

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
CLAUDETTE B. HORN**

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

NOVEMBER 14, 2025

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1 **I. INTRODUCTION AND QUALIFICATIONS**

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

4 A. My name is Claudette B. Horn, and I am employed by PNMR Services Company. (“PNMR
5 Services”). My business address is 2401 Aztec Road NE, Albuquerque, New Mexico
6 87107.

7 **Q. PLEASE DESCRIBE YOUR POSITION WITHIN PNMR SERVICES COMPANY.**

8 A. I am the Director of Environmental and Land Use Permitting (“Environmental Services
9 Department”), for PNMR Services, a wholly owned subsidiary of TXNM Energy, Inc.
10 (“TXNM Energy”). In my position, I am responsible for managing TNMP’s environmental
11 policies.

12 **Q. WOULD YOU BRIEFLY SUMMARIZE YOUR ACADEMIC AND PROFESSIONAL**
13 **BACKGROUND?**

14 A. I have a Bachelor of University Studies with emphasis in Environmental Studies from the
15 University of New Mexico. I am a Certified Professional Environmental Auditor. I have 31
16 years’ experience starting with environmental due diligence and auditing and multi-media
17 compliance moving into management in 2006.

18 **Q. DESCRIBE YOUR PROFESSIONAL ASSOCIATIONS.**

19 A. I am on the Board of Directors for the Utility Solid Waste Activities Group, an association
20 primarily dedicated to advancing and improving the management of wastes and the
21 beneficial use of materials associated with the generation, transmission, or distribution of
22 electricity and natural gas. I am a member of the Edison Electric Institute’s Executive
23 Environment Advisory Counsel.

24 **Q. PLEASE DESCRIBE THE SCHEDULES THAT YOU SPONSOR OR CO-SPONSOR.**

25 A. I co-sponsor Schedule V-K as it pertains to the affiliate transactions that I will be discussing
26 in my testimony.

27 **II. PURPOSE OF TESTIMONY**

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

29 A. My testimony has several purposes. First, I describe the Environmental Services
30 Department and how it is organized to provide services to the TXNM Energy operating
31 companies, including Texas-New Mexico Power Company (“TNMP” or “Company”)
32 Second, I discuss the specific types of services provided to TNMP, a TXNM Energy

1 subsidiary, by the Environmental Services Department and how such services are
2 necessary for TNMP to provide reliable electric utility service. Third, I detail the costs
3 billed to TNMP for Environmental Services, and fourth demonstrate that the costs are
4 reasonable and necessary and are provided to TNMP at a price that is no higher than the
5 price charged by the Environmental Services Department for services it provides to other
6 TXNM Energy operating companies.

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

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

9 **Environmental Services Department Organization:** This section of my testimony
10 outlines the organization of the Environmental Services Department, and the way in which
11 it provides services to TNMP and other operating companies.

12 **Cost Levels and Trends:** This section examines the overall costs of the Environmental
13 Services Department, and the portion of those costs that are charged to TNMP.
14 Furthermore, I outline the cost components of Environmental Services and provide a view
15 of the cost trends.

16 **Cost Allocation:** This section describes the method in which Environmental Services
17 allocates costs to TNMP and the other TXNM Energy operating companies.

18 **Necessity and Reasonableness of Services:** This section analyzes how the services
19 provided by Environmental Services meet specific needs to benefit TXNM Energy's
20 operating companies, customers, and stakeholders.

21 **Cost Management:** This section of the testimony reviews how Environmental Services
22 employs budgeting and cost control processes to manage and limit costs.

