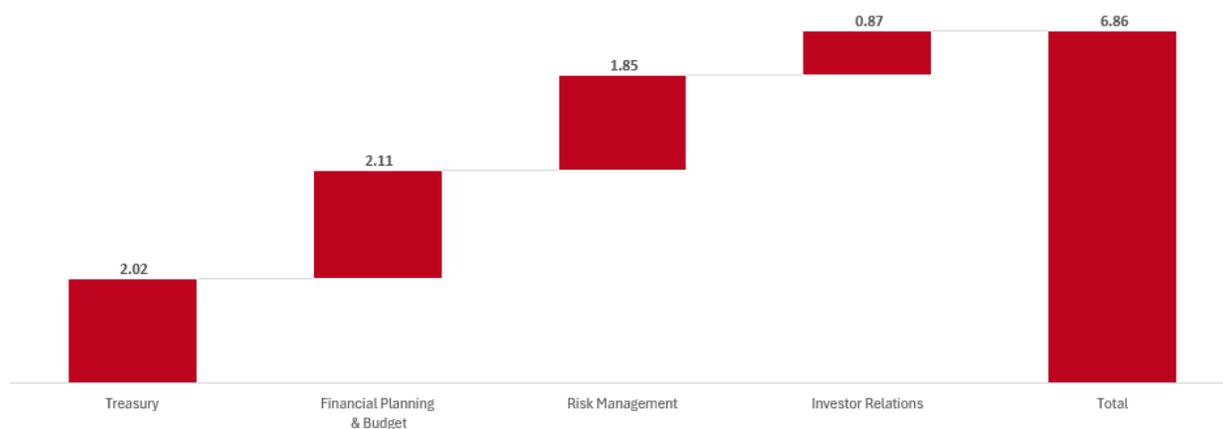
1 A. The Treasury Department’s services are generally performed on behalf of the entire TXNM
 2 Energy organization, and as necessary for each operating company, pursuant to a general
 3 services agreement.

4 **IX. COST LEVELS AND COST TRENDS**

5 **Q. WHAT IS THE TOTAL COST OF TREASURY DEPARTMENT AND INVESTOR
 6 RELATIONS SERVICES DURING THE TEST YEAR?**

7 A. Total Treasury Department and Investor Relations costs were \$6.9 million for the test year
 8 ending June 30, 2025. Table 7 shows the contribution of each service to this total.

9 **Table 7: Total Test Period Treasury Department and Investor Relations Costs, by**
 10 **Service (\$ in millions)**



11

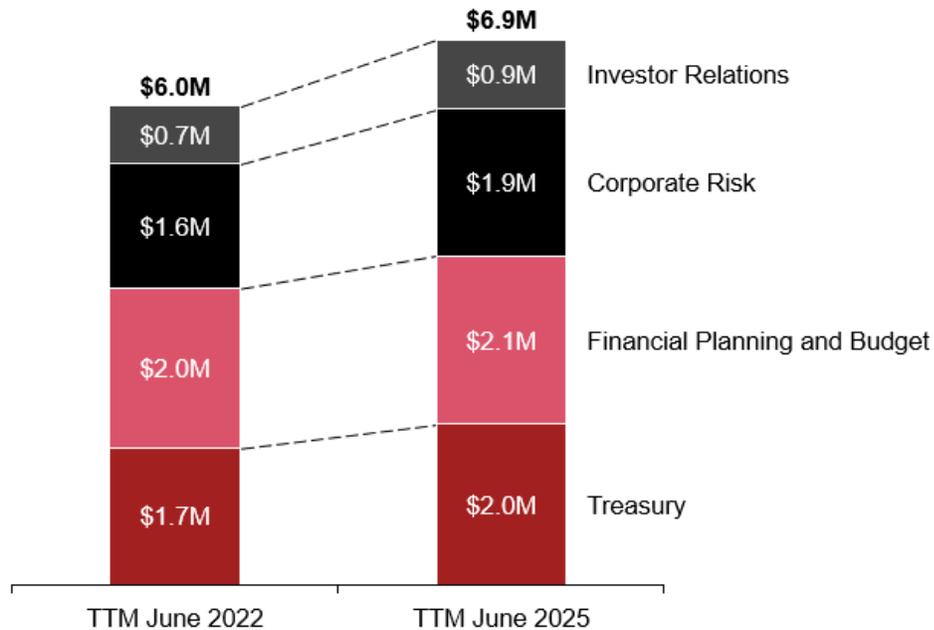
12 **Q. WHAT HAS BEEN THE TREND IN ACTUAL EXPENDITURES ASSOCIATED WITH
 13 TREASURY AND INVESTOR RELATIONS DEPARTMENT SERVICES IN RECENT
 14 YEARS?**

15 A. From trailing twelve months (“TTM”) June 2022 to the test year, the Treasury Department’s
 16 affiliate costs have modestly increased by \$0.9 million, from \$6.0 million in 2022 to \$6.9
 17 million in the test period. Inflationary impacts and higher insurance costs drive the \$0.9
 18 million increase. The figures in Table 8 and 9 show the change in Treasury costs by
 19 service and by cost type.

