

**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  
EMMANUEL J. LOPEZ**

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

**NOVEMBER 14, 2025**

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**ADMINISTRATIVE SERVICE AGREEMENT BETWEEN PNMR SERVICES  
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**SERVICE AGREEMENT BETWEEN PNM AND TNMP**

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**COST ALLOCATION MANUAL 2024**

**EXHIBIT EJL-4**

**COST ALLOCATION MANUAL 2025**

**EXHIBIT EJL-5**

**RESUME OF EMMANUEL J. LOPEZ**

1 **I. INTRODUCTION AND QUALIFICATIONS**

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

4 **A.** My name is Emmanuel J. Lopez, and I am employed by PNMR Services Company  
5 (“PNMR Services”), a wholly owned subsidiary of TXNM Energy, Inc. (“TXNM  
6 Energy”). PNMR Services was established to provide managerial, administrative  
7 and support services to TXNM Energy and its subsidiaries. My business address  
8 is 414 Silver Avenue SW, Albuquerque, New Mexico 87102.

9 **Q. PLEASE DESCRIBE YOUR POSITION AND AREAS OF RESPONSIBILITY**  
10 **WITHIN PNMR SERVICES.**

11 **A.** I hold the position of Assistant Controller, Corporate Accounting for PNMR  
12 Services. I am responsible for managing various shared services accounting  
13 activities, including corporate accounting, U.S. Securities and Exchange  
14 Commission (“SEC”) reporting, Generally Accepted Accounting Principles  
15 (“GAAP”) analysis, managerial accounting, payroll, and accounts payable. These  
16 shared services groups perform standardized accounting processes for all TXNM  
17 Energy affiliates. I am also responsible for the shared services cost assignment  
18 methodologies, billings between business units, and reporting for all PNMR  
19 Services affiliate costs. My group coordinates the annual shared services cost  
20 assignment budgeting process for all PNMR Services functions. I also have  
21 functional process responsibility for the general ledger financial systems.

22 **Q. WOULD YOU BRIEFLY SUMMARIZE YOUR ACADEMIC AND**  
23 **PROFESSIONAL BACKGROUND?**

24 **A.** My educational background and professional experience are summarized in  
25 Exhibit EJL-5, which includes a list of cases in which I have testified before the  
26 Public Utility Commission of Texas (“Commission” or “PUC”) and the New Mexico  
27 Public Regulation Commission (“NMPRC”).

28 **Q. HAVE YOU PROVIDED TESTIMONY IN REGULATORY PROCEEDINGS**  
29 **PRIOR TO THIS CASE?**

1 **A.** Yes, as shown in EJM-5, I provided testimony in the following regulatory  
2 proceedings in Texas and New Mexico:

3       ▪ Docket No. 45213, Application of Texas New Mexico Power Company to  
4 Reconcile AMS Costs.

5  
6       ▪ Docket No. 48401, Application of Texas New Mexico Power Company for  
7 Authority to Change Rates.

8  
9       ▪ Docket No. 22-00270-UT, Application of Public Service Company of New  
10 Mexico for Revision of its Retail Electric Rates.

11  
12       • Docket No. 58536, Joint Report and Application of Texas New Mexico Power  
13 Company, Troy ParentCo LLC for Regulatory Approvals under the Public Utility  
14 Regulatory Act (“PURA”) §§ 14.101, 39.262, and 39.915.

15 **II. PURPOSE OF TESTIMONY**

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

17 **A.** The purpose of my testimony is to address affiliate costs between PNMR Services  
18 and Texas-New Mexico Power Company (“TNMP”) as well as between Public  
19 Service Company of New Mexico (“PNM”) and TNMP. PNMR Services provides  
20 managerial, administrative and support services to TNMP based on an  
21 administrative service agreements. Please see Exhibit EJM-1 for a copy of the  
22 service agreement between PNMR Services and TNMP. PNM provides certain  
23 limited electric utility related services to TNMP. Please see Exhibit EJM-2 for a copy  
24 of the service agreement between PNM and TNMP. I will explain how such  
25 services are billed, provide an overview of the affiliate cost allocation system, and  
26 explain how the system ensures that costs are fairly allocated to the different  
27 operating entities, including TNMP.

28 I will also review overall PNMR Services affiliate cost levels and trends and assess  
29 the reasonableness and necessity of these services and related costs to provide

1 benefits to TXNM Energy's affiliates, customers, shareholders, and regulatory  
2 entities.

3 In addition, I will discuss the specific affiliate costs associated with following  
4 services:

- 5 • Accounting Services
- 6 • Internal Audit
- 7 • Executive Management
- 8 • Indirect Effects

9 I will provide an overview of each service category listed above by describing each  
10 organization and the services provided by each. I will also discuss the  
11 reasonableness and necessity of each service by discussing whether costs are  
12 appropriately controlled and managed and whether costs are reasonable.

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

14 **A.** My testimony is organized into the following sections:

15 **Overview of the Affiliate Costs:** I describe the overall affiliate costs for PNMR  
16 Services, pro forma adjustments for these affiliate costs, and the presentation of  
17 these costs in this rate case filing. I will also describe the costs for the limited  
18 services provided by PNM to TNMP.

19 **PNMR Services and Organization:** I provide an overview of PNMR Services and  
20 how it is organized to provide shared services to TNMP and other TXNM Energy  
21 affiliates.

22 **Overall Affiliate Cost Levels and Cost Trends:** I discuss recent trends for PNMR  
23 Services costs in total and for PNMR Services costs billed to TNMP.

24 **Cost Management and Controls:** I discuss management oversight and controls  
25 to ensure the accuracy of the affiliate billings and the reasonableness of affiliate  
26 costs.

27 **Standards Governing Recovery of Affiliate Costs:** I describe the standards of  
28 PURA that govern the recovery of affiliate costs.

1 **PNMR Services Accounting and Billing Process:** I explain the PNMR Services’  
 2 billing process for services it provides to TNMP and other TXNM Energy affiliates.

3 **PNMR Services Cost Allocation Process:** I outline the allocation process that  
 4 PNMR Services employs and explain the allocation factors used to allocate  
 5 charges during the Test Year. The current test year is the 12-month period ending  
 6 June 30, 2025 (“Test Year”).

7 **Certain PNMR Services Departments:** I describe the organization and the  
 8 services provided to TNMP and other operating companies for Accounting, Internal  
 9 Audit, Executive Management, and Indirect Effects by providing an overview of  
 10 each department’s cost levels and trends as well as explain the allocation of its  
 11 costs. This section also explains the necessity and reasonableness of each  
 12 department’s services and associated costs.

13 **Q. DO YOU SPONSOR ANY SPECIFIC RATE FILING PACKAGE (“RFP”)**  
 14 **SCHEDULES?**

15 **A.** Yes, I either sponsor or co-sponsor the following schedules:

- 16 V-K-1 Affiliate Expenses by FERC Account
- 17 V-K-2 Adjusted Affiliate Expenses
- 18 V-K-3 Organization Chart
- 19 V-K-4 Description of Services Provided By Affiliates
- 20 V-K-5 Capital Projects By Affiliate Closed To Plant in
- 21 Service
- 22 V-K-6 Adjustments to Test Year Expenses
- 23 V-K-7 Statutory Requirements
- 24 V-K-8 Services Provided to Affiliates
- 25 V-K-9 Allocation of Affiliate Costs
- 26 V-K-10 Controls
- 27 V-K-11 Affiliate Billing Methods
- 28 V-K-12 Amounts Billed to Each Affiliate
- 29 V-K-13 Affiliate Projects Created/Closed in Test Year
- 30 V-K-14 Affiliate Payroll
- 31 WP/II-D-2 5 Summary PNMR Services Affiliate Adjustments

1                   II-C-3           Internal/External Audits

2   **Q.   WHAT EXHIBITS DO YOU SPONSOR IN THIS PROCEEDING?**

3   **A.**   I sponsor Exhibits EJM-1 through EJM-5 as listed in the index of my testimony. The  
4       charts in my testimony were created from the data detailed in WP/II-D-2 5.

5   **Q.   WERE THE EXHIBITS THAT YOU ARE SPONSORING PREPARED BY YOU  
6       OR UNDER YOUR DIRECTION AND SUPERVISION?**

7   **A.**   Yes, they were.

8   **Q.   ARE THE EXHIBITS THAT YOU ARE SPONSORING TRUE AND CORRECT TO  
9       THE BEST OF YOUR KNOWLEDGE?**

10 **A.**   Yes, they are.

11 **III.   OVERVIEW OF THE AFFILIATE CASE**

12 **Q.   PLEASE DESCRIBE THE PNMR SERVICES AFFILIATE COSTS REQUESTED  
13       BY THE COMPANY.**

14 **A.**   The total PNMR Services affiliate costs that TNMP is requesting is \$35,232,720.

15 **Q.   PLEASE DESCRIBE HOW THE COMPANY HAS ORGANIZED ITS TESTIMONY  
16       REGARDING THE AFFILIATE COSTS.**

17 **A.**   I am providing an overview of PNMR Services' affiliate costs and TNMP billings for  
18       all classes of service and their pro forma adjustments. The affiliate costs have been  
19       separated into fourteen classes of service. Each class is supported by a witness  
20       who will describe the services provided, cost levels and trends, allocation factors,  
21       cost budgeting and management practices, and the reasonableness and necessity  
22       of the services and costs in each class.

23       PNM Resources has also engaged PwC Strategy&, a management consulting  
24       firm, to conduct an independent assessment of PNMR Services' cost levels and  
25       trends, allocation methods, cost management and control processes, and  
26       reasonableness and necessity of its affiliate costs as charged to TNMP. This  
27       assessment also includes an activity necessity and benefit analysis, activity  
28       overlap analysis, and benchmarking study against other utility companies. Earl M.  
29       Simpkins, Principal (Partner) at Strategy&, has filed testimony to summarize the

1 results of this independent review. In addition, Strategy& developed the relevant  
 2 charts included in my testimony and other affiliate expense witnesses, using data  
 3 supplied from the appropriate company books and records.

4 As Table 1 below shows, nine PNMR Services witnesses are testifying about  
 5 PNMR Services affiliate costs that are billed to TNMP in fourteen classes of  
 6 service. As shown in Table 1A, four of the classes of service including Finance,  
 7 Environmental Services, Public Policy, and Indirect Effects are divided into sub-  
 8 functions and discussed by more than one witness who are knowledgeable about  
 9 those categories. Two witnesses, Earl Simpkins and I, will be addressing overall  
 10 affiliate costs. The remaining witnesses will address the affiliate costs for the class  
 11 of service in which they are knowledgeable. I will address the remaining classes.

12 **TABLE 1: PNMR SERVICES COSTS BILLED TO TNMP BY WITNESS,**  
 13 **BY FUNCTION CATEGORY**

Name	Category	PNMR Services Spend TTM June 2025	TNMP Billings TTM June 2025
Cherry	Supply Chain	\$2,928,619	\$675,454
Greinel	Treasury and Strategy	\$6,858,914	\$2,262,637
Horn	Environmental Services	\$1,384,759	\$344,754
Lopez	Accounting	\$7,205,865	\$2,401,511
Lopez	Executive Management	\$5,079,759	\$1,215,023
Lopez	Indirect Effects	\$1,004,687	-\$300,277
Lopez	Internal Audit	\$853,425	\$303,088
Lopez	Public Policy	\$1,369,452	\$0
Lopez	Finance	\$1,038,421	\$0
Phelps	BTS	\$44,221,722	\$12,999,884
Morris	Indirect Effects	\$289,162	\$122,524
Morris	Payroll Tax Expense	\$51,508	\$16,739
Morris	Tax Compliance	\$1,491,271	\$541,103
Sanchez	General Counsel	\$6,111,809	\$1,938,353
Sanders	Finance	\$619,871	\$220,385
Teague	Environmental Services	\$2,002,385	\$761,365
Teague	Human Resources	\$38,000,163	\$11,730,096
Teague	Public Policy	\$1,111,349	\$83
<b>Total</b>		<b>\$121,623,143</b>	<b>\$35,232,720</b>

14  
 15  
 16  
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 21

1 **TABLE 1A: PNMR SERVICES COSTS BILLED TO TNMP DISCUSSED BY**  
 2 **MULTIPLE WITNESSES**

Witness Category	Witness	Witness Subfunction	PNMR Services Spend TTM June 2025	TNMP Billings TTM June 2025
Environmental Services	Horn	Environmental Services	1,384,759.46	344,753.80
	Teague	Safety	2,002,385.49	761,365.39
Indirect Effects	Lopez	Indirect Effects	1,004,686.97	(300,277.25)
	Morris	Indirect Effects	289,161.80	122,523.95
Public Policy	Lopez	External Affairs	711,391.05	-
	Lopez	Governmental Affairs	658,061.24	-
	Teague	Communications	789,695.81	-
	Teague	External Affairs	321,653.68	82.55
Finance	Lopez	Financial and Strategic Planning	1,038,421.22	-
	Sanders	Cost of Service	619,871.29	220,384.55
<b>Total</b>	—	—	<b>8,820,088.00</b>	<b>1,148,832.98</b>

3

4 **Q. PLEASE DESCRIBE THE SERVICES PNM PROVIDES TO TNMP AND THE**  
 5 **BILLING METHODS EMPLOYED.**

6 **A.** PNM provides limited electric utility related services to TNMP under a service  
 7 agreement provided as Exhibit EJL-2. These services are provided at cost and are  
 8 billed to TNMP via direct assignment from PNM. The major classes of services  
 9 included in the Test Year are Call Center, Vegetation Management, Customer  
 10 Care and Distribution Design Standards. These classes are described in more  
 11 detail on Schedule V-K-4. The detail Test Year amounts by class of service are  
 12 included on Schedule V-K-1B. Please see testimony of TNMP witnesses Earl  
 13 Simpkins and Stacy Whitehurst for further discussion of Call Center activities.