23 **III. ORGANIZATION OF THE ENVIRONMENTAL SERVICES DEPARTMENT**

24 **Q. PLEASE BRIEFLY DESCRIBE/SUMMARIZE THE ENVIRONMENTAL SERVICES**
25 **DEPARTMENT.**

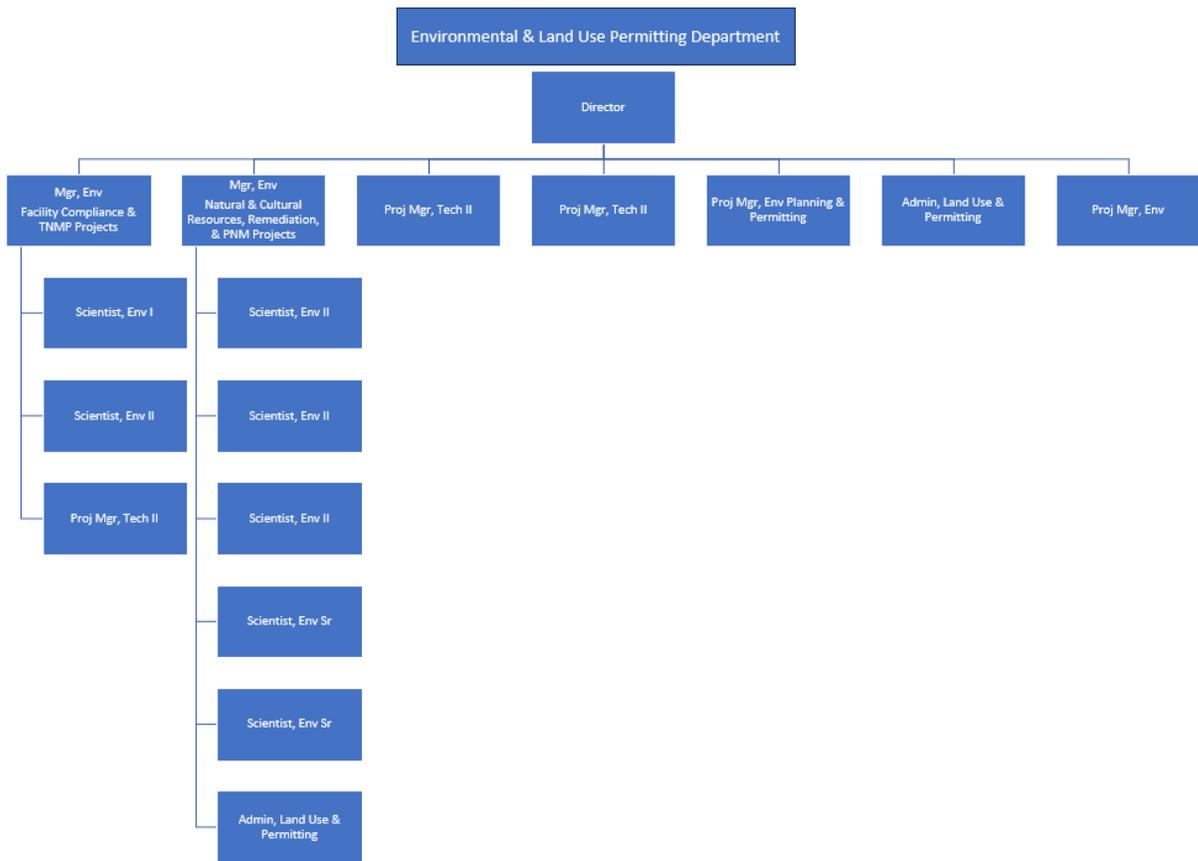
26 A. The Environmental Services Department provides technical guidance and support to
27 TXNM Energy and its two utilities: Public Service Company of New Mexico ("PNM") and
28 TNMP to ensure compliance with applicable environmental laws, regulations and rules.
29 The Environmental Services Department, in conjunction with Public Policy & Executive
30 Management, develops and implements environmental regulatory policy for the company.
31 Other activities include: development and implementation of environmental strategy and

1 initiatives; compliance monitoring, verification and reporting; response to spills and
 2 environmental-related incidents; regulatory and policy tracking, interpretation, and
 3 analysis; establishing sustainability goals (including Team Green waste goal), stakeholder
 4 outreach and media interactions; and reporting on company performance/liabilities to
 5 internal and external stakeholders.