20

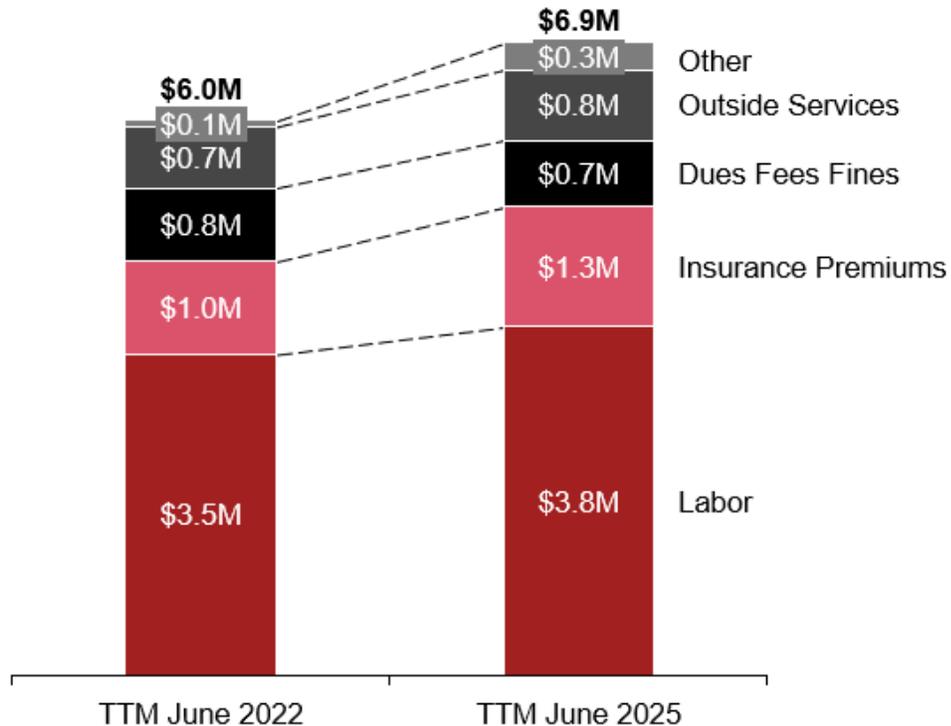
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Table 8: Treasury Department and Investor Relations Cost Changes, by Service



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Table 9: Treasury Department and Investor Relations Cost Changes, by Cost Type



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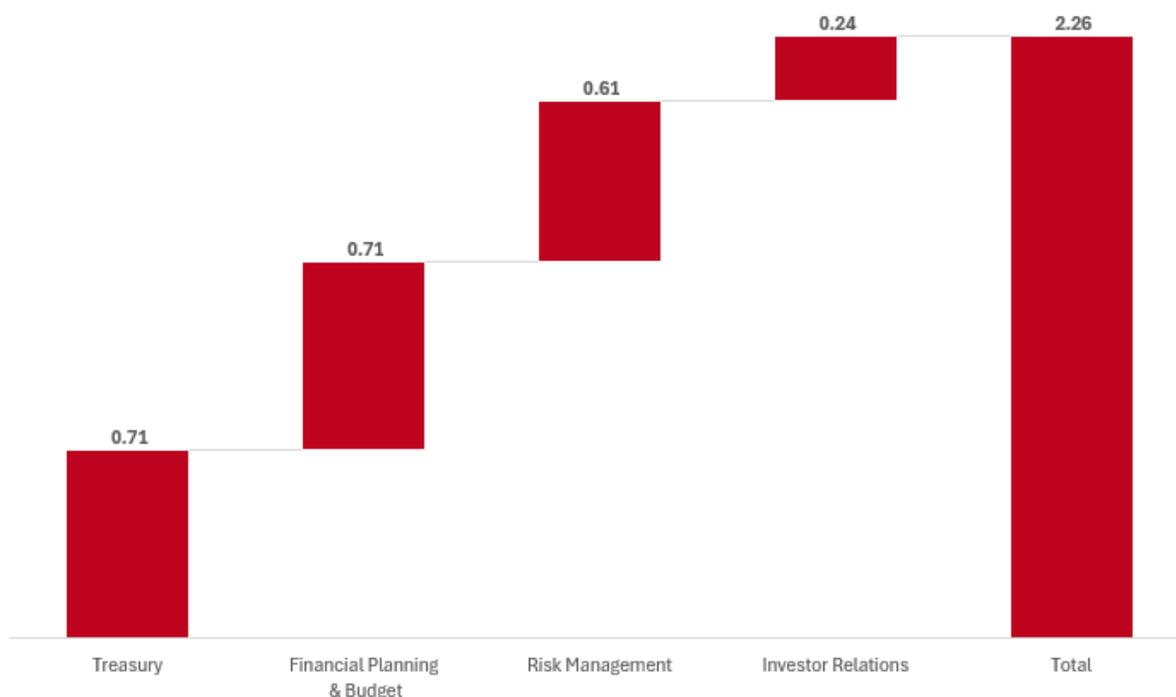
For the Treasury Department and Investor Relations, the expenses in the category “dues fees and fines” are primarily subscription expenses and include no fines. The overall increase in Treasury costs was driven primarily by an increase in cyber liability insurance

1 premiums that occurred in 2022 and was the result of a nationwide increase in cost for
 2 this type of coverage. Please see the direct testimony of TNMP witness Rebecca Tafoya
 3 for further discussion on the increase in insurance premiums.