14 **Q. PLEASE DESCRIBE THE PNM AFFILIATE COSTS REQUESTED BY THE**  
 15 **COMPANY.**

16 **A.** The total adjusted Test Year PNM affiliate cost that TNMP is requesting is  
 17 \$145,105. These largely consist of charges for call center services, again  
 18 described by TNMP witnesses Earl Simpkins and Stacy Whitehurst.

19 **Q. HOW ARE TNMP'S AFFILIATE COSTS ORGANIZED FOR PRESENTATION IN**  
 20 **THIS CASE?**

1 **A.** PNMR Services costs and TNMP billings are organized by “class of service” or  
2 “function,” such as Accounting, Business Technology Services, Human  
3 Resources, etc. Within each function, the costs may be broken down into service  
4 groups or sub-functions. For example, sub-functions within accounting are  
5 Corporate Accounting and Utility Accounting.

6 **Q. DID YOU PROVIDE THE INFORMATION FOR THE TEST YEAR TO THE**  
7 **WITNESSES MENTIONED ABOVE?**

8 **A.** Yes, I provided the information related to affiliate costs for the Test Year to the  
9 witnesses mentioned above. The information I provided is the same information  
10 for the class of service relevant to each witness that is included in the RFP  
11 schedules described below.

12 **Q. PLEASE DESCRIBE THE AFFILIATE SCHEDULES IN THE RFP AND HOW**  
13 **EACH RELATES TO AFFILIATE COSTS INCLUDED IN TNMP'S PROPOSED**  
14 **REVENUE REQUIREMENT.**

15 **A.** The RFP requires that the Company file fourteen schedules in support of affiliate  
16 costs. The RFP does not require a specific format. The information in those  
17 schedules was taken directly from the books and records of PNMR Services,  
18 TNMP, and PNM.

19 **Q. PLEASE DESCRIBE THE APPROACH IN DETERMINING PRO FORMA**  
20 **ADJUSTMENTS TO TNMP'S AFFILIATE TRANSACTIONS FROM PNMR**  
21 **SERVICES.**

22 **A.** For purposes of making appropriate pro forma adjustments, total PNMR Services  
23 costs for the Test Year (without consideration of assignment to any affiliate) were  
24 determined from the books and records. Then known and measurable Test Year  
25 adjustments were made to those total PNMR Services costs. The resulting  
26 adjusted total PNMR Services costs for the Test Year were then assigned to TNMP  
27 using the actual cost assignment allocation factors in the Test Year based on the  
28 cost allocation methodologies I discuss below.

29 **Q. PLEASE DESCRIBE THE PRO FORMA ADJUSTMENTS YOU HAVE MADE TO**  
30 **TNMP'S TEST YEAR AFFILIATE COSTS.**

- 1 **A.** TNMP's share of each pro forma adjustment made to total PNMR Services costs  
2 is described below. TNMP's booked PNMR Services affiliate transaction expense  
3 for the Test Year was \$53,529,516. The total adjustments allocated to TNMP  
4 represent a reduction in affiliate expense of \$18,296,796 which resulted in TNMP's  
5 adjusted Test Year PNMR Services affiliate costs of \$35,232,720. Please see  
6 WP/II-D-2 5 which provides the summarized adjustments.
- 7 • TNMP's total amortization expense on affiliate assets of \$3,431,574 was removed  
8 from affiliate costs and reclassified as amortization expense in the RFP on WP/II-  
9 E-1 2. This is a shift for cost of service study purposes only to aid in the appropriate  
10 functionalization of these costs. Please see the testimony of TNMP witness Kyle  
11 Sanders for additional discussion on affiliate assets.
  - 12 • TNMP's total depreciation expense on affiliate assets of \$9,768,449 was removed  
13 from affiliate costs and reclassified as depreciation expense in the RFP on WP/II-  
14 E-1 2. This is a shift for cost of service study purposes only to aid in the appropriate  
15 functionalization of these costs. Please see the testimony of TNMP witness Kyle  
16 Sanders for additional discussion on affiliate assets.
  - 17 • TNMP's total property tax (ad valorem) expense on affiliate assets of \$546,216  
18 was removed from affiliate costs and reclassified as ad valorem expense in the  
19 RFP on WP/II-E-2.1 5. Please see the testimony of TNMP witness Kyle Sanders  
20 for additional discussion on affiliate assets.
  - 21 • While not required by the Commission rules or PURA, TNMP has removed  
22 \$20,167 of affiliate meals expense. Please see the testimony of TNMP witness  
23 Kyle Sanders for additional discussion on the Test Year adjustment for meals  
24 expenses.
  - 25 • Affiliate capitalized interest has been removed, which increased TNMP's affiliate  
26 costs by \$204,573.
  - 27 • Removed TNMP affiliate miscellaneous fees related to certain employee expenses  
28 and travel agent fees, which is a decrease in expense of \$19,450.
  - 29 • Removed all TNMP affiliate lobbying expenses which is a decrease in expense of  
30 \$39,208.

- 1 • Removed all TNMP affiliate donation expense which is a decrease in expense of  
2 \$5,116.
- 3 • Removed all TNMP affiliate merger and acquisition expense which is a decrease  
4 of \$28,406.
- 5 • Removed Test Year amount of employee incentive compensation for a reduction  
6 in expense of \$6,379,127. Please see testimony of TNMP witness Rebecca  
7 Teague for additional discussion on incentive compensation.
- 8 • Added back requested amount of employee incentive compensation for an  
9 increase in expense of \$4,987,527. Please see testimony of TNMP witness  
10 Rebecca Teague for additional discussion on incentive compensation.
- 11 • Annualized and normalized TNMP affiliate labor expense and associated payroll  
12 taxes, and reflect an annual 4.0% merit increase, resulting in decreased expense  
13 of \$571,923. Please see the testimony of TNMP witness Kyle Sanders for  
14 additional discussion on the Test Year adjustment for payroll expenses.
- 15 • Added labor expense for additional headcount being requested in this case for  
16 increased of expense of \$228,880. Please see the testimony of TNMP witness  
17 Carter Cherry for additional discussion on the Test Year adjustment for additional  
18 headcount.
- 19 • Removed employee travel and other expenses for senior executives for a  
20 decrease in expense of \$511,603.
- 21 • Removed Test Year amount of executive savings plan expense for a decrease in  
22 expense of \$1,637,370.
- 23 • Removed nonrecurring expenses for a decrease in expense of \$13,447.
- 24 • Removed Miscellaneous affiliate expense for a decrease of \$745,721.
- 25 The figures below show a breakdown of the pro forma adjustments for both total  
26 PNMR Services Test Year costs and TNMP billings for the Test Year.

27

28

29

30

**TABLE 2: PNMR SERVICES ADJUSTED COSTS – TEST YEAR**

**PNMR Services: Adjusted Costs – Test Year**  
(\$ in Millions)

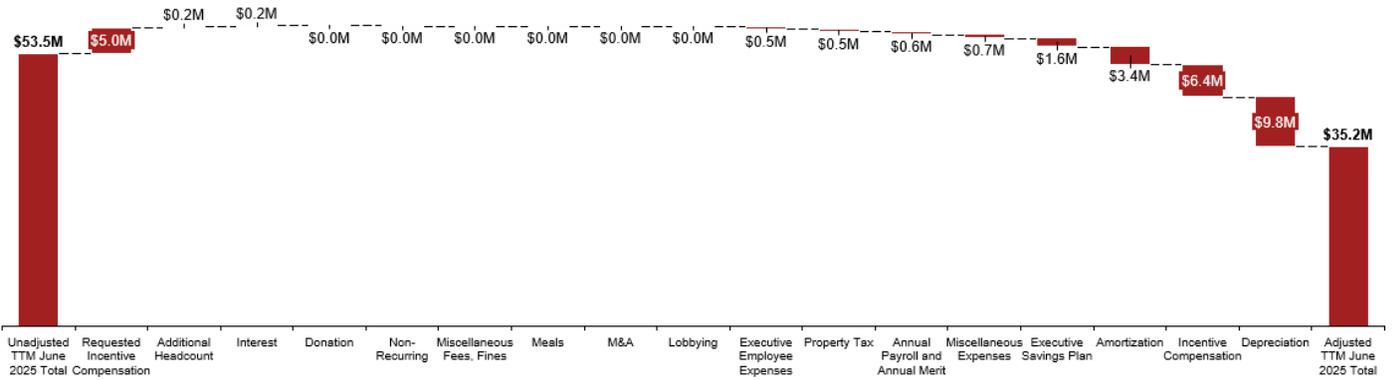
PNMR Services: Adjusted Costs  
TTM June 2025 (\$M)



**TABLE 3: TNMP BILLINGS PER BOOKS TO ADJUSTED – TEST YEAR**

**TNMP Billings: Adjusted Costs – Test Year**  
(\$ in Millions)

TNMP Billings: Adjusted Costs  
TTM June 2025 (\$M)



**IV. PNMR SERVICES AND ORGANIZATION**

**Q. DESCRIBE THE PRIMARY PURPOSE AND FUNCTION OF PNMR SERVICES COMPANY.**

1 **A.** PNMR Services was established to provide shared service and administrative  
2 support to TXNM Energy and its subsidiaries. The centralized classes of service  
3 are as follows:

- 4 • **Accounting** is responsible for the accounting transaction services, regulatory  
5 accounting services, and internal and external financial reporting.
- 6 • **Business Technology Services** provides IT/OT products and services that  
7 align with data center services, infrastructure, applications, business  
8 intelligence, integration, change control, cyber and physical security,  
9 telecommunications (data, voice, and transport), portfolio/program/project  
10 management, federal reliability standards compliance (NERC), critical  
11 infrastructure protection (CIP), crisis management, advanced technology,  
12 resource and change management, and technology strategic planning.
- 13 • **Environmental Services** provides technical guidance and support to ensure  
14 compliance with applicable environmental laws, regulations and rules.
- 15 • **Executive Management** provides enterprise-wide leadership by engaging in  
16 management control, strategic planning and corporate governance activities.
- 17 • **Finance** encompasses the financial and economic analysis of company and  
18 corporate strategies including budgeting, and financial and strategic planning  
19 activities with the goal of improving overall profitability.
- 20 • **General Counsel** ensures compliance with federal, state and local laws and  
21 regulations, manages outside counsel, oversees litigation and regulatory  
22 proceedings and drafts and negotiates agreements.
- 23 • **Human Resources** is responsible for corporate human resources activities  
24 including talent acquisition, employee relations, compliance, labor relations,  
25 employee learning and development, compensation and benefits  
26 administration and safety.
- 27 • **Indirect Effects** includes non-organizational expenses such as depreciation,  
28 amortization, time off allowances, corporate donations, and certain non-  
29 recurring expenses. Indirect Effects also includes the expense offset to payroll  
30 loads applied to capital projects. For the purposes of presentation in this case,

1 Indirect Effects also includes certain other affiliate expenses not included  
2 elsewhere.

- 3 • **Internal Audit** provides independent, objective assurance to evaluate the  
4 efficiency and effectiveness of the company's internal control structure, identify  
5 opportunities for process and control improvement, monitor compliance with  
6 laws and regulations, and investigate reported allegations. The department  
7 also maintains and continually enhances the SOX internal controls.
- 8 • **Payroll Tax Expense** is the payroll tax associated with the labor that is charged  
9 to shared services.
- 10 • **Public Policy** includes the services and activities related to communications,  
11 customer service, external affairs, governmental affairs and management  
12 systems.
- 13 • **Supply Chain** is responsible for providing, or oversight for materials  
14 management, sourcing and procurement services, facility services, office  
15 services and occupied real estate.
- 16 • **Tax Compliance** includes tax administration and planning to ensure  
17 compliance with state and Federal tax codes while minimizing the company's  
18 tax exposure.
- 19 • **Treasury and Risk Management** provides financial management, risk  
20 management, and investor relations and shareholder services.