6 **Q. PLEASE PROVIDE AN OVERVIEW OF HOW THE ENVIRONMENTAL SERVICES**
 7 **DEPARTMENT IS ORGANIZED.**

8 A. See Table 1 below.

9 **TABLE 1: ENVIRONMENTAL AND LAND USE PERMITTING ORGANIZATION**
 10 **CHART**



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

12 A. As shown in Table 2, there are two employees that are located in TNMP’s service territory.
 13 However, all Environmental Services personnel provide support to TNMP.
 14

15
 16

1 **TABLE 2: ENVIRONMENTAL AND LAND USE PERMITTING EMPLOYEE LOCATIONS**

Environmental - FTEs by Location	
FTEs	Location
Alb Aztec Office	13
San Juan	1
TNMP Gulf Coast	1
TNMP Lewisville	1
Remote	1

2 **Q. PLEASE DESCRIBE THE RECENT ORGANIZATIONAL CHANGES INVOLVING THE**
3 **ENVIRONMENTAL SERVICES DEPARTMENT AND ANY RELATED INITIATIVES TO**
4 **ACHIEVE ORGANIZATIONAL FLEXIBILITY AND OPTIMAL SERVICE DELIVERY.**

5 A. Since the prior rate case, Safety and Environmental Services departments have been
6 separated. Please refer to TNMP witness Becky Teague's testimony for information
7 associated with the Safety department's reorganization. Environmental Services however
8 has implemented two staff positions at TNMP locations overall improving response time
9 for urgent matters, reducing travel across TNMP's noncontiguous service territories, and
10 increasing efficiency and efficacy of integration into project planning and operations
11 support.

12 **IV. SERVICES PROVIDED BY THE ENVIRONMENTAL SERVICES**
13 **DEPARTMENT**

14 **Q. DESCRIBE THE SERVICES THE ENVIRONMENTAL SERVICES DEPARTMENT IS**
15 **RESPONSIBLE FOR PROVIDING TO THE OPERATING COMPANIES.**

16 A. The primary services that the Environmental Services Department provides are as follows:

17 **Environmental Management System** provides a comprehensive system for managing
18 all environmental aspects and impacts of the company, including corporate policy.

19 **Environmental Planning & Permitting** includes environmental planning and permitting
20 for construction and maintenance of critical infrastructure, including transmission,
21 distribution and generating facilities.

22 **Environmental Regulatory Analysis** involves tracking emerging issues, participating in
23 the rule-making process, and analyzing new regulations and regulatory changes to
24 develop appropriate compliance plans to meet new requirements.

1 **Training** is provided in the areas of Environmental Services to ensure all employees
2 understand their role in environmental compliance and to promote environmental
3 stewardship.

4 **Auditing and Assessment** occurs with Audit Services in partnership with Environmental
5 Services conducting regular audits of operations to verify environmental compliance. The
6 Department also performs assessments and compliance visits.

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

9 A. PNMR Services uses General Services Agreements (“GSA”) to set terms and provisions
10 of services provided by PNMR Services to the operating companies. Details about the
11 GSA are in the testimony of TNMP witness EJ Lopez.

12 **Q. HOW DO THE AFFILIATED OPERATING COMPANIES OBTAIN ENVIRONMENTAL**
13 **SERVICES?**

14 A. The affiliated operating companies obtain Environmental Services through direct contact
15 with management and/or subject matter experts. The need for services may also be
16 triggered through the Environmental Management System screening portal or the
17 Environmental Management Information System.

18 **Q. WHAT IS THE NATURE OF SERVICES PROVIDED TO TNMP?**

19 A. The Environmental Services Department’s primary role is to provide ongoing support to
20 TNMP to assist operations with environmental compliance.

21 **Q. WHAT ARE THE TOTAL COSTS OF ENVIRONMENTAL SERVICES DURING THE**
22 **TEST YEAR AND WHAT HAS BEEN THE TREND IN EXPENDITURES?**

23 A. The total test year costs for the Environmental Services Department for TXNM Energy
24 and all of its operating companies are \$1.385 million. The table below shows the overall
25 trend.