4 **Q. WHAT ARE THE TOTAL TREASURY DEPARTMENT AND INVESTOR RELATIONS**
 5 **COSTS CHARGED TO TNMP?**

6 A. Total Treasury Department and Investor Relations costs charged to TNMP during the test
 7 year were \$2.26 million.

8 **Table 10: Total Test Period Treasury Department and Investor Relations Costs**
 9 **Billed to TNMP, by Service (\$ in millions)**



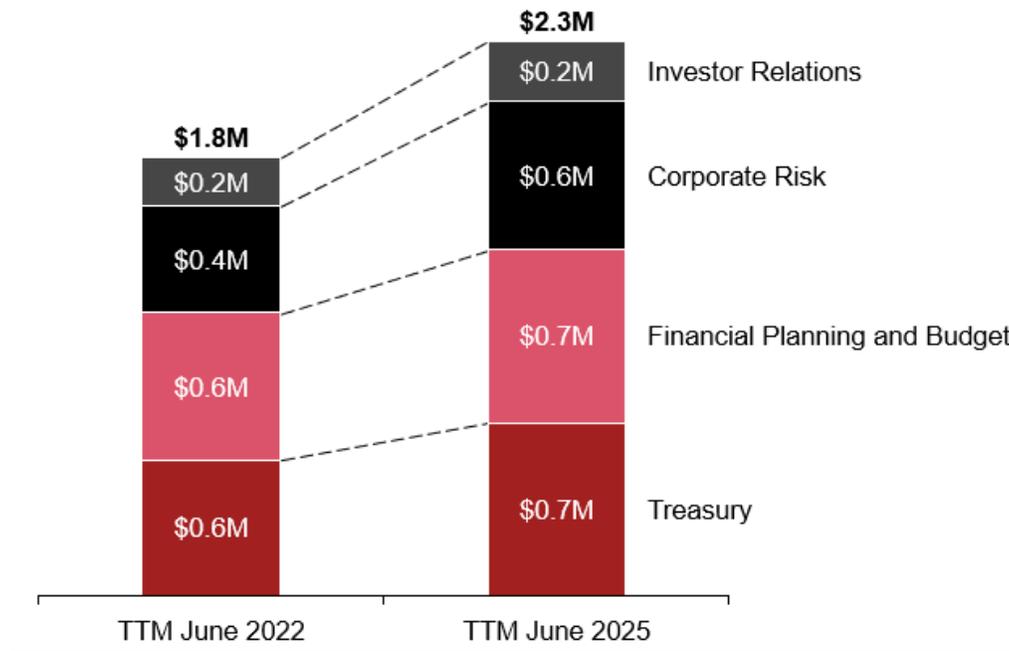
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12 **Q. WHAT HAS BEEN THE TREND IN COSTS BILLED TO TNMP BY THE TREASURY**
 13 **DEPARTMENT AND INVESTOR RELATIONS IN RECENT YEARS?**

14 A. Since 2022, the costs billed to TNMP have increased modestly, from \$1.8 million to \$2.3
 15 million. The \$0.5 million increase in costs billed to TNMP from TTM June 2022 to the test
 16 year was primarily driven by an increase in cyber liability insurance premiums (previously
 17 described), an increase in TNMP's share of PNMR Services allocation factors, and
 18 inflationary impacts to labor expense.

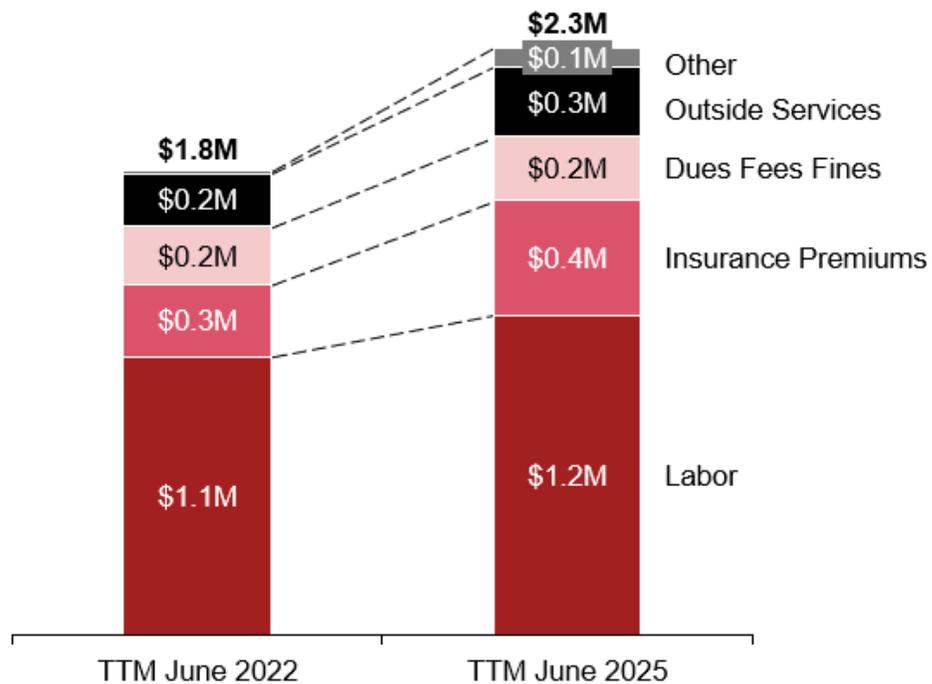
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Table 11: TNMP Billings from Treasury Department and Investor Relations Cost Changes, by Service



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Table 12: TNMP Billings from Treasury Department and Investor Relations Cost Changes, by Cost Type



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Q. ARE THE CHANGES IN THE COSTS PREVIOUSLY DESCRIBED REASONABLE? WHY?