21 **Q. DO ALL OF THESE FUNCTIONS PROVIDE SERVICES TO TNMP?**

22 **A.** Yes, all these PNMR Services functions provide services to TNMP.

23 **Q. WHERE ARE THE PNMR SERVICES EMPLOYEES LOCATED WHO**  
24 **PERFORM SERVICES FOR TNMP?**

25 **A.** The majority of the employees of PNMR Services are located in Albuquerque, New  
26 Mexico and Lewisville, Texas. Various smaller offices are located elsewhere in  
27 New Mexico and Texas. Shared services for TNMP are largely provided out of the  
28 Albuquerque and Lewisville locations.

29 **Q. ARE THERE ADVANTAGES THAT RESULT FROM TNMP'S RECEIPT OF**  
30 **CENTRALIZED SUPPORT SERVICES?**

1 **A.** Yes. Centralized support services create economies of scale. Therefore, common  
2 services that are shared between operating companies can be provided more  
3 efficiently than if they were provided to one group only. Centralization also reduces  
4 the potential for duplication of resources and efforts between various operating  
5 companies. This structure also allows each operating unit to utilize shared  
6 hardware and software and not be required to purchase stand-alone systems.

7 **Q. PLEASE PROVIDE A HISTORY OF PNMR SERVICES COMPANY.**

8 **A.** PNM Resources was formed in December 2001 as a holding company, which at  
9 that time held PNM, an electric and gas utility in New Mexico. When PNM  
10 Resources was formed, those employees who had been performing shared  
11 functions at PNM were moved to the holding company. In January 2005, PNM  
12 Resources incorporated a formal shared services company, PNMR Services, and  
13 registered under the Public Utility Holding Company Act. Correspondingly, the  
14 employees performing shared services were transferred into PNMR Services. In  
15 June of 2005, PNM Resources acquired TNP Enterprises, Inc., a Texas  
16 corporation and the holding company for TNMP and First Choice Power, a Texas  
17 retail electric provider. TNMP service company staff was transferred to PNMR  
18 Services during 2006 to centralize staff in the service company departments and  
19 eliminate duplication of jobs. In January 2007, PNM Resources and ECJV  
20 Holdings, LLC ("ECJV"), created Optim Energy, a 50/50 joint venture, to which  
21 PNMR Services provided shared services. In January 2009, PNM sold the New  
22 Mexico gas operations and PNMR Services stopped providing shared services  
23 after a transition agreement with the new owner of the gas operations was  
24 terminated. In November 2011, PNM Resources sold First Choice Power and  
25 PNMR Services stopped providing shared services to the company. In January  
26 2012, PNM Resources ownership interest in Optim Energy was acquired by ECJV  
27 and PNMR Services stopped providing shared services to the company. PNMR  
28 Resources changed its name to TXNM Energy, Inc. (NYSE: TXNM) on August 2,  
29 2024. There were no significant structural or organizational impacts to the  
30 company associated with the name change. All outstanding shares of PNMR

1 became TXNM shares, and shareholders were not required to take any action as  
2 a result of the name change.

3 **Q. WHAT ENTITIES DOES PNMR SERVICES PERFORM SERVICES FOR?**

4 **A.** PNMR Services provides shared services to TXNM Energy and all of TXNM  
5 Energy business units including TNMP and PNM. Each of these entities received  
6 services from PNMR Services during the Test Year. The services were billed on  
7 a monthly basis at cost. The costs were assigned to the entities receiving services  
8 based on the methodology outlined in the Cost Allocation Manual (“CAM”) used by  
9 PNMR Services and included here as Exhibit EJM-3 and EJM-4.

10 **V. OVERALL AFFILIATE COST LEVELS AND COST TRENDS**

11 **Q. HAVE YOU PROVIDED COST TREND DATA FOR PNMR SERVICES**  
12 **COMPANY?**

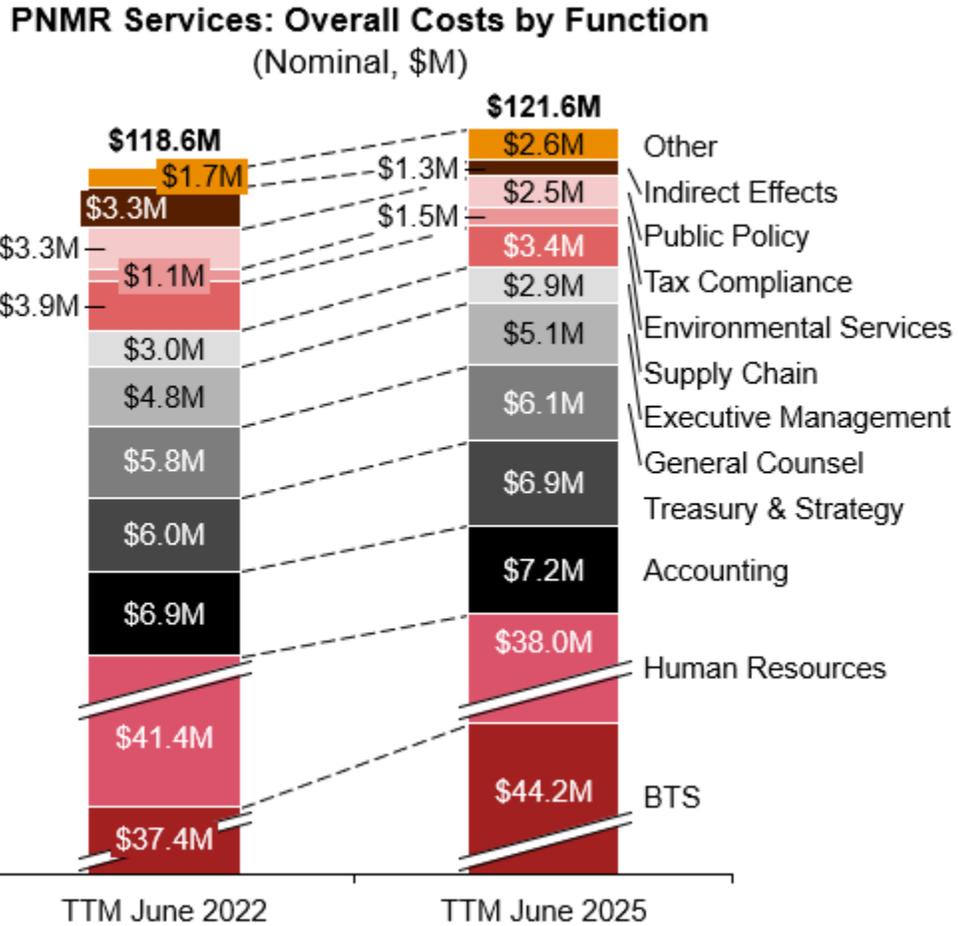
13 **A.** Yes, cost trend data for PNMR Services has been provided, comparing total  
14 adjusted PNMR Services affiliate costs for the trailing twelve months ended June  
15 2022 (“TTM June 2022”) and the Test Year. These same comparisons have been  
16 provided for the affiliate costs billed to TNMP. The witnesses supporting each  
17 service category provide trend data for that service category. The trend data is  
18 provided in several formats, such as by cost type or category and by cost  
19 assignment methodology.

20 **Q. WHAT ARE THE TOTAL ADJUSTED AFFILIATE COSTS FOR PNMR**  
21 **SERVICES DURING THE TEST YEAR AND WHAT HAS BEEN THE TREND IN**  
22 **THESE COSTS COMPARED TO TTM JUNE 2022?**

23 **A.** The total adjusted PNMR Services costs are \$121.6 million during the Test Year  
24 compared to \$118.6 million TTM June 2022. From TTM June 2022, total adjusted  
25 PNMR Services affiliate costs increased by \$3.0 million. Table 4 below illustrates  
26 the differences by function and Table 5 illustrates the differences by cost type  
27 between the two periods.

1

**TABLE 4: PNMR SERVICES COST BY FUNCTIONS**



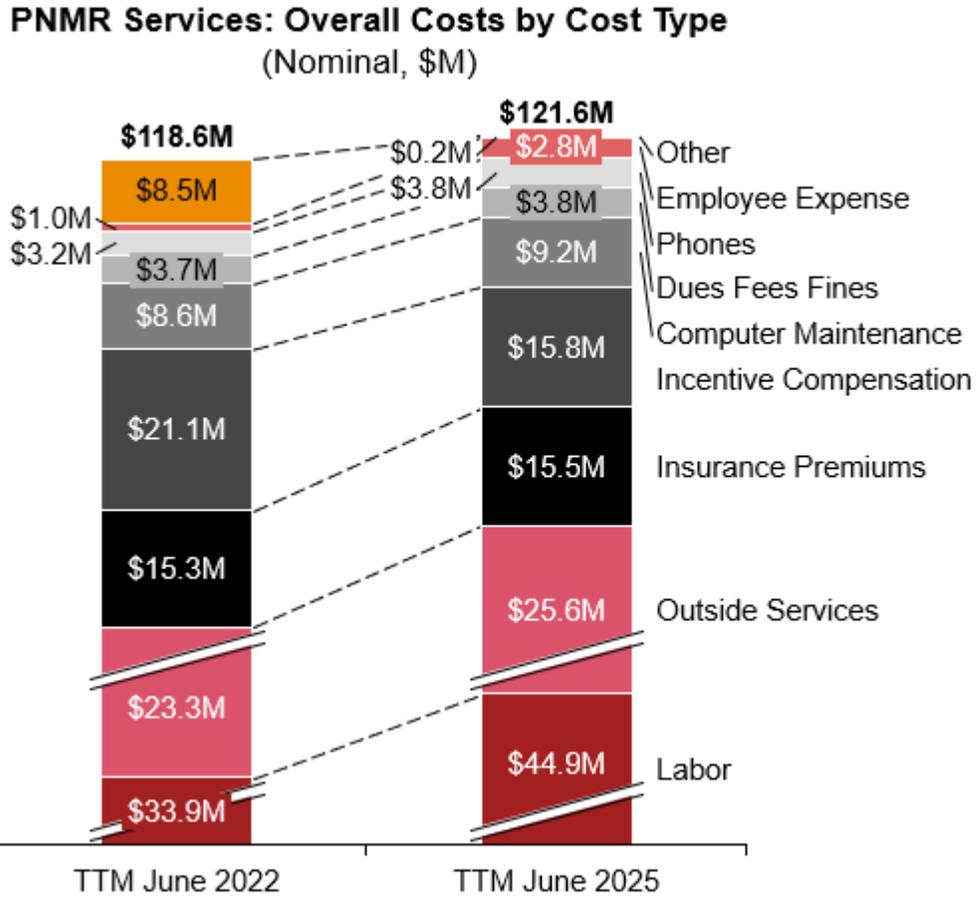
2

3 **Q. PLEASE EXPLAIN THE VARIATION IN OVERALL PNMR SERVICES COSTS.**

4 **A.** The overall increase in total adjusted PNMR Services costs from TTM June 2022  
 5 to the Test Year is driven primarily by increases in BTS and Treasury & Strategy  
 6 which is partially offset by decreases in Human Resources, Public Policy, and  
 7 Indirect Effects. The specific cost drivers for changes in each class of service are  
 8 addressed by the individual witnesses listed in Table 1 above. Cost changes by  
 9 cost type are shown below.