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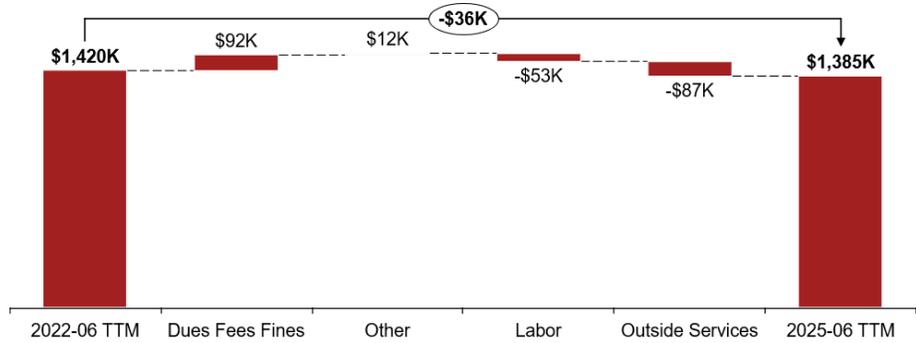
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TABLE 3: ENVIRONMENTAL COSTS BY SERVICES

PNMR Services: Environmental Services Cost Type Trends
Variance from TTM June 2022 to TTM June 2025, Nominal, \$K

PNMR Services: Environmental Services Sub-Category by Cost Type
 Variance from TTM June 2022 to TTM June 2025
 (Nominal, \$K)



3

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

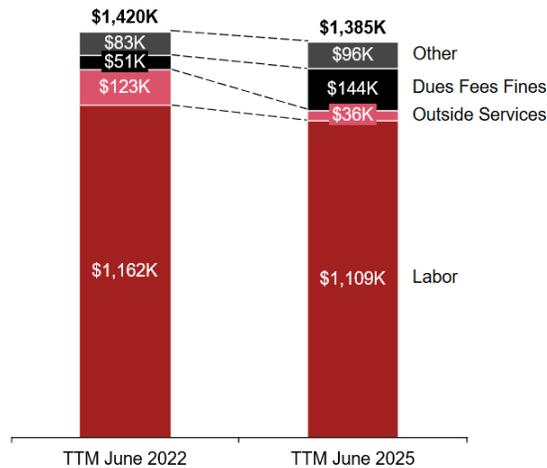
5 A. The table below shows the changes in TXNM Energy’s costs from 2022 through the test
 6 year by cost type.

7

TABLE 4: ENVIRONMENTAL COSTS BY COST TYPE

PNMR Services: Environmental Services Costs By Cost Type
Nominal, \$K

PNMR Services: Environmental Services Costs by Cost Type
 (Nominal, \$K)



8

1 Overall Environmental Services Department costs have decreased by 2.46%. This is
 2 primarily due to labor savings resulting from vacancies and a decrease in outside services.
 3 The increase detailed in the dues/fees/fines categories is due to annual dues increases.

4 **Q. WHAT ARE THE TOTAL ENVIRONMENTAL SERVICES COSTS CHARGED TO TNMP**
 5 **IN THE TEST YEAR AND WHAT HAS BEEN THE TREND IN EXPENDITURES?**

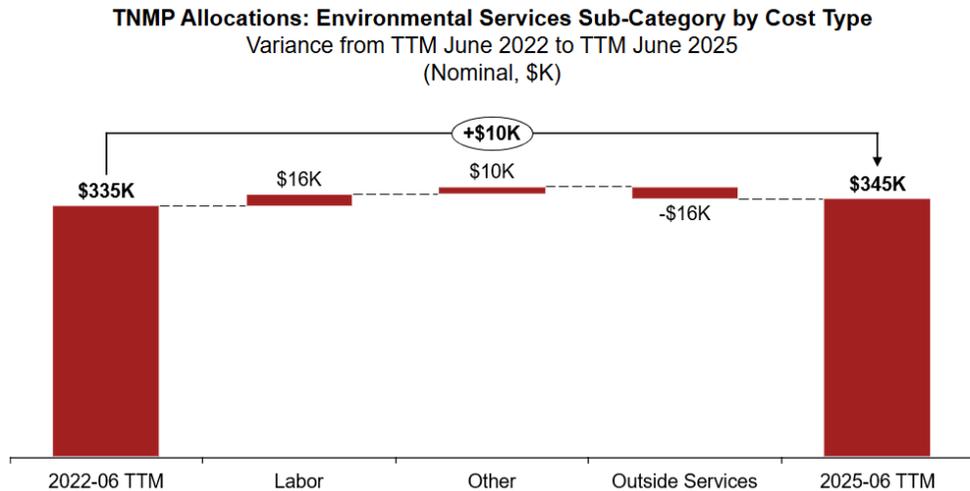
6 A. The total cost of Environmental Services allocated to TNMP during the test year is \$0.335
 7 million. The trend in costs allocated to TNMP for Environmental Services has increased
 8 by \$0.010 million, from \$0.335 million to \$0.345 million, between 2022 and the test year.
 9 The table below shows total TNMP allocated costs by Environmental Services during the
 10 test year broken down by service groups.