1 A. Yes. Insurance is a common mechanism used to safeguard utility assets and to protect
2 the Company and its customers from the costs of potential loss or liability. The increase
3 in cyber liability premiums in 2022 was not due to any fault or failure of TNMP. Rather, it
4 was a function of an increasing exposure for businesses across industries to heightened
5 cyber risk that resulted in premium increases for many companies in the U.S. and abroad.
6
7 The proportion of shared services costs billed to TNMP have increased due to the larger
8 growth TNMP has seen compared to other TXNM subsidiaries. As TNMP's capital needs
9 grow, the Treasury Department will inherently focus more of its resources on this utility.
10 Finally, since 2022, the country has experienced higher than average inflation, which
11 impacted the utility industry, including TNMP and PNMR Services. The inflationary
12 impacts in the Treasury Department are mostly seen in labor expense and outside
13 services expense. Overall, these changes in expenses are reasonable.

13 **X. NECESSITY AND REASONABLENESS OF SERVICES**

14 **Q. ARE THE SERVICES PROVIDED TO THE OPERATING COMPANIES NECESSARY
15 TO SUPPORT THE BUSINESS OF THE OPERATING COMPANIES?**

16 A. Yes, the services provided by the Treasury Department and Investor Relations to the
17 operating companies are necessary to support various activities performed by the
18 operating companies.

19 **Treasury** obtains capital, which allows TXNM Energy and its operating companies to
20 finance their long-term capital expenditure needs, and also ensures that the operating
21 companies are in compliance with the terms of financial agreements. It also oversees the
22 operating companies' corporate trusts and investments, including post-retirement plans.
23 The department also manages the cash position of TXNM Energy and the operating
24 companies, which is vital for coordinating payments and receipts and tracking funds.
25 These services promote productivity and allow TXNM Energy to attract and retain the skill
26 sets required to run the business plan.

27 **Financial Planning and Budget** evaluates long term financial strategies for TXNM and
28 its operating subsidiaries. This planning includes evaluating capital needs to fund PNM
29 and TNMP long term capital investments. Financial Planning and Budget also develops
30 and manages short term annual operating budgets for TXNM and its operating
31 subsidiaries.

1 A. **Corporate Risk** manages the insurance program and advises senior management on the
2 effectiveness of risk transfer and mitigation. The department also executes TXNM
3 Energy's enterprise risk management program. The goal of Corporate Risk is to
4 understand and manage the exposures associated with running a utility business, thereby
5 protecting the value of the operating companies.

6 **Investor Relations** manages the relationships between the buy and sell-side analysts
7 who provide coverage on TXNM Energy stock, as well as the institutional and retail
8 investors. Management of these relationships enables TXNM Energy to maintain access
9 to equity capital markets to support the operations of the corporate and operating
10 companies.

11 **Q. WHAT TYPE OF CORPORATE OVERSIGHT IS IN PLACE TO ENSURE THAT THE**
12 **SERVICES PROVIDED ARE THOSE THAT ARE MOST BENEFICIAL TO SUPPORT**
13 **THE OPERATING COMPANIES' PROVISION OF UTILITY SERVICE?**

14 A. To ensure that the services provided by PNMR Services are the most beneficial to
15 supporting the operating companies' provision of utility service, the Treasury and Investor
16 Relations groups collaborate with the operating companies under the direction of senior
17 management, to plan and provide for the operating companies' capital and insurance
18 needs. In addition, the corporate scorecard provides a list of activities, long term plans,
19 specific goals, targets and plans that need to be implemented.

20 **Q. DO THESE SERVICES DUPLICATE SERVICES PROVIDED BY PERSONNEL WITHIN**
21 **THE OPERATING COMPANIES OUTSIDE OF THE DEPARTMENTS DESCRIBED?**

22 A. These services do not duplicate services provided by personnel within the operating
23 companies outside of the Treasury and Investor Relations functions because no one is
24 performing the functions of the Treasury and Investor Relations department other than
25 personnel within those departments.

26 **Q. IS IT NECESSARY AND REASONABLE FOR THESE ACTIVITIES TO BE PROVIDED**
27 **BY AN AFFILIATE (AS OPPOSED TO THE OPERATING COMPANIES PROVIDING**
28 **THESE SERVICE THEMSELVES)?**

29 A. Yes. The Treasury and Investor Relations functions require employees with specific skill
30 sets and generally provide services that transcend the operating companies. Having a
31 centralized Treasury and Investor Relations function allows PNMR Services to hire fewer
32 employees with this particular skill set than would be required if these services were
33 provided at the operating company level. It also efficiently allocates the workload as an

1 individual operating company only needs dedicated services periodically. Finally,
2 centralizing the Treasury and Investor Relations functions allows TXNM Energy to
3 leverage economies of scale.