1

**TABLE 5: PNMR SERVICES COST BY COST TYPE**



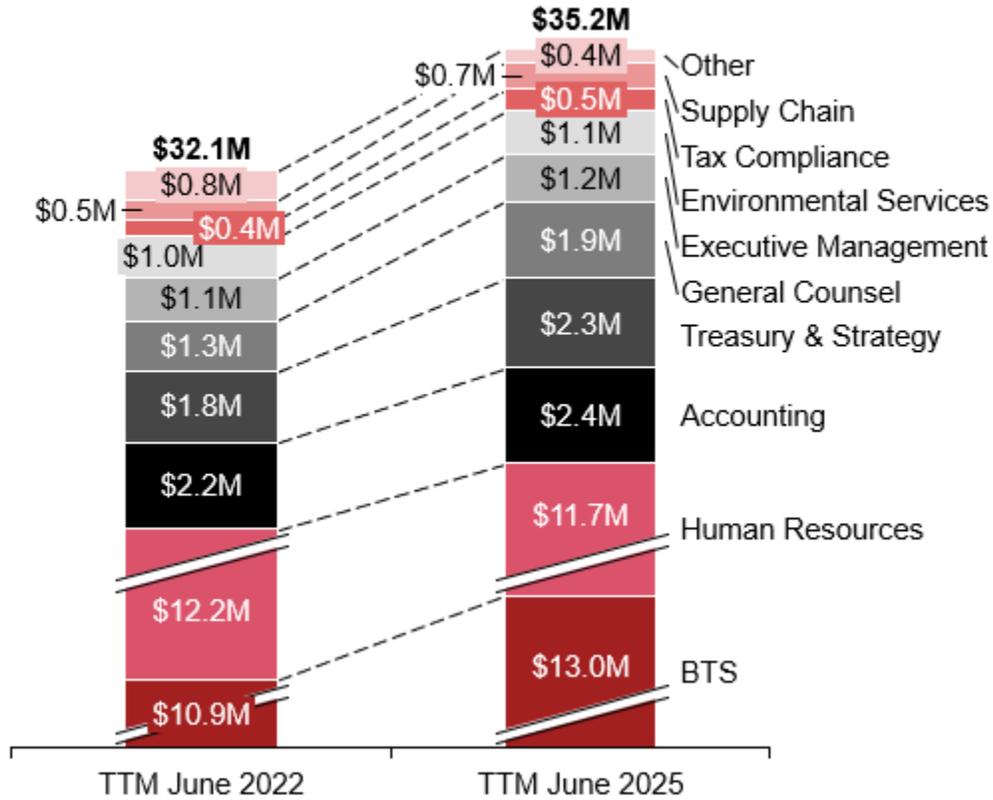
2

3 **Q. WHAT ARE THE TOTAL ADJUSTED AFFILIATE COSTS CHARGED TO TNMP**  
 4 **IN THE TEST YEAR AND WHAT HAS BEEN THE TREND IN THESE COSTS**  
 5 **COMPARED TO TTM JUNE 2022?**

6 **A.** The total adjusted Test Year costs that PNMR Services billed to TNMP are \$35.2  
 7 million compared to \$32.1 million for TTM June 2022. From TTM June 2022 to the  
 8 Test Year, adjusted PNMR Services affiliate costs charged to TNMP increased by  
 9 \$3.1 million. The figure below shows the TNMP billings from TTM June 2022 to  
 10 the Test Year by function.

1 **TABLE 6: PNMR SERVICES COSTS BILLED TO TNMP BY FUNCTION**

**TNMP Allocations: Overall Costs by Function**  
(Nominal, \$M)



2

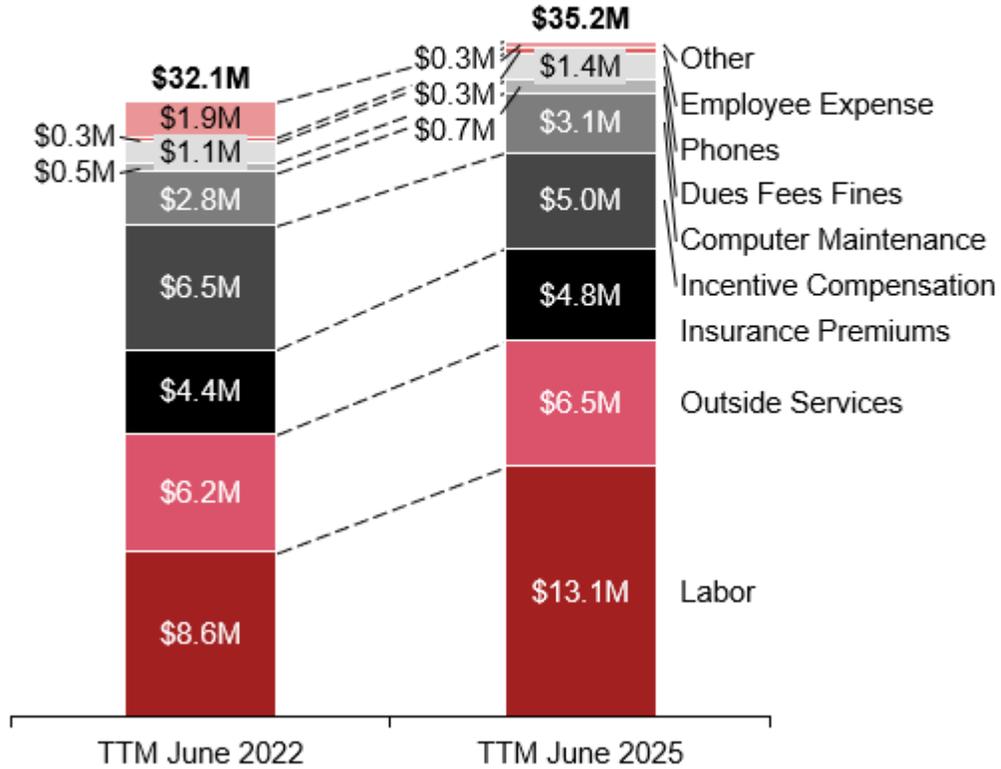
3 **Q. PLEASE EXPLAIN THE VARIATION IN SERVICE COMPANY COSTS**  
 4 **CHARGED TO TNMP.**

5 **A.** The overall increase in TNMP billings from TTM June 2022 to the Test Year is  
 6 primarily driven by increases in BTS, General Counsel, and Treasury and Strategy  
 7 partially offset by decreases in Human Resources and Indirect Effects. The  
 8 specific cost drivers for changes in each of class of service will be discussed by  
 9 each service category witness as shown in Table 1 above. The changes in TNMP  
 10 billings by cost type is shown below.

11

1 **TABLE 7: PNMR SERVICES COSTS BILLED TO TNMP BY COST TYPE**

**TNMP Allocations: Overall Costs by Cost Type**  
(Nominal, \$M)



2

3 **VI. COST MANAGEMENT AND CONTROLS**

4 **Q. DISCUSS HOW PNMR EMPLOYS BUDGETING, PLANNING, COST REVIEW**  
 5 **AND REPORTING TO CONTROL ITS CHARGES TO THE OPERATING**  
 6 **COMPANIES.**

7 **A.** The overall PNMR Services budgeting process consists of the long range plan  
 8 (“LRP”) and budgeting processes. These processes are updated annually and  
 9 culminate with the approval by the TXNM Energy Board of Directors of the Annual  
 10 Operating Plan (“AOP”) each year. The budgeting process is a major aspect in  
 11 how PNMR Services sets and controls costs. The budgeting cycle follows both a  
 12 top down and a bottoms up approach. Top down goals are developed in the LRP,  
 13 which is reviewed by Senior Management, including the Executive Policy  
 14 Committee (“EPC”). The EPC is composed of TXNM Energy’s Executive Chair;

1 President and Chief Executive Officer (“CEO”); General Counsel, Senior Vice  
2 President Regulatory & Public Policy and Corporate Secretary; Senior Vice  
3 President & Chief Financial Officer (“CFO”); and Senior Vice President, Corporate  
4 Services. Based on the LRP, budget guidance is developed during the AOP  
5 process and provided to the business units. Each business unit, including PNMR  
6 Services and TNMP, develops bottoms up budgets based on the guidance. These  
7 annual budgets are prepared at the Federal Energy Regulatory Commission  
8 (“FERC”) account (account), departmental (home center), cost category (cost type)  
9 and allocation assignment methodology (location) level. After the annual budgets  
10 are approved and implemented, monthly budget-to-actual detailed variance  
11 reports are distributed to departmental managers in PNMR Services to facilitate  
12 cost control. PNMR Services groups also participate in periodic reforecasts where  
13 expenditures to date are reviewed and the budgets for the remainder of the year  
14 are revalidated.

15 **Q. WHAT MANAGEMENT OVERSIGHT AND CONTROLS EXIST TO ENSURE**  
16 **THE COSTS ARE APPROPRIATELY BILLED TO THE PROPER AFFILIATE?**

17 **A.** TXNM Energy ensures that costs are appropriately billed to the proper affiliate  
18 through the following types of management oversight and controls:

19 **Shared Services Department Budgeting and Review Process:** The Corporate  
20 Accounting group works closely with the budget team and individual department  
21 budget coordinators during the budget process to define appropriate cost  
22 assignment methodologies by department per the CAM. Corporate Accounting  
23 provides all shared services departmental budget coordinators with training and  
24 reference materials regarding appropriate charging. Monthly reporting at detailed  
25 levels allows PNMR Services departments to review actual costs compared to  
26 budget to ensure they are meeting cost targets.

27 **Operating Company Budget Reviews:** Department level budget-to-actual  
28 reports on PNMR Services billings are presented to the operating company senior  
29 managers every month by the internal reporting group. This monthly reporting on  
30 departmental cost levels allows operating units to have visibility into the variance

1 of actual vs. budget costs billed from PNMR Services. The operating companies  
2 review and discuss any concerns with service company billings with the Corporate  
3 Accounting department.

4 **Variance Reconciliation:** The Corporate Accounting department reviews the  
5 service company charges on a monthly basis and identifies material variances  
6 between actuals and budgets. Variances are explained and discussed during the  
7 monthly accounting management financial statement review process. These  
8 variances are then communicated through internal reporting and included in the  
9 monthly reports delivered to senior management of the operating companies.

10 **Detailed Management Review of Services Invoices:** Detailed services invoices  
11 are sent to business unit managers and periodic meetings are held as determined  
12 necessary to review the services invoices in detail and to discuss any issues  
13 related to those billings.

14 **Q. PLEASE DISCUSS THE AUDIT AND REPORTING OVERSIGHT OF THE PNMR**  
15 **SERVICES BILLING PROCESS.**

16 **A.** Internal audits of the cost assignment and billing processes are periodically  
17 conducted. During these audits, compliance with the methodology outlined in the  
18 CAM is reviewed.

19 **Q. WHAT OTHER FORMS OF OVERSIGHT HAS PNM RESOURCES BEEN**  
20 **SUBJECT TO REGARDING AFFILIATE COSTS?**

21 **A.** TXNM Energy has a history of affiliated cost transaction oversight with parties  
22 within the New Mexico jurisdiction. A formal CAM was initially developed in 2002  
23 with NMPRC staff and other interested parties such as the New Mexico Attorney  
24 General's office and several interveners from previous rate cases filed in New  
25 Mexico. The CAM is updated annually and filed with the NMPRC by TNMP's sister  
26 utility PNM.<sup>1</sup> The CAM identifies the method of allocating PNMR Services costs  
27 for charging affiliates, including TNMP. Please see Section IX of my testimony for  
28 further discussion on the CAM.

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<sup>1</sup> The updated CAM is filed as a notification with the NMPRC. The CAM was filed in TNMP's prior rate case and the updated 2024 CAM and 2025 CAM covering the Test Year is being filed in this case as Exhibit EJL-3 and EJL-4.

1 **Q. HAS PNMR SERVICES CONTINUED TO UPDATE THE CAM?**

2 **A.** Yes as mentioned above, PNMR Services has updated the CAM on an annual basis  
3 or when material changes require an update. As the annual CAM update is prepared,  
4 the Corporate Accounting team communicates with each department to validate that  
5 the departmental list of services provided is up to date as well as to determine if any  
6 cost assignment methodologies need to change. During this time, training needs for  
7 departments are assessed and departments are reminded of appropriate charging  
8 and refreshed about online resources available to them regarding shared services  
9 cost assignment charging.

10 **Q. DOES PNMR SERVICES HAVE OTHER INITIATIVES TO IMPROVE OR**  
11 **ENHANCE THE SERVICE COMPANY BILLS TO AFFILIATES?**

12 **A.** Yes, Corporate Accounting has also implemented systematic validations that  
13 prevent inappropriate charging by PNMR Services departments as they record  
14 time and expenses. Systematic validations are periodically reassessed for new  
15 validations needed. Corporate Accounting also initiates communications  
16 periodically within PNMR Services to continue to reinforce appropriate charging  
17 and remind departments of resources available to support them.

18 **Q. WHAT PROCESSES ARE EMPLOYED TO ENSURE THAT SERVICE**  
19 **COMPANY CHARGES INCURRED BY OR ON BEHALF OF THE OPERATING**  
20 **COMPANY ARE REASONABLE?**

21 **A.** As I mentioned above, PNMR Services functions, the Accounting department, and  
22 the operating companies conduct budget-to-actual variance reviews to ensure that  
23 the service company costs charges are reasonable. Where appropriate,  
24 benchmarking studies are used to ensure costs are in line with industry peers.

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

26 **A.** Short-term incentive programs for PNMR Services groups link workgroup O&M  
27 targets with incentive pay. Bonus plan goals include an O&M expense budget  
28 metric. Bonus levels can increase if groups achieve budgeted expense levels as  
29 well as decrease if workgroups exceed budgeted expense levels. Therefore,  
30 workgroups must carefully monitor their budgets in order for their employees to be

1 eligible for bonuses. If targets are not met, then bonuses are not paid according  
2 to plan.

3 **Q. ONCE BUDGETS ARE IN PLACE, WHAT ADDITIONAL COST MONITORING**  
4 **OCCURS?**

5 **A.** In addition to the monthly budget variance processes mentioned previously, PNMR  
6 Services also participates in a quarterly reforecast processes where costs are  
7 examined and re-substantiated for the remainder of the year.