11 **TABLE 5: ENVIRONMENTAL COSTS BY SERVICES – TNMP ALLOCATION**

12

TNMP Allocations: Environmental Services Cost Type Trends

Variance from TTM June 2022 to TTM June 2025, Nominal, \$K



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

15 A. The figure below shows the changes in TNMP-allocated Environmental services costs
 16 from 2022 through the test year by cost type.

17

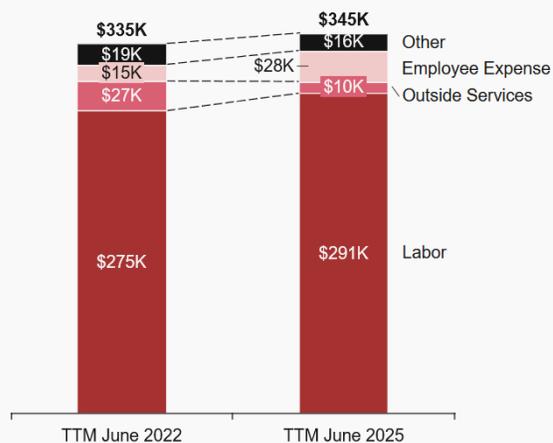
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1 **TABLE 6: ENVIRONMENTAL SERVICES COSTS BY COST TYPES – TNMP**
 2 **ALLOCATION**

TNMP Allocations: Environmental Services Costs By Cost Type
Nominal, \$K

TNMP Allocations: Environmental Services Costs by Cost Type
 (Nominal, \$K)



3
 4 There has been a 5.8% increase in labor. The primary driver for the overall increase in
 5 specific TNMP billings is due to increases in employee labor costs and associated
 6 employee expenses due to the implementation of two positions at TNMP offices that
 7 primarily support TNMP rather than other TXNM Energy functions. The 86% increase to
 8 TNMP employee expenses are expected given the travel expenses associated with
 9 covering a large geographic territory for TNMP and the addition of a new vehicle for one
 10 of the TNMP located Environmental positions. The need for the Outside Services category
 11 decreased with the increase in the TNMP-based Environmental Services positions. Of
 12 note, the Dues, Fees, and Fines category includes industry association dues, and
 13 subscription services; however, the value depicted in the chart does not include any
 14 environmental or other related fines.

15 **Q. ARE THE CHANGES IN THE COSTS PREVIOUSLY DESCRIBED REASONABLE?**

16 A. The changes previously described are reasonable. The increase in employee expenses
 17 and labor are reasonable based on TNMP’s needs, noncontiguous service territories, and
 18 related travel fees. Additionally, as TNMP’s requests for service and number of facilities
 19 increase it is reasonable to see an increase in the costs associated with supporting the
 20 environmental compliance and regulatory functions.

1 **V. COST ALLOCATION**

2 **Q. WHAT ARE THE PREDOMINANT BILLING METHODS USED FOR THIS CLASS OF**
 3 **SERVICE?**

4 A. The costs supporting Environmental Services activities result from labor charges and other
 5 costs associated with supporting environmental policy, procedures and general
 6 compliance and are allocated across TXNM Energy operating companies. The allocation
 7 method is used for cost types and services that cannot be directly charged or do not have
 8 a causative cost driver. The allocation method is also used for time and expenses that
 9 are not specific to any one organization, involve corporate matters or Executive Policy
 10 Committees Support.