4 **Q. IN SUMMARY, ARE THE SERVICES THAT THE FUNCTION PROVIDES NECESSARY**
5 **TO PROVIDE RELIABLE ELECTRIC SERVICE TO TNMP'S CUSTOMERS?**

6 A. Yes, given a utility's capital needs, liquidity requirements, and its inherent operational
7 risks, the services that the Treasury and Investor Relations functions offer are necessary
8 to provide reliable electric service.

9 **Q. WHAT SYSTEMS ARE IN PLACE TO ENSURE THAT TNMP IS NOT CHARGED A**
10 **HIGHER PRICE FOR SERVICES DELIVERED BY THE TREASURY DEPARTMENT**
11 **AND INVESTOR RELATIONS DEPARTMENT THAN OTHER SUBSIDIARIES OF**
12 **TXNM ENERGY?**

13 A. The accounting system at TXNM Energy is configured whereby PNMR Services' actual
14 costs are allocated. No mark-up or additional calculations are applied to costs. The costs
15 are simply assigned to affiliates using the allocation methodology associated with the
16 location code applied to the costs.

17 ***Treasury***

18 **Q. PLEASE DESCRIBE THE TREASURY ACTIVITIES PERFORMED BY THE TREASURY**
19 **GROUP.**

20 A. The Treasury activities performed by the Treasury group include managing the
21 organization's capital structure using long-term debt and equity, providing short-term
22 liquidity, executing financial and corporate strategies, including liability management,
23 coordinating the production of Treasury-related information and documentation for
24 regulatory reporting and proceedings, ensuring compliance with requirements in financial
25 agreements, and managing bank relationships. Financial management activities also
26 include daily cash coordination and reporting and execution of transactions for the
27 payment or receipt of cash, cash forecasting, and coordination with accounts payable and
28 accounts receivable to reconcile accounting entries. The trust and corporate investment
29 activities performed by the Treasury function include managing employee pension plans,
30 the retiree medical plans, and tracking the performance of the 401(k) as well as other
31 corporate trusts.

32 **Q. ARE THE TREASURY ACTIVITIES DESCRIBED HEREIN NECESSARY?**

1 A. The Treasury activities described herein are necessary to provide capital to the business
2 at cost-effective interest rate levels while achieving the goals outlined in management's
3 strategic plan. Without the services the Treasury Department provides, TNMP would be
4 required to employ its own staff to complete each of the activities described in the previous
5 answer. The cash management services described above are necessary to maintain an
6 organized and reliable system for payments and receipts at TNMP. Without the cash
7 management services that Treasury provides, TNMP would be required to employ its own
8 staff to complete the activities listed above. The trust and corporate investment activities
9 listed above are necessary to manage TNMP's investments. Without the services
10 provided by the trust and corporate investment area in Treasury, TNMP would have to
11 employ its own staff or hire outside consultants to complete the activities listed above.

Financial Planning and Budget

12
13 **Q. PLEASE DESCRIBE THE FINANCIAL PLANNING AND BUDGET ACTIVITIES
14 PERFORMED BY THE TREASURY GROUP.**

15 A. The Treasury activities performed by the Financial Planning and Budget group include
16 creating long term financial modeling for TXNM and its operating companies. The long-
17 term planning is crucial to ensure that the Company is well positioned to continue to meet
18 customer needs in the long term. The group also develops and maintains annual operating
19 budgets to ensure near-term financial goals are met and in line with the long-term
20 planning.

21 **Q. ARE THE FINANCIAL PLANNING AND BUDGET ACTIVITIES DESCRIBED HEREIN
22 NECESSARY?**

23 A. Yes. The Financial Planning and Budget activities described herein are necessary to
24 ensure the financial health of TXNM and its operating utilities so that they can continue to
25 provide services to customers today and in the long term as customer needs grow.

Corporate Risk

26
27 **Q. PLEASE DESCRIBE THE ACTIVITIES PERFORMED BY THE CORPORATE RISK
28 SERVICE GROUP.**

29 A. The corporate risk group manages TXNM Energy's insurance program, including that of
30 its operating companies, and executes TXNM Energy's enterprise risk management
31 program. While the Corporate Risk group is responsible for the procurement and
32 oversight of the insurance policies of all of the business entities of TXNM Energy, the only

1 expenses incurred by PNMR Shared Services and allocated to TNMP are the actual
2 policies related to PNMR Services operations and the brokerage and management fees
3 required to oversee the total insurance portfolio of TXNM Energy and its business entities.

4 **Q. ARE THE CORPORATE RISK SERVICES NECESSARY?**

5 A. Insurance coverage is a standard industry practice. A utility cannot conduct transactions,
6 enter into contracts, hire employees or conduct its business without showing
7 counterparties, financial institutions and government agencies that it is adequately
8 insured. Furthermore, in order to manage loss events, utilities typically use a structured
9 insurance program that transfers financial exposures from the utility (and the ratepayer)
10 to insurance companies to minimize risk.

11 **Q. PLEASE DESCRIBE THE PNMR SERVICES INSURANCE PREMIUM CHARGES.**

12 A. The insurance premium charges to PNMR Shared Services include property, workers'
13 compensation, auto liability, crime, excess liability, fiduciary liability, professional liability,
14 cyber, environmental, active assailant, and directors' and officers'. In addition to these
15 premiums, brokerage and management fees related to the management of the total
16 insurance portfolio are also included in this category.