8 **VII. STANDARDS GOVERNING THE RECOVERY OF AFFILIATE COSTS**

9 **Q. ARE AFFILIATE EXPENSES ADDRESSED IN PURA?**

10 **A.** Yes, affiliate expenses are addressed in PURA Section 36.058. This section  
11 relates to the consideration of payment to affiliates and was amended by the Texas  
12 Legislature during the 2005 legislative session. An electric utility may include in  
13 its revenue requirement payments to affiliates that meet the requirements of  
14 Section 36.058(b). Section 36.058(b) allows the recovery of affiliate payments  
15 “only to the extent that the regulatory authority finds the payment is reasonable  
16 and necessary for each item or class of items as determined by the commission.”  
17 Additionally, Section 36.058(c) requires that the Commission finds that the “price  
18 to the electric utility is not higher than the prices charged by the supplying affiliate  
19 for the same item or class of items” to other affiliates or to non-affiliated persons.  
20 The requirements of PURA Section 36.058 apply to TNMP payments to PNMR  
21 Services for services provided and billed to TNMP.

22 **Q. WHAT STANDARDS ARE USED BY THE PUBLIC UTILITY COMMISSION OF**  
23 **TEXAS TO ASCERTAIN THE REASONABLENESS OF AFFILIATE**  
24 **EXPENSES?**

25 **A.** In addition to the standards referenced in the preceding answer, PURA § 36.058(f)  
26 states “If the regulatory authority finds that an affiliate expense for the Test Year is  
27 unreasonable, the regulatory authority shall: (1) determine the reasonable level of  
28 the expense; and (2) include that expense in determining the electric utility’s cost  
29 of service.”

1 **Q. DOES THE PUBLIC UTILITY COMMISSION OF TEXAS ALSO HAVE RULES**  
2 **PERTINENT TO THE REVIEW OF AFFILIATE TRANSACTIONS?**

3 **A.** Yes, 16 Tex. Admin. Code (“TAC”) § 25.272 discusses the code of conduct with  
4 which electric utilities and their affiliates must comply. 16 TAC § 25.272(e)(1)  
5 states,

6 In accordance with PURA and the commission’s rules, a utility and  
7 its affiliates shall fully allocate costs for any shared services,  
8 including corporate support services, offices, property, equipment,  
9 computer systems, information systems, and any other shared  
10 assets, services, or products.

11 **Q. HOW ARE CORPORATE SUPPORT SERVICES DEFINED IN THE**  
12 **SUBSTANTIVE RULES?**

13 **A.** 16 TAC § 25.272(c)(4) defines corporate support as those “joint corporate  
14 oversight, governance, support systems and personnel,” “shared by a utility, its  
15 parent holding company, or a separate affiliate created to perform corporate  
16 support services...” PNMR Services is such an affiliate. This section of the rule  
17 further provides examples of the types of support services that may be shared,  
18 including accounting, human resources, procurement, information technology,  
19 regulatory services, legal services, environmental services, research and  
20 development, internal audit, community relations, and corporate services, among  
21 others. The services that PNMR Services provides to TNMP are the same types  
22 of services referenced in 16 TAC § 25.272(c)(4).

23 **Q. DO THE AFFILIATE COSTS INCLUDED IN TNMP'S REVENUE**  
24 **REQUIREMENTS COMPLY WITH APPLICABLE STANDARDS IN TEXAS**  
25 **STATUTES AND RULES?**

26 **A.** Yes, they do. In this rate case, I, along with additional witnesses, will present the  
27 costs for each affiliate class as well as show that the costs are reasonable and  
28 necessary and in keeping with all applicable requirements of PURA and 16 TAC §  
29 25.272.

1 **VIII. PNMR SERVICES ACCOUNTING AND BILLING PROCESS**

2 **1. Chart of Accounts**

3 **Q. HOW DOES PNMR SERVICES TRACK COSTS WITHIN THE ACCOUNTING**  
4 **SYSTEMS FOR PROPER ASSIGNMENT TO AFFILIATES?**

5 **A.** PNMR Services uses the following chart of account components to track costs and  
6 assign allocation methods to appropriately bill affiliates: Business Unit, Operating  
7 Unit, FERC account, Location, Cost Type and Home Center.

8 **2. Business Entities and Operating Units**

9 **Q. WHAT ARE BUSINESS UNITS AND OPERATING UNITS? HOW DO THEY**  
10 **RELATE TO THE BILLING PROCESS?**

11 **A.** PNMR Services uses Business Units and Operating Units for the billing process.  
12 Each Business Unit can have one or more Operating Units associated with it that  
13 allows for the functionalization of costs by operational unit. For example, PNMR  
14 Services, PNM and TNMP are all Business Units.

15 Operating Units facilitate regulatory requirements and allow for the  
16 functionalization of costs by operational unit. Each Operating Unit is associated  
17 with a Business Unit and represented by a Company Number, such as 012 for  
18 TNMP or 007 for PNMR Services.

19 Business unit and operating unit numbers are used in the billing process to identify  
20 the billing company as well as the benefiting company. The chart below shows the  
21 key Business Units and the Operating Units for companies that report through  
22 them. The TNMP business unit includes only one operating unit, also identified as  
23 TNMP.

**Table 8: Organization of Business Entities and Operating Units**

Business Unit	Business Segment Name	Operating Unit	Operating Unit Name
00006	PNM	001	PNM Electric Service
00006	PNM	002	PNM Electric Transmission Service
00006	PNM	003	Generation
00006	PNM	006	PNM
00007	Corporate and Other	007	PNMR Services
00008	Corporate and Other	008	TXNM Energy
00012	TNMP	012	TNMP

**3. FERC Accounts**

**Q. HOW DOES PNMR SERVICES USE FERC ACCOUNTS IN THE AFFILIATE BILLING PROCESS?**

**A.** PNMR Services uses the chart of accounts prescribed by the Uniform System of Accounts in the Code of Federal Regulations to record financial transactions.

**4. Location**

**Q. WHAT DOES THE LOCATION COMPONENT REPRESENT AND HOW IS IT USED IN THE PNMR SERVICES AFFILIATE BILLING PROCESS?**

**A.** The Location component in the PNMR Services chart of accounts represents the cost allocation methodology. All PNMR Services financial transactions have an associated location, which in turn, has an allocation methodology associated with it.

**5. Cost Type**

**Q. HOW IS THE COST TYPE COMPONENT USED BY PNMR SERVICES?**

**A.** Cost type represents a more granular level of expense type within the chart of accounts and describes the type of resource being used. For example, there are distinct cost types for items such as straight time labor, over time labor, donations, dues, etc.

**6. Home Centers**

**Q. WHAT IS A HOME CENTER CODE AND HOW DOES IT RELATE TO THE AFFILIATE BILLING PROCESS?**

**A.** The home center component identifies the organizational unit or department responsible for providing certain services and managing a specific set of costs.

1 Costs are either directly charged or allocated to the Operating Units from PNMR  
2 Services at a home center level using the Location code. Most home centers  
3 correspond directly to an organizational department. There are a few home  
4 centers that only serve as cost centers and have no associated organizational  
5 structure. These are called "Indirect Effects." They are primarily used for  
6 accounting adjustment purposes, tracking non-recurring costs, depreciation and  
7 amortization expenses, and recording overhead loads such as time off allowances  
8 accruals or vacation accrual costs. Home center is the level at which PNMR  
9 Services manages actual costs as compared to budgeted costs. The monthly  
10 budget-to-actual variance reports are produced at the home center level. Home  
11 centers are also the primary indicator in the services provided by PNMR Services.  
12 The CAMs filed as Exhibit EJL-3 and EJL-4 outline services provided by each  
13 home center included in PNMR Services.

14 **Q. TO WHICH AFFILIATES ARE PNMR SERVICES COSTS BILLED TO?**

15 **A.** PNMR Services directly charges and allocates costs to all the Operating Units.

16 **Q. HOW ARE INTER-COMPANY TRANSACTIONS BILLED BETWEEN THE  
17 VARIOUS OPERATING COMPANIES?**

18 **A.** Transactions between business units are billed based on service agreements,  
19 which govern the relationship between operating affiliates and the terms under  
20 which their respective transactions are handled. For example, the service  
21 agreement covering affiliate transactions between PNM and TNMP lists the agreed  
22 upon services that will be provided between the two business units. See Exhibit  
23 EJL-2 referenced above. The service agreements specifically address that costs  
24 billed to affiliates for services are at cost and not marked up, and are signed by the  
25 President and Vice Presidents of the business units.

26 **Q. HOW DOES THE ACCOUNTING SYSTEM AND BILLING PROCESS ENSURE  
27 THAT PNM RESOURCES' CHARGES TO TNMP ARE NO HIGHER THAN THE  
28 CHARGES TO OTHER AFFILIATES FOR THE SAME OR SIMILAR SERVICES,  
29 AND THAT THE CHARGES REASONABLY APPROXIMATE THE ACTUAL  
30 COST OF PROVIDING THE SERVICE TO TNMP?**

1 **A.** The accounting system at TXNM Energy is configured such that PNMR Services'  
2 actual costs are allocated. No mark up or additional calculations are systematically  
3 applied to costs; the costs are simply assigned to affiliates using the allocation  
4 methodology associated with the location code applied to the costs. The  
5 Corporate Accounting Department performs certain controls on a monthly basis,  
6 verifying the results of shared services allocations to ensure all costs are  
7 appropriately allocated.

8 **Q. DO THE SAME PNMR SERVICES BILLING PROCESSES THAT APPLY TO**  
9 **THE EXPENSES ALSO APPLY TO THE CAPITAL COSTS BILLED BY PNMR**  
10 **SERVICES?**

11 **A.** PNMR Services' capital projects, such as common buildings or software systems,  
12 are billed to affiliates via monthly depreciation and amortization expense. The  
13 assignment of the depreciation and amortization expense to affiliates is handled in  
14 the same manner as all other costs.

15 **IX. PNMR SERVICES COST ALLOCATION PROCESS**

16 **1. Cost Allocation Factors**

17 **Q. WHAT ALLOCATION FACTORS ARE USED AND HOW ARE THEY USED BY**  
18 **PNMR SERVICES TO BILL ITS AFFILIATES?**

19 **A.** PNMR Services has a number of cost assignment factors (drivers) used to bill its  
20 affiliates. Several factors are available to directly assign (100% allocate) costs to  
21 operating units. The remaining cost assignment factors are used to allocate costs  
22 to the beneficiary companies based on the type of services performed and the  
23 primary cost drivers. This allows for the most cost causative factors to drive the  
24 allocation of costs. Schedule V-K-11 shows the allocation driver of each allocation  
25 factor used to bill the operating companies and V-K-12 shows the PNMR Services  
26 allocation of cost to each affiliate company during the Test Year.

27 **Q. PLEASE GENERALLY DESCRIBE THE ALLOCATION FACTORS.**

28 **A.** PNMR Services groups its allocation factors into three allocation categories: (1)  
29 Direct, (2) Transactional, and (3) General. The Direct allocation codes directly  
30 charge each operating unit for PNMR Services' costs. These direct codes are

1 selected when there is only one benefiting operating unit associated with a cost.  
2 The Transactional category utilizes appropriate cost drivers to allocate costs to the  
3 appropriate operating companies based on the nature of the transactional activity.  
4 For example, costs associated with financial services are allocated based upon  
5 the number of financial transactions in the accounting system initiated by each  
6 operating company. The General allocation codes are used for costs that cannot  
7 be directly charged or do not have a direct causative cost driver that makes use of  
8 a transactional factor appropriate. A Massachusetts method is used as a general  
9 allocation factor for costs that are appropriate to distribute across the regulated  
10 utilities within TXNM Energy (currently PNM and TNMP). This formula utilizes an  
11 average of three ratios (employee headcount, gross margin, and net plant).

12 Schedule V-K-11 shows all of the allocation factors used as illustrated in the CAM  
13 shown in Exhibit EJL-3 and EJL-4.

14 **Q. WHAT TYPES OF CONSIDERATIONS GO INTO CHOOSING A COST**  
15 **ALLOCATION METHODOLOGY?**

16 **A.** As outlined in PNMR Services' CAM, the following criteria are considered when  
17 choosing an allocation factor.

18 Cost-causative: the distribution method should represent the relationship between  
19 the cause for the expense being incurred and the effect that the activity (and its  
20 associated cost) has on the operations of the benefiting business unit.

21 Measurable: the distribution method should be derived from operational or financial  
22 data, which is subject to internal accounting controls and independently auditable.

23 Objective: the ability to influence the outcome of the distribution of any costs that  
24 cannot be directly linked to a specific business unit must be avoided. The method  
25 should reflect the causative nature of the incurred costs, with no intrinsic bias  
26 towards any business unit.