11 **Q. PLEASE EXPLAIN THE RATIONALE AND IMPORTANCE OF THE BILLING**
 12 **METHODS USED.**

13 A. The billing methods used by the Environmental Services Department are appropriate. The
 14 costs that reside in the Environmental Services Department are primarily associated with
 15 labor and other charges to support the operating companies in meeting environmental and
 16 regulatory requirements through necessary compliance. These costs benefit more than
 17 one operating company and thus need to be generally allocated. Table 7 provides the cost
 18 allocation breakdown among the TXNM Energy operating companies.

19 **TABLE 7: ENVIRONMENTAL SERVICES CATEGORY BILLING METHODS**

20 **Category Billing Methods, TTM June 2025, %**

Allocation Method	Location	Allocation Driver	PNMR Allocations	TNMP Allocations
General	941	MMF - Employee Headcount, Gross Margin, Net Plant.	66.1%	93.2%
	948	MMF - Employee Headcount, Gross Margin, Net Plant.	1.6%	-
	951	MMF - Employee Headcount, Gross Margin, Net Plant.	31.3%	-
Direct	942	PNM Electric Services	-0.2%	-
	953	TNMP – Texas	1.7%	6.8%
	999	TXNM Energy	-0.4%	-

21
 22 **Q. HOW ARE THE ENVIRONMENTAL COSTS BILLED TO TXNM ENERGY AFFILIATES?**

23 A. Environmental Services bills to the regulated TXNM Energy affiliated companies that it
 24 serves. During the test year, the Environmental Services Department bills to PNM, TNMP,
 25 and TXNM Energy. Each entity receives its direct and allocated share of the service
 26 company costs per the cost allocation manual.

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

4 A. My overall conclusion is that the cost allocations and billing methods used by the
5 Environmental Services Department are appropriate.

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

7 **Q. ARE THE SERVICES PROVIDED BY THE ENVIRONMENTAL SERVICES**
8 **DEPARTMENT TO THE OPERATING COMPANIES NECESSARY TO SUPPORT THE**
9 **BUSINESS OF THE OPERATING COMPANIES?**

10 A. Yes, the services provided by the Environmental Services Department to the operating
11 companies are necessary to ensure ongoing compliance with respect to environmental
12 regulations. In addition, the Environmental Services Department provides standardization
13 and alignment of processes and procedures to ensure consistency and effective
14 management of these areas.

15 **Q. WHAT OVERSIGHT OF ENVIRONMENTAL SERVICES ACTIVITIES IS IN PLACE TO**
16 **ENSURE THAT ITS SERVICES ARE THOSE THAT ARE MOST BENEFICIAL FOR THE**
17 **OPERATING COMPANIES?**

18 A. The Environmental Services Department meets regularly with executive and senior
19 management to discuss their organization's Environmental needs. These meetings occur
20 through regular visits to the operating companies and participation in assessments, audits,
21 and observations. These various vehicles provide the operating companies the
22 opportunity to discuss scope, quality, and benefits of Environmental Services. In addition,
23 Environmental participates in root cause analyses for environmental incidents, provides
24 recordkeeping and data management and reports to TXNM Energy and TNMP
25 management.

26 **Q. DOES THE ENVIRONMENTAL SERVICES DEPARTMENT DUPLICATE SERVICES**
27 **PROVIDED BY PERSONNEL WITHIN THE OPERATING COMPANIES OUTSIDE OF**
28 **THE ENVIRONMENT DEPARTMENT?**

29 A. No. Environmental Services are solely managed by the Environmental Services
30 Department. There are no additional personnel within the operating companies that
31 provide similar services.

1 **Q. IS IT NECESSARY AND REASONABLE FOR ENVIRONMENTAL ACTIVITIES TO BE**
2 **PROVIDED BY AN AFFILIATE?**

3 A. Yes, it is reasonable and necessary for these activities to be provided by an affiliate rather
4 than by the operating companies themselves. Centralized Environmental Services
5 activities allows standardization across the operating companies, maximizes efficiencies
6 and achieves economies of scale, all which are factors in ensuring ongoing compliance
7 with environmental regulations which ultimately assists in providing reliable electric service
8 to TNMP's customers.