17 **Q. WHAT WAS THE TOTAL AMOUNT OF PNMR SERVICES INSURANCE PREMIUM
18 COSTS THAT WERE ALLOCATED TO TNMP DURING THE TEST YEAR?**

19 A. The total amount of PNMR Shared Services insurance premium costs allocated to TNMP
20 during the test year was \$0.4 million compared to \$0.3 million in 2022, as shown in Table
21 12 above.

22 **Q. IS THE PNMR SERVICES INSURANCE PREMIUM EXPENSE NECESSARY?**

23 A. Yes, the PNMR Services insurance premium expense is necessary. Insurance provides
24 important protection at the Services level. As an example, one of the main contributors to
25 premiums at the PNMR Services level is workers compensation insurance, which not only
26 works to protect employees, but is mandated by state law. Another example is property
27 coverage, which provides protection for damage to physical assets such as office buildings
28 where PNMR Services employees are located.

29 **Q. ARE THE COSTS ASSOCIATED WITH THIS PREMIUM EXPENSE REASONABLE?**

30 A. The costs associated with the insurance premium expense are reasonable and consistent
31 with this industry's practices. To manage costs, Corporate Risk utilizes a broker services
32 team to regularly monitor insurance markets and the industry for trends in pricing,

1 coverage, and for investment conditions. Corporate Risk also engages in a competitive
2 marketing process with its brokers who survey the market for the most advantageous
3 programs to transfer risk for the Company to the insurers. The evaluation of the resulting
4 options considers the investment, rating of the insurance company, provided by A.M. Best,
5 the “specificity” of the insurance program (how closely the terms and conditions of the
6 insurance match TXNM Energy’s needs), limits available and the price.

7 **Q. DOES TNMP PAY A HIGHER PRICE FOR INSURANCE PREMIUM COSTS THAN**
8 **OTHER TXNM ENERGY COMPANIES?**

9 A. No, TNMP does not pay a higher relative price for insurance premiums than other TXNM
10 Energy companies. The Corporate Risk Department acquires policies on behalf of all
11 business entities within the company, with TXNM Energy managing the program for all
12 subsidiaries. Each entity, including TNMP, is directly billed utilizing industry-accepted
13 premium allocation methods. This ensures that each entity, including TNMP, pays an
14 appropriate share of premium. One advantage of the TXNM Energy program is that large-
15 scale purchases of coverage are generally more advantageous than acquiring multiple
16 smaller policies for the individual subsidiaries.

17 **Q. HOW ARE THE COSTS OF PNMR SERVICES’ INSURANCE PREMIUM BILLED TO**
18 **TNMP?**

19 A. The costs are allocated on a general allocation basis. See the discussion in the cost
20 allocation section.

21 **Q. WHY ARE THESE BILLING METHODS THE APPROPRIATE METHODS TO USE TO**
22 **BILL TNMP?**

23 A. These are the appropriate billing methods to use to allocate costs to TNMP because they
24 are based on the driver of the cost itself when available. PNMR Services follows a strict
25 and objective allocation system based on the cost causality principle as described by
26 TNMP Witness Emmanuel Lopez. This method allocates costs based on the factor that
27 is driving that cost.

28 **Q. IS TNMP’S INSURANCE COST REASONABLE?**

29 A. Yes. I believe that TNMP’s insurance costs are reasonable because of the approach
30 TXNM Energy uses to establish a cost-effective program (as described earlier). The large-
31 scale purchases of coverage under the TXNM Energy entity allows for more negotiating
32 leverage on breadth of coverage with the insurers as well as on price, instead of acquiring
33 multiple smaller policies for the individual subsidiaries.

Investor Relations

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Q. PLEASE DESCRIBE INVESTOR RELATIONS ACTIVITIES.

A. The Investor Relations activities encompass management of buy-side and sell-side analyst and institutional investor relationships, coordination of analyst/investor meetings, managing dividend payments and dividend declarations to TXNM Energy shareholders and other shareholder inquiries.

Q. ARE THE INVESTOR RELATIONS SERVICES DESCRIBED HEREIN NECESSARY?

A. The investor relations services described herein are necessary to maintain and access capital funding to support the operations of the corporate and operating companies. Without the investor relations services, TNMP would be required to employ its own staff to complete the activities listed above.

XI. COST ALLOCATION**Q. WHAT ARE THE PREDOMINANT BILLING METHODS USED TO ALLOCATE CHARGES TO TNMP FOR THE AFFILIATE SERVICES YOU ARE DISCUSSING?**

A. The primary billing methods used by the Treasury department to allocate costs to TNMP are the 911 – number of general ledger transactions methodology, the 941 – PNMR utility methodology, the 953 – Direct assignment TNMP methodology, and the 993 – employee headcount methodology. These billing methods are appropriate because they relate to the causality of the costs. Direct charging is employed whenever practical, and for the Treasury Department, TNMP received 13.8% of its costs through direct assignment during the test period. For costs of activities that benefit more than one operating unit, costs are allocated based on transactions that reflect the activity's primary cost driver. In the case of Treasury, the number of general ledger transactions, as well as employee headcount, are appropriate allocation factors. In cases where a single cost driver is unclear, a general allocation method is used. Using these methods, PNMR Services can properly account for its costs and their benefiting locations.