27 Stable and predictable: the distribution method should not produce inherent  
28 variations in the distribution of costs, which are not related to fundamental changes  
29 in the service level provided.

1 Consistently applicable: The amounts distributed to any one business unit should  
2 be no higher than those charged to any other business unit on a per-unit basis.  
3 The cost per unit should be the same for all users of that particular service.

## 4 **2. Cost Allocation Methodology**

5 **Q. WHAT SHOULD BE THE OBJECTIVE OF AN ALLOCATION METHOD?**

6 **A.** The allocation process allows the company to assign all expenses incurred for  
7 shared services to the operating units that receive the benefits of the activity that  
8 resulted in the costs. The dollar amount that gets billed to a particular business  
9 unit is based on an allocation rate that is calculated annually and remains in effect  
10 for the entire calendar year unless a material change in business structure  
11 warrants a change.

12 The primary objective of the allocation method is to provide a comprehensive cost  
13 assignment framework that has been designed to properly record costs for the  
14 various business activities. Allocation rates are based on cost drivers and  
15 examples include employee headcount, customer count, number of assets and  
16 number of invoices processed. Allocation rates are generally calculated during the  
17 third quarter of the year before they go into effect so that the updated rates can be  
18 used in the budgeting process. These rates represent the best information  
19 available at the time and are subject to change.

20 **Q. CAN ALL COSTS BE CHARGED DIRECTLY TO EACH COMPANY, INSTEAD  
21 OF ALLOCATED THROUGH A FACTOR?**

22 **A.** No, while direct billing to the operating company is employed to the maximum  
23 reasonable extent, certain costs are shared by more than one business unit and  
24 need to be allocated through an allocation factor. The activity of the costs  
25 determines whether costs should be allocated or directly billed to the operating  
26 companies. Certain activities, such as structuring employee compensation,  
27 benefit more than one operating company. Therefore, the cost should be allocated  
28 among the multiple beneficiaries.

**3. Allocation of PNMR Services Costs**

**Q. PLEASE SUMMARIZE THE PNMR SERVICES BILLINGS TO TNMP DURING THE TEST YEAR BASED ON THE ALLOCATION FACTORS USED.**

**A.** The table below shows the PNMR Service Company billings to TNMP by allocation methodology or allocation factor for TTM June 2022 and the Test Year.

**TABLE 9: PNMR SERVICE COSTS BILLED TO TNMP BY ALLOCATION METHOD**

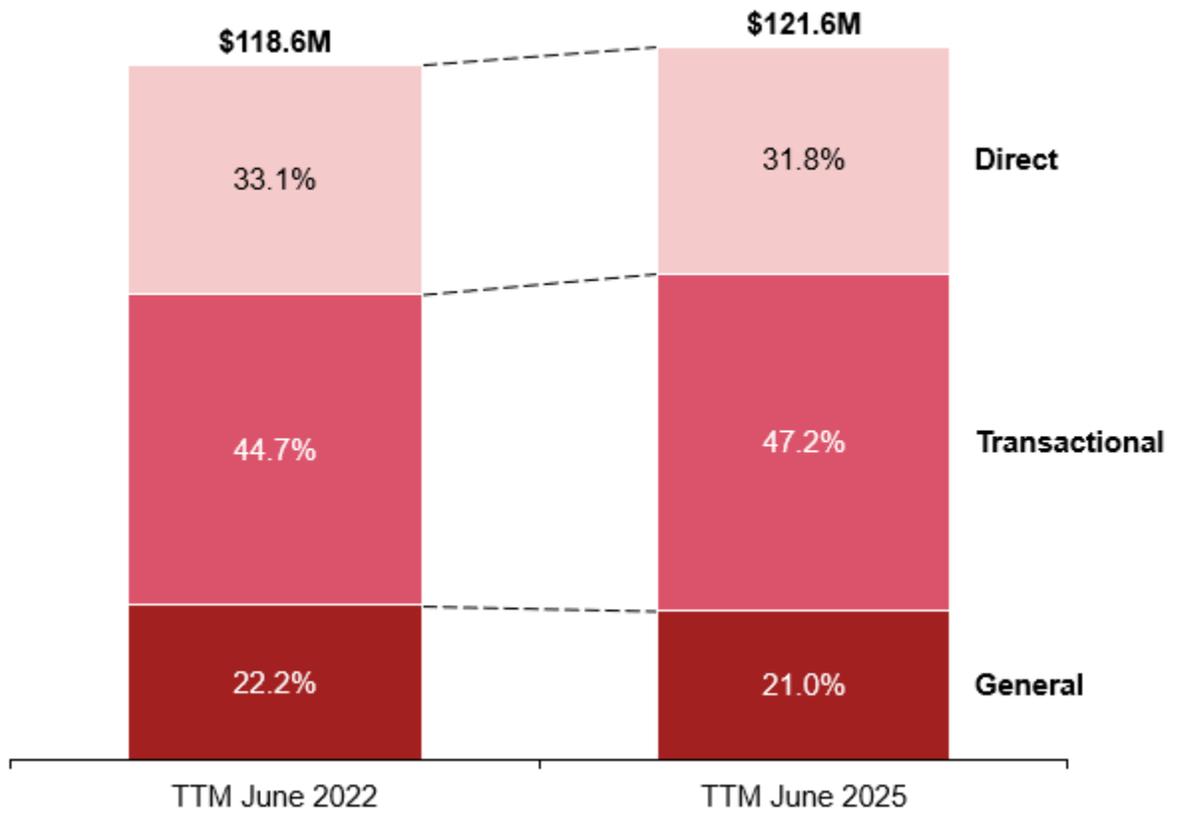
Allocation Type	Allocation Driver	TTM June 2022	TTM June 2025	Difference
Direct	TNMP – Texas	\$11,841,378	\$11,832,580	-\$8,797
<b>Direct Total</b>		<b>\$11,841,378</b>	<b>\$11,832,580</b>	<b>-\$8,797</b>
Transactional	Number of General Ledger Transactions	\$3,143,563	\$3,083,099	-\$60,464
	Number of Invoices processed in Accounts Payable	\$220,286	\$170,648	-\$49,637
	Number of Depreciable Assets	\$161,204	\$268,234	\$107,030
	Number of Network ID's	\$5,649,126	\$6,363,306	\$714,180
	Number of Occupied Square Footage	\$620,931	\$760,884	\$139,953
	Number of Maximo transactions	\$307,949	\$102,157	-\$205,793
	Employee Headcount	\$4,893,191	\$6,177,117	\$1,283,926
<b>Transactional Total</b>		<b>\$14,996,250</b>	<b>\$16,925,445</b>	<b>\$1,929,195</b>
General	MMF - Employee Headcount, Gross Margin, Net Plant.	\$5,288,175	\$6,474,695	\$1,186,520
<b>General Total</b>		<b>\$5,288,175</b>	<b>\$6,474,695</b>	<b>\$1,186,520</b>
<b>Grand Total</b>		<b>\$32,125,803</b>	<b>\$35,232,720</b>	<b>\$3,106,917</b>

**Q. WHAT PERCENTAGE OF AFFILIATE EXPENSES THAT YOU ARE DISCUSSING IS “DIRECT” BILLED VERSUS COSTS THAT ARE “ALLOCATED” TO THE OPERATING COMPANIES AND TO TNMP SPECIFICALLY?**

**A.** As shown in Table 10 and Table 11 below, for the Test Year, approximately 31.8% of overall affiliate expenses were directly allocated to the operating companies while approximately 47.2% of costs were allocated under the transactional allocation method. Approximately 21.0% of costs were generally allocated. For PNMR Services affiliate costs billed to TNMP, approximately 33.6% was directly allocated and approximately 48.0% was allocated under the transactional method. Approximately 18.4% of costs were generally allocated to TNMP.

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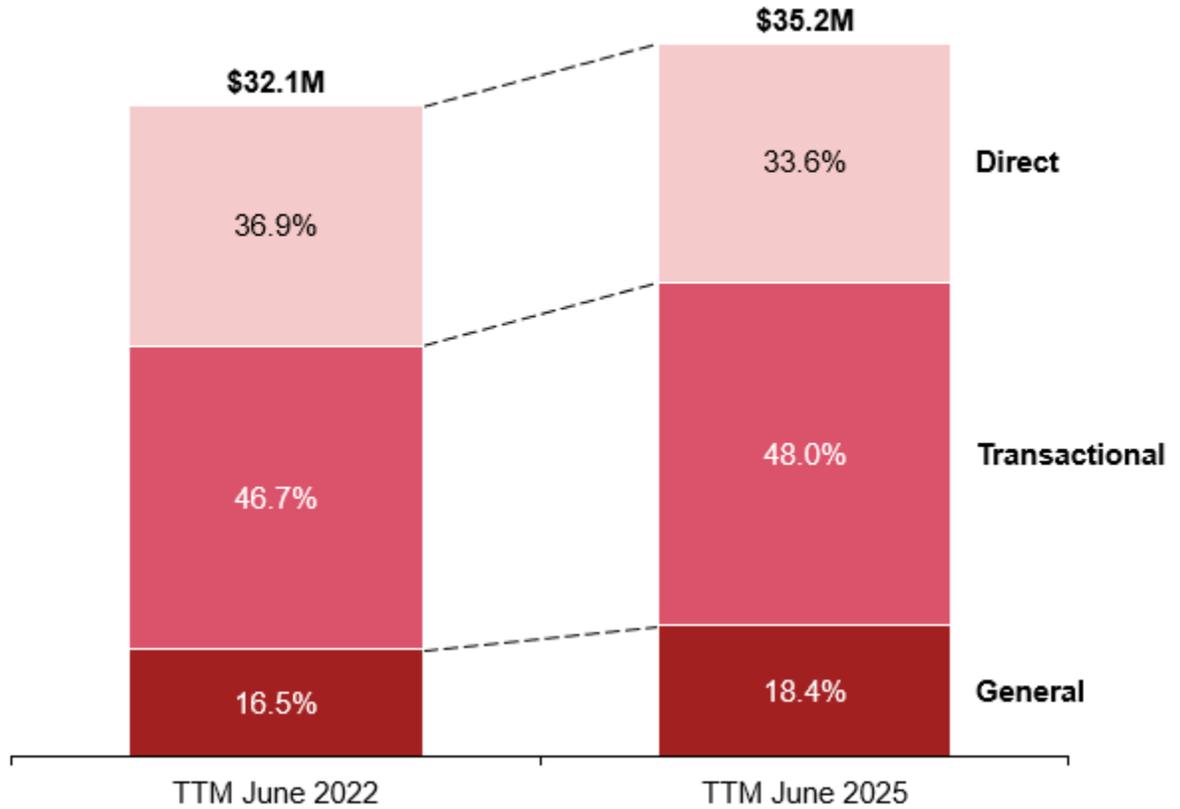
**TABLE 10: PNMR SERVICES BILLINGS ALLOCATION TRENDS**



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**TABLE 11: PNMR SERVICES BILLINGS TO TNMP BILLINGS ALLOCATION TRENDS**

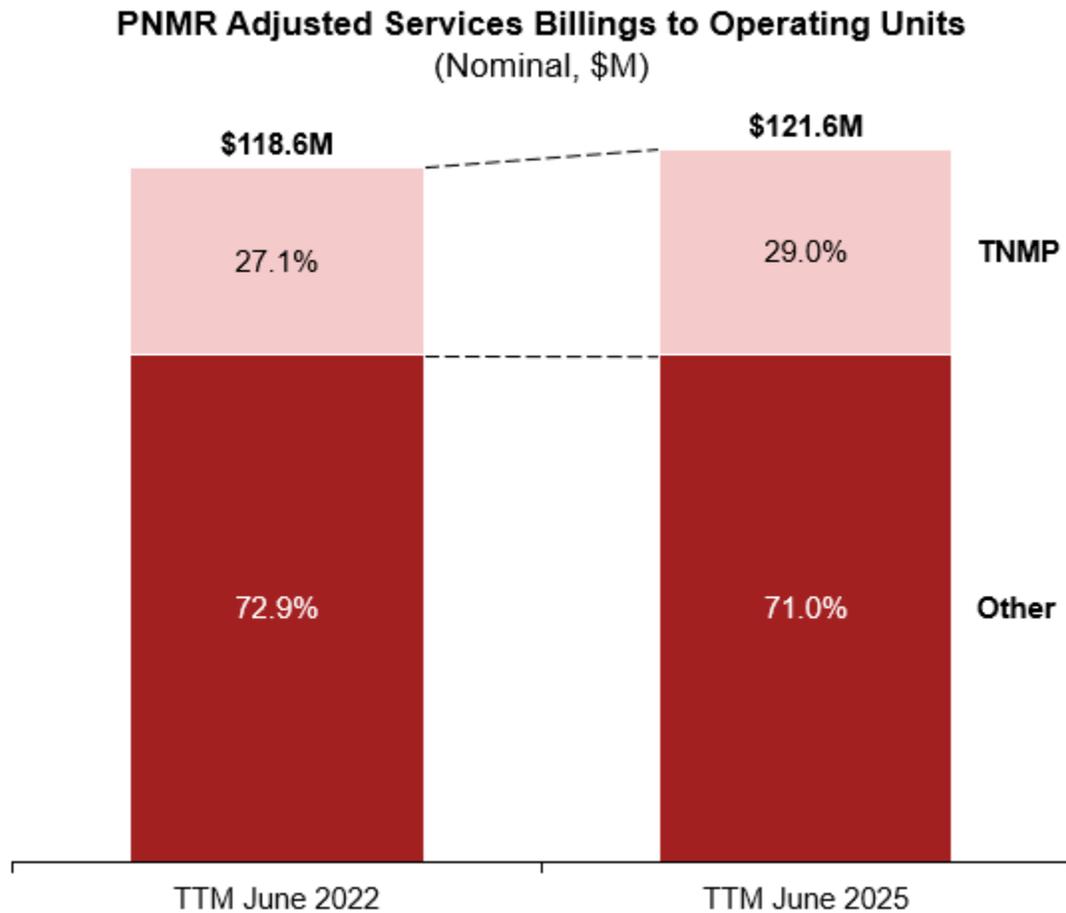


3

4 **Q. UNDER THE ALLOCATION METHODS, DO ALL PNMR SERVICES COSTS**  
5 **GET PROPERLY ALLOCATED TO THE JURISDICTION RESPONSIBLE FOR**  
6 **THE COST?**