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

12 A. To ensure that the Environmental expenses incurred by or on behalf of the operating
13 companies are reasonable, Environmental management reviews the department budget
14 on a monthly basis to review costs incurred, analyze variances and determine if charges
15 are correct. Adjustments are made as necessary through journal entries to ensure proper
16 accounting.

17 **Q. DISCUSS HOW THE ENVIRONMENTAL SERVICES DEPARTMENT EMPLOYS**
18 **BUDGETING, PLANNING, COST REVIEW AND REPORTING TO CONTROL ITS**
19 **CHARGES TO THE OPERATING COMPANIES.**

20 A. The Environmental Services Department follows the standard TNMP Services' budgeting
21 process. In mid-August, the Environmental Services Department begins to develop
22 annual budgets by month for both O&M and Capital using the O&M and Capital targets
23 issued by the Executive Policy Committee. The detailed budgets are created at the home
24 center level by cost type. The Environmental Services Department also coordinates with
25 each of the business partners to gather input from the operating companies. Once the
26 budgets are established, Environmental Services tracks how actual costs compare with
27 the budget and makes appropriate adjustments to control its charges through monthly
28 budget variance reviews with the Corporate Budget.

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

30 A. TXNM Energy's short-term incentives program links workgroup O&M targets with incentive
31 pay. Cost savings and control are an essential part of performance scorecards for the
32 overall Environmental Services Department. If scorecard targets are not met, then

1 incentives are not paid according to plan. Therefore, Environmental Services must
2 carefully monitor its budget in order for its staff to be eligible for bonuses.

3 **Q. DOES ENVIRONMENTAL OUTSOURCE TO CONTROL COSTS?**

4 A. The Environmental Services Department does some outsourcing as a means to drive cost
5 savings and service level improvement for the enterprise. Environmental Services works
6 with the individual business units within the operating companies. This typically occurs in
7 the areas of environmental monitoring of large maintenance or capital projects or to
8 provide additional labor resources to support a project of limited duration. Strategic
9 outsourcing of Environmental activities produces benefits such as flexibility and access to
10 expertise that would otherwise be difficult to build and keep.

11 **Q. HOW DOES ENVIRONMENTAL SERVICES ENSURE THAT ITS CHARGES TO TNMP
12 ARE NO HIGHER THAN THE CHARGES TO OTHER AFFILIATES FOR THE SAME OR
13 SIMILAR SERVICES, AND THAT THE CHARGES REASONABLY APPROXIMATE
14 THE ACTUAL COST OF PROVIDING THE SERVICE TO TNMP?**

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

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

21 A. My overall conclusion is that Environmental Services' costs and cost control practices are
22 reasonable and necessary for reliable operations of the company.

23 **VII. OVERALL CONCLUSIONS**

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

25 A. My overall conclusion is that the services the Environmental Services Department
26 provides are necessary for enhancing the operational excellence of TXNM Energy's
27 operating companies, including TNMP. Environmental Services provides support to the
28 organization through environmental planning and permitting, regulatory support and the
29 management of an environmental management system to ensure that the company is
30 following the appropriate procedures and meeting regulatory requirements to reduce or
31 eliminate environmental impact. These services are essential to providing safe and
32 reliable power to our customers. Additionally, due to TXNM Energy's effective cost

1 management practices, including regular communications with the operating companies
2 and frequent review of budgets, the costs for Environmental Services are reasonable.

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

4 **A.** Yes, it does.

AFFIDAVIT

STATE OF NEW MEXICO §
COUNTY OF BERNALILLO §

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

“My name is Claudette B. Horn. 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.”

Claudette B Horn
Witness

* * * * *

SWORN TO AND SUBSCRIBED before me, Notary Public, on this 6th day of November 2025, to certify which witness my hand and seal of office.



STATE OF NEW MEXICO
NOTARY PUBLIC
Brigette Lynne Wimberley
Commission No. 1124375
Expires: May 29, 2028

SEAL:

Brigette Lynne Wimberley
NOTARY PUBLIC in and for the
State of New Mexico

Printed Name: Brigette Lynne Wimberley

My Commission expires: May 29th, 2028

Notary ID# 1124375