Table 13: Billing Methods Used During Test Year

Allocation Method	Location	Allocation Driver	PNMR Allocations	TNMP Allocations
General	941	MMF - Employee Headcount, Gross Margin, Net Plant.	75.3%	80.0%
	951	MMF - Employee Headcount, Gross Margin, Net Plant.	8.3%	-
Direct	946	PNM Bulk Power Marketing	3.2%	-
	953	TNMP – Texas	4.5%	13.8%
	999	TXNM Energy	2.9%	-
Transactional	911	Number of General Ledger Transactions	5.0%	5.5%
	993	Employee Headcount	0.8%	0.7%

Q. PLEASE EXPLAIN THE RATIONALE OF THE BILLING METHODS USED.

A. The billing methods used are appropriate because PNMR Services adheres carefully with the cost causality principle. The Treasury Department attempts to direct bill whenever possible; and when it is not possible, the Treasury Department uses allocation factors such as number of general ledger transactions and employee headcount. The number of general ledger transactions is a proxy for the complexity of the operating company and is used as an allocation factor for certain outside service charges related to financing activities. Employee headcount is a measure of company size and is the cost driver for workers compensation insurance premiums. Finally, if costs cannot be bucketed into a transactional allocation code, costs are generally allocated.

Q. TO WHICH ENTITIES AND ON WHAT BASIS DOES PNMR SERVICES COMPANY BILL ITS COSTS FOR THESE SERVICES?

A. PNMR Services' costs are billed to all subsidiaries of TXNM Energy, including TNMP and PNM. As described above, costs are direct billed whenever possible and when that is not possible, the costs are allocated based on the allocation factor driving the costs or on a general allocator. Each entity receives its direct and allocated share of PNMR Services costs per PNMR Services' cost allocation manual.

Q. WHAT TRENDS HAVE YOU NOTICED REGARDING DIRECT CHARGES?

A. From TTM June 2022 to the test year, the Treasury Department continued to focus on cost causality. The Treasury Department increased its direct billings to all affiliates from 6.1% to 10.7%, primarily driven by increases in insurance premiums, which can be directly allocated to business units. For TNMP, it increased direct billings from 13.1% to 13.8%.

1 **Table 14: Treasury Costs by Allocation Method from TTM June 2022 to Test Period**

	2022	2022 - TNMP Allocated	Test Year	Test Year - TNMP Allocated
Direct	6.1%	13.1%	10.7%	13.8%
General	82.7%	72.3%	83.5%	80.0%
Transactional	11.2%	14.6%	5.7%	6.2%
	100.0%	100.0%	100.0%	100.0%

2
3 **Q. WHAT IS YOUR OVERALL CONCLUSION WITH RESPECT TO THE**
4 **APPROPRIATENESS OF THE COST ALLOCATION / BILLING METHODS USED?**

5 A. Given that PNMR Services has a cost causality initiative and is always striving to direct
6 bill affiliates whenever possible, I believe the cost allocation and billing methods are
7 appropriate to provide reliable and cost-effective electrical service to our customers.

8 **XII. COST MANAGEMENT**

9 **Q. WHAT PROCESSES DO YOU EMPLOY TO ENSURE THAT AFFILIATE EXPENSES**
10 **INCURRED BY OR ON BEHALF OF THE OPERATING COMPANY ARE**
11 **REASONABLE?**

12 A. The Treasury Department follows the standard TXNM Energy annual budget setting and
13 review process, discussed below. The compensation of department personnel is subject
14 to the compensation practices and control discussed by Rebecca Teague.

15 **Q. DISCUSS HOW THE DEPARTMENTS UTILIZE BUDGETING, PLANNING, COST**
16 **REVIEW, AND REPORTING TO CONTROL CHARGES TO THE OPERATING**
17 **COMPANIES.**

18 A. The Treasury Department and Investor Relations develop an annual budget that is
19 reviewed by TXNM Energy senior management as part of the overall, TXNM Energy
20 annual operating plan ("AOP"). The AOP is then approved by the TXNM Energy Board of
21 Directors. Following approval by the board, the Treasury Department and Investor
22 Relations update their budgets quarterly to ensure careful cost planning and discipline
23 within the function. The functions are then held accountable to this budget through
24 monthly variance reports, in which the departments' budgeted costs are compared to their
25 actual costs. If the functions are significantly under or over budget, they must pinpoint the
26 reason for the disparity and justify it to senior management, who then may adjust the
27 functions' budgets going forward.

1 **Q. WHAT TYPES OF CONTROLS ARE IN PLACE WITHIN THE FUNCTIONAL**
2 **ORGANIZATIONS COVERED IN YOUR TESTIMONY TO ENSURE THAT BUDGETS**
3 **ARE EFFECTIVELY CONTROLLED?**

4 A. There are two major cost control measures in place within the functional organizations to
5 ensure that budgets are effectively controlled. First, monthly budget reviews encourage
6 functions to effectively control their costs. Second, Treasury Department and Investor
7 Relations employees are compensated based on company performance and/or goals
8 which encourage them to provide services that yield the greatest benefit at the lowest cost.

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

10 A. TXNM Energy's short-term incentive program links department budget targets with
11 incentive pay. Cost savings and control are an essential part of performance scorecards
12 for all PNMR Service organizations, including the Treasury Department and Investor
13 Relations. As further discussed in witness Emmanuel Lopez's testimony, TXNM Energy
14 short-term incentives programs are directly linked to department budget targets. If
15 scorecard targets are not met, then incentives are not paid according to plan. Therefore,
16 Treasury and Investor Relations must carefully monitor their budgets in order for staff to
17 be eligible for bonuses.