7 **A.** Yes. Under the current allocation methods, PNMR Services costs are properly  
8 allocated to the business unit benefiting from the services. The CAM encourages  
9 direct charging whenever possible. For transactional allocation, the appropriate  
10 cost driver, such as employee headcount, is used to allocate the costs based on  
11 the nature of the activity performed. The figure below shows a breakdown of  
12 unadjusted PNMR Services billings to TNMP and “Other” business units for the  
13 current Test Year. “Other” business units are listed in Table 8 above.

**TABLE 12: PNMR UNADJUSTED SERVICES BILLINGS TO OPERATING UNITS**



**Q. EXPLAIN HOW PNMR SERVICES ENSURES THAT AN OPERATING COMPANY IS NOT BILLED FOR THE COSTS OF SERVICES RENDERED TO ANOTHER AFFILIATE.**

**A.** To ensure that the operating company is not billed for the costs rendered to another affiliate, direct charging is applied whenever possible. Maximizing the use of direct charging properly assigns costs to the benefiting operating unit. Corporate Accounting also maintains systematic validations that prevent inappropriate charging by PNMR Services departments as they record time and expenses. Corporate Accounting also initiates communications periodically within PNMR Services to continue to re-enforce appropriate charging and remind departments of resources available to support them. Additionally, Corporate Accounting reviews

1 affiliate charges prior to billing each month to ensure costs were appropriately  
2 assigned. The budget reviews described earlier, periodic internal audits, and code  
3 of conduct reviews also ensure costs are billed appropriately.

4 **Q. DO SOME ALLOCATORS TEND TO ASSIGN MORE NEW MEXICO COSTS TO**  
5 **TEXAS THAN OTHERS?**

6 **A.** No, allocators are designed to assign costs proportionally to the operating units  
7 based on the activity in which the operating unit benefits from. The cost driver of  
8 the activity, such as employee headcount, transactions, customer counts,  
9 determines the level of costs allocated to the operating unit. Therefore, if PNM  
10 has higher activity levels in particular cost areas than TNMP, then the allocator will  
11 assign more costs to PNM than to TNMP.

12 **X. AFFILIATE ACCOUNTING EXPENSES**

13 **1. Organization of the Accounting Department**

14 **Q. PLEASE BRIEFLY DESCRIBE / SUMMARIZE THE ACCOUNTING CLASS OF**  
15 **SERVICES.**

16 **A.** The Accounting Department is responsible for accounting transaction services,  
17 regulatory accounting services, and internal and external financial reporting. As  
18 with other functions within PNMR Services, accounting personnel maintain a day-  
19 to-day working relationship with management and employees of TNMP and other  
20 operating companies to ensure accounting services that enable TNMP to provide  
21 safe, reliable and efficient utility service.

22 **Q. PLEASE PROVIDE AN OVERVIEW OF HOW THE ACCOUNTING FUNCTION**  
23 **IS ORGANIZED.**

24 **A.** The Accounting Department reports through the Vice President, and Corporate  
25 Controller and consists of 48 employees. The Accounting Department is organized  
26 into two primary departments including Corporate Accounting and Utility  
27 Accounting. The organization of the Accounting Department facilitates efficient  
28 transactional processing in shared services.

1                                   **2.     Services Provided by the Accounting Department**

2   **Q.    DESCRIBE THE SERVICES ACCOUNTING IS RESPONSIBLE FOR**  
3   **PROVIDING TO THE OPERATING COMPANIES.**

4   **A.**    The primary services that the Accounting Department group performs are:

5            **Corporate Accounting** involves transactional accounting activities on an  
6            enterprise-wide basis. The related activities include managing accounts  
7            payable, general ledger close processing, conducting variance analysis for  
8            internal and external reporting, preparing periodic payroll, management and  
9            execution of cost allocation and inter-company affiliate billings, as well as  
10           shared services budget support. In addition, Corporate Accounting involves  
11           external SEC, FERC, and Public Utility Commission of Texas (“PUCT”)  
12           reporting as well as GAAP analysis.

13           **Utility Accounting** involves accounting and financial analysis related to  
14           regulated utility companies such as specialized rate order accounting, energy  
15           analysis and fuels accounting, and revenue accounting. The Utility Accounting  
16           group also provides accounting for fixed assets and internal reporting on an  
17           enterprise-wide basis.

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

20   **A.**    PNMR Services uses general service agreements to set terms and provisions of  
21           services provided by the services company to the operating companies. In  
22           addition, the CAM describes the services provided by each PNMR Services home  
23           center, including the Accounting Department.

24   **Q.    HOW DO THE OPERATING COMPANIES OBTAIN ACCOUNTING SERVICES?**

25   **A.**    The operating companies obtain accounting services through the service  
26           agreement mentioned above and through communications among operating  
27           company managers and Accounting Department representatives acting under the  
28           service agreement. The shared services accounting structure also facilitates  
29           coordination with operating company managers about their accounting needs. As  
30           the Corporate Accounting group bills and reviews charges with operating units,  
31           operating company managers may also request special projects that would require  
32           accounting services.

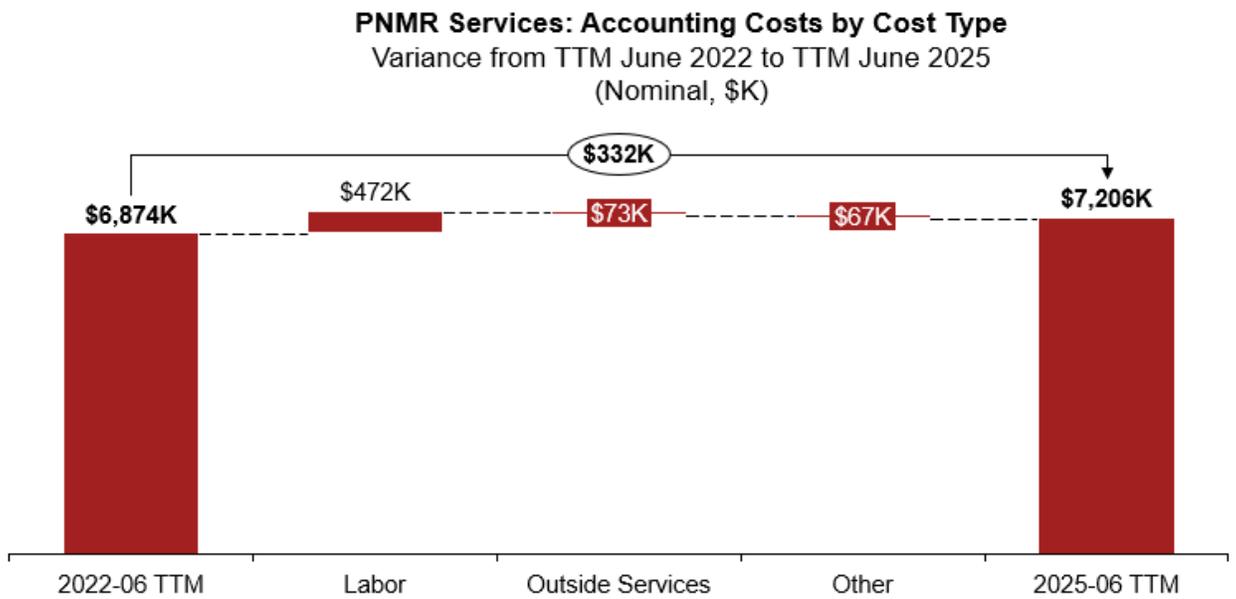
**3. Cost Levels and Cost Trends**

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**Q. WHAT ARE THE TOTAL ADJUSTED COSTS OF ACCOUNTING DURING THE TEST YEAR?**

**A.** The total adjusted Test Year Accounting Department category costs for TXNM Energy and all of its operating companies are \$7.2 million. The figure below shows the variance in total adjusted PNMR Services Accounting Department costs by cost type from TTM June 2022 to the Test Year.

**TABLE 13: PNMR SERVICES ACCOUNTING COSTS BY COST TYPE**

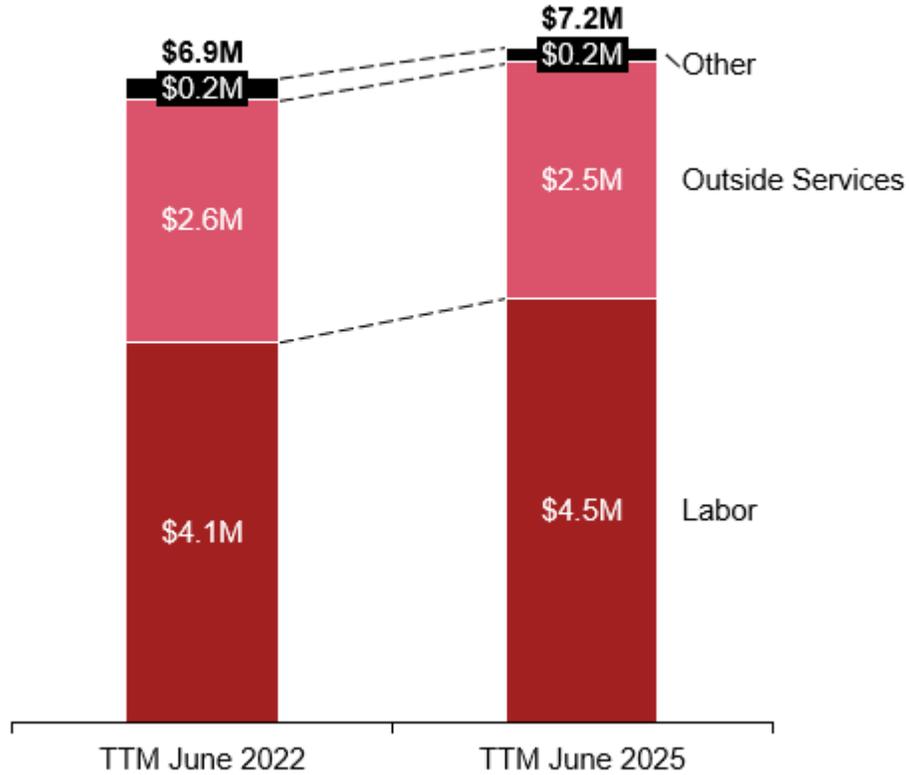


**Q. WHAT HAS BEEN THE TREND IN ACTUAL EXPENDITURES AFFILIATED WITH ACCOUNTING SERVICES?**

**A.** From TTM June 2022 to the Test Year, total adjusted PNMR Services Accounting Department costs increased by \$0.3 million from \$6.9 million to \$7.2 million. The figures below show the changes in total adjusted PNMR Services Accounting Department costs from TTM June 2022 to the Test Year by cost type.