18 Potential changes to future department funding is another implication of deviations from
19 the budget. If the Treasury Department or Investor Relations were to be significantly over
20 or under budget, it would be highlighted on the monthly variance report and the functions
21 would have to pinpoint the reason why the disparity took place and justify the variance to
22 senior management. If the function was significantly under budget, senior management
23 would determine whether this was a permanent change and reduce the department's
24 budget going forward, or a short-term disruption and leave the budget unchanged. If the
25 function was significantly over budget, senior management would determine whether it is
26 a valid deviation and leave the budget unchanged or increase it, or whether it is an
27 unjustified deviation and impose cost cutting measures.

28 **Q. WHAT BENCHMARKING HAS BEEN CONDUCTED BY THE FUNCTIONAL AREAS**
29 **TO EVALUATE COST AND / OR PERFORMANCE LEVELS?**

30 A. When possible, we compare the cost of the services we are providing to the cost of similar
31 services that other companies in the industry charge. For example, the Corporate Risk
32 Department employs brokers to periodically review the rates similar organizations are
33 paying for the same insurance.

1 **Q. WHAT IS YOUR OVERALL CONCLUSION ON THE REASONABLENESS AND**
2 **NECESSITY OF COSTS FOR THESE SERVICES?**

3 A. In conclusion, given that Treasury Department and Investor Relations' costs are
4 competitive with its competition's costs and since there are significant cost controls in
5 place, I believe the charges allocated to TNMP for the services offered by the Treasury
6 Department and Investor Relations are necessary and reasonable to provide reliable
7 electrical service to TNMP's customers.

8 **XIII. CONCLUSION**

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

10 A. In conclusion to my testimony, I would like to reiterate the need for TNMP to receive
11 approval of the requested rate relief. Approval of the rates, including the proposed ROE,
12 WACC, and capital structure presented herein and by other TNMP witnesses, is important
13 to provide TNMP the opportunity to earn its true cost of capital and to maintain TNMP's
14 financial health for the benefit of TNMP's customers. In addition, the Treasury Department
15 and Investor Relations costs allocated to TNMP are appropriate and should be included
16 in its cost of service.

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

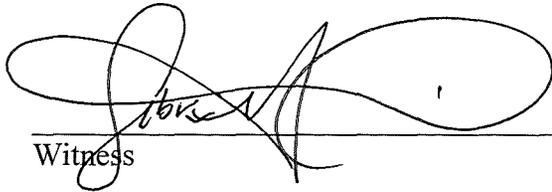
18 A. Yes.

AFFIDAVIT

STATE OF NEW MEXICO §
§
COUNTY OF BERNALILLO §

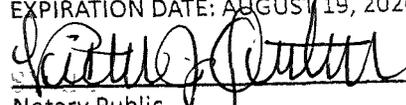
BEFORE ME, the undersigned authority, on this day personally appeared Sabrina G. Greinel, who, upon proving her identity to me and by me being duly sworn, deposes and states the following:

“My name is Sabrina G. Greinel. 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.”

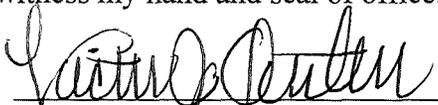


Witness

SWORN TO AND SUBSCRIBED before me, Notary Public, on this 7th day of November 2025, to certify which witness my hand and seal of office.

STATE OF NEW MEXICO
NOTARY PUBLIC
VICTORIA J QUINTANA
COMMISSION NUMBER: 1096321
EXPIRATION DATE: AUGUST 19, 2026


Notary Public



NOTARY PUBLIC in and for the
State of New Mexico

Printed Name: Victoria J. Quintana

My Commission expires: 8/19/2026

Notary ID# 1096321

SABRINA G. GREINEL
EDUCATIONAL AND PROFESSIONAL SUMMARY

Name: Sabrina G. Greinel

Address: TXNM Energy
MS 0915
414 Silver SW
Albuquerque, NM 87102

Position: Vice President, Treasurer and Strategy for PNMR Services Company

Education: Bachelor of Business Administration, University of New Mexico, 2005
Master of Business Administration, University of New Mexico, 2009

Employment: Employed by PNM Resources since 2007

Positions held within the Company include:

Vice President and Treasurer
Executive Director of Treasury
Assistant Treasurer
Senior Manager, Corporate Budget and Enterprise Risk Management
Senior Program Manager, Enterprise Strategy and Risk Management
Project Manager, Enterprise Strategy and Risk Management
Senior Auditor

Prior Testimony:

- Case No. 20-00071-UT: In the Matter of the Application of Public Service Company of New Mexico for Authorization to Issue up to \$200 Million of Senior Unsecured Notes.
- Case No. 21-00101-UT: In the Matter of the Application of Public Service Company of New Mexico for Authorization to Issue up to \$350 Million of Senior Unsecured Notes.
- Case No. 22-00270-UT: In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 595
- Case No. 24-00089-UT: In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 625

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

WORKPAPERS FOR
THE DIRECT TESTIMONY OF
SABRINA GREINEL

TNMP Witness Sabrina Greinel has no supporting workpapers for her direct testimony.