1 **TABLE 14: PNMR SERVICES ACCOUNTING COSTS BY COST TYPE**

**PNMR Services: Accounting Costs by Cost Type**  
(Nominal, \$M)

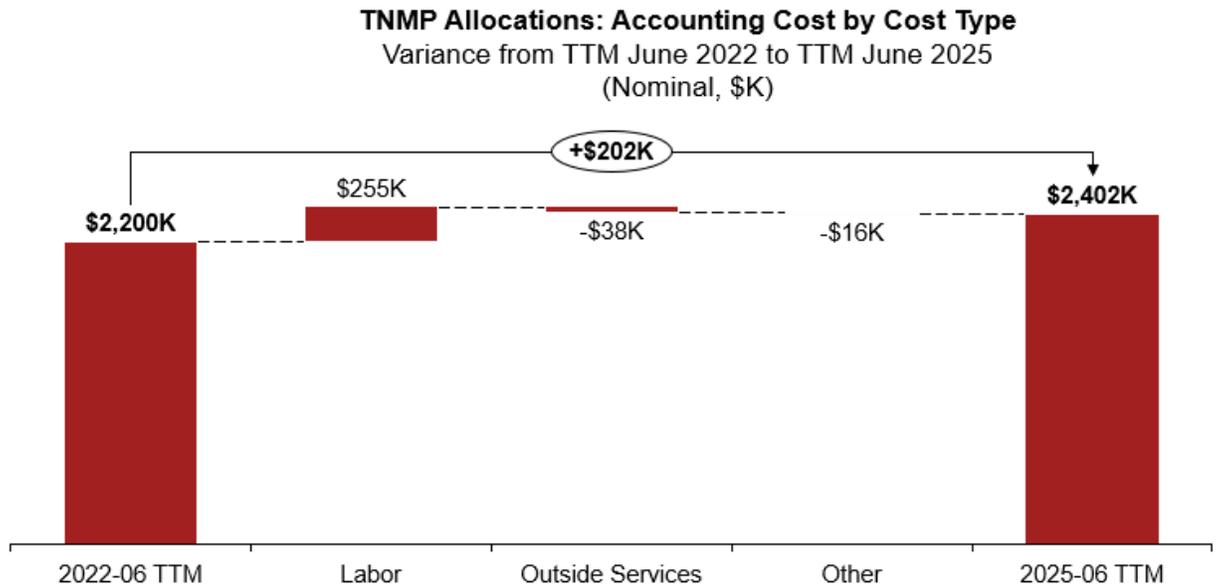


2  
3 Out of the \$0.3 million increase in total adjusted PNMR Services Accounting  
4 Department costs, \$0.4 million increase is attributable to labor. Outside Services  
5 and other costs decreased \$0.1 million.

6 **Q. WHAT ARE THE TOTAL ADJUSTED ACCOUNTING DEPARTMENT COSTS**  
7 **CHARGED TO TNMP IN THE TEST YEAR AND WHAT ARE THE COSTS**  
8 **BROKEN DOWN BY SERVICES?**

9 **A.** The total adjusted Accounting Department costs that were allocated to TNMP  
10 during the Test Year amounted to \$2.4 million compared to \$2.2 million in TTM  
11 June 2022. The figure below shows the change in TNMP allocated Accounting  
12 Department adjusted costs by cost type from TTM June 2022 to the Test Year.

1 **TABLE 15: ACCOUNTING SERVICES COSTS – TNMP ALLOCATION**



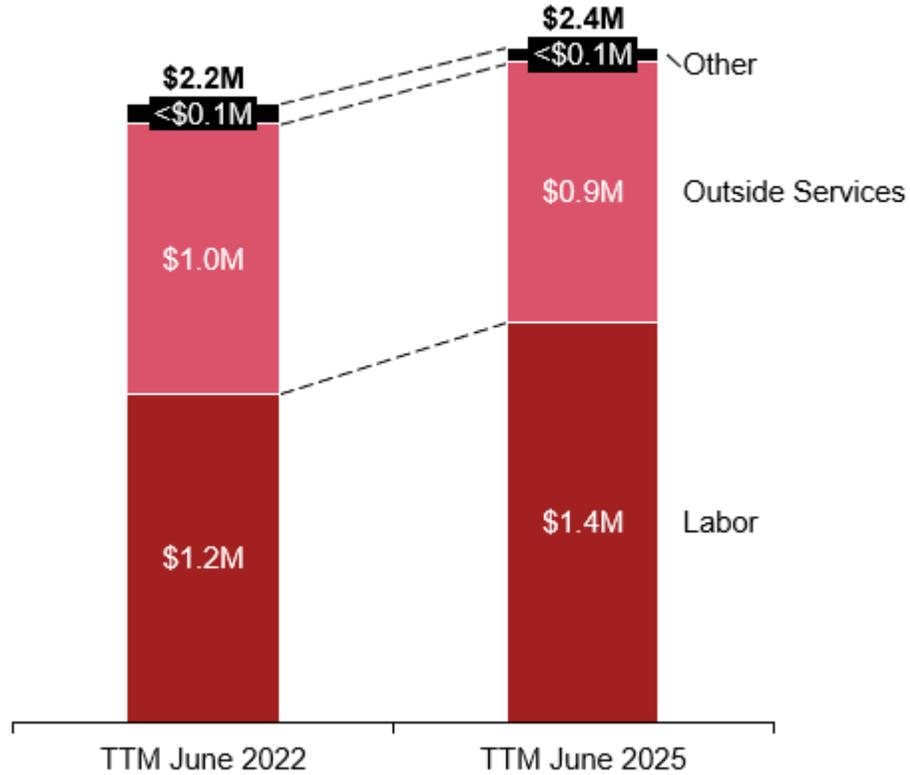
2

3 **Q. WHAT HAS BEEN THE TREND IN COSTS BILLED TO TNMP IN RECENT**  
 4 **YEARS?**

5 **A.** From the TTM June 2022 to the Test Year, adjusted TNMP billings for Accounting  
 6 Department costs increased \$0.2 million from \$2.2 million to \$2.4 million. The  
 7 figure below shows the trend in adjusted Accounting Department costs by cost  
 8 type.

1 **TABLE 16: ACCOUNTING COST BY COST TYPE – TNMP ALLOCATION**

**TNMP Allocations: Accounting Costs by Cost Type**  
(Nominal, \$M)



2

3 **Q. PLEASE EXPLAIN THE VARIATION IN ACCOUNTING DEPARTMENT COSTS.**

4 **A.** Accounting Department adjusted costs allocated to TNMP increased from TTM  
 5 June 2022 to the Test Year by \$0.2 million. \$0.2 million increase is attributable to  
 6 labor due to annual merit increases. Outside Services and other O&M decreased  
 7 by less than \$0.1 million.

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

10 **A.** The changes in costs previously described are reasonable. Increases in all of the  
 11 Accounting Department category costs billed to TNMP between TTM June 2022  
 12 and the Test Year are minimal in nature and in line with normal cost trends. The  
 13 PNMR Services accounting groups have continued to manage costs through  
 14 efficiencies and process improvement.

**4. Cost Allocation of Accounting Services**

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

**A.** Please see Table 17 below which outlines the billing methods used for total adjusted PNMR Services Accounting Department costs and for costs allocated to TNMP for Accounting Department services. Table 17 shows that 51.9% of all costs for TXNM Accounting Department services are allocated to operating units based on the 911-Number of General Ledger Transactions methodology, while TNMP receives 57.5% of its PNMR Services Accounting Department costs allocated by this same method. In other words, for every dollar of total PNMR Services Accounting Department expense, \$0.52 is assigned to all operating units using 911-Number of General Ledger Transactions methodology and for every dollar of PNMR Shared Services Accounting Department expense assigned to TNMP, \$0.58 is received via the 911-Number of General Ledger Transactions methodology. In addition, Table 17 indicates that TNMP receives \$0.10 out of every one dollar of Accounting Department expense assigned directly, using the 953-Direct TNMP methodology.

**TABLE 17: ACCOUNTING COST BY BILLING METHOD – TEST YEAR**  
**Accounting Category Billing Methods**  
**Category Billing Methods, TTM June 2025, %**

Allocation Method	Location	Allocation Driver	PNMR Allocations	TNMP Allocations
General	941	MMF - Employee Headcount, Gross Margin, Net Plant.	7.5%	7.9%
	948	MMF - Employee Headcount, Gross Margin, Net Plant.	4.3%	-
	951	MMF - Employee Headcount, Gross Margin, Net Plant.	3.3%	-
Direct	942	PNM Electric Services	1.4%	-
	946	PNM Bulk Power Marketing	5.1%	-
	953	TNMP – Texas	3.5%	10.4%
	947	PNM Electric Transmission Services	1.6%	-
Transactional	911	Number of General Ledger Transactions	51.9%	57.5%
	912	Number of Invoices processed in Accounts Payable	5.7%	7.1%
	914	Number of Depreciable Assets	9.1%	11.0%
	993	Employee Headcount	6.6%	5.9%

1 **Q. PLEASE EXPLAIN THE RATIONALE AND IMPORTANCE OF THE BILLING**  
2 **METHODS USED.**

3 **A.** The billing methods used by PNMR Services are appropriate since they relate to  
4 the causality of the costs. Direct charging is employed whenever practical, and for  
5 Accounting Department services, TNMP received 10.4% of its costs through direct  
6 assignment. For costs of activities that benefit more than one operating unit, costs  
7 are allocated based on transactional factors that reflect the activity's primary cost  
8 driver. In the case of Accounting Department services, the number of general  
9 ledger transactions is an appropriate allocation factor. In cases where a cost  
10 cannot be definitively allocated based on one factor, a general allocation method  
11 is used. Using these methods, PNMR Services can properly account for its costs  
12 and their benefiting operating units.

13 **Q. WHICH ENTITIES ARE PNMR SERVICES COSTS FOR ACCOUNTING BILLED**  
14 **TO AND HOW ARE THE ACCOUNTING COSTS BILLED TO THESE ENTITIES?**

15 **A.** Accounting Department costs are billed to all of TXNM Energy's active business  
16 units including TNMP and PNM. Each entity receives its direct and allocated share  
17 of the service company costs per the CAM.

18 **Q. WHAT PERCENTAGE OF AFFILIATE ACCOUNTING DEPARTMENT**  
19 **EXPENSES, THAT YOU ARE DISCUSSING, ARE "DIRECT" BILLED VERSUS**  
20 **"ALLOCATED" TO THE OPERATING COMPANIES AND TO TNMP**  
21 **SPECIFICALLY.**

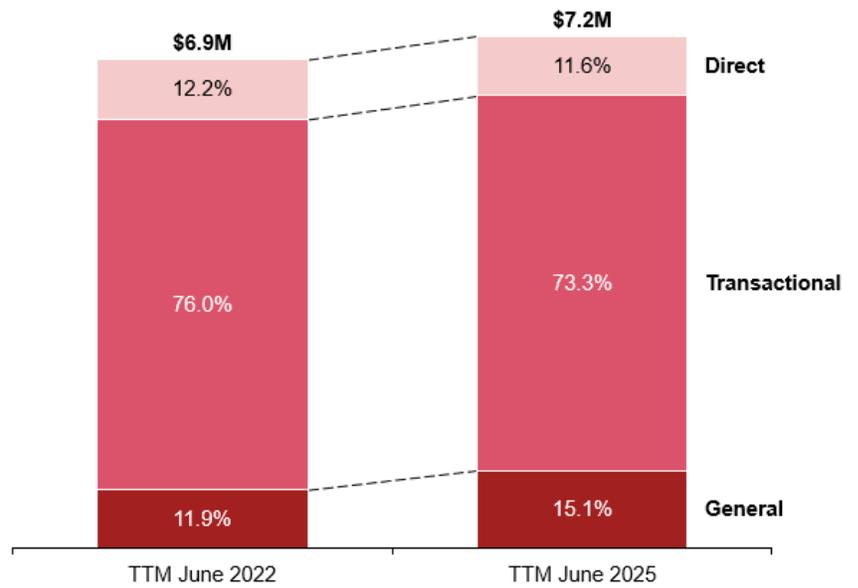
22 **A.** During the Test Year, as shown in Table 17 above, approximately 11.6% of total  
23 PNMR Services Accounting Department costs were directly allocated to an  
24 operating company, and 88.4% of costs were allocated either through the  
25 transactional or general allocation method. As for Accounting Department billings  
26 to TNMP, approximately 10.4% of charges were directly allocated while 89.6%  
27 were allocated through transactional or general methods.

28 **Q. WHAT TRENDS HAVE YOU NOTICED REGARDING DIRECT CHARGES?**

29 **A.** Total PNMR Services Accounting Department costs which were directly assigned  
30 have decreased slightly from 12.2% in TTM June 2022 to 11.6% in the Test Year.

1 TNMP direct billings for Accounting Department services have increased from  
2 5.8% to 10.4% due to higher direct billings from the Utility Accounting department.  
3 In addition, total PNMR Services Accounting Department costs allocated under the  
4 transactional method increased from 87.8% to 88.4% and TNMP billings for  
5 Accounting Department services allocated under the transactional method  
6 decreased from 94.2% to 89.6%.

7 **TABLE 18: ACCOUNTING ALLOCATION TRENDS - PNMR**  
**PNMR Services: Breakdown by Allocation Method**  
**TTM June 2022 and TTM June 2025, Nominal, \$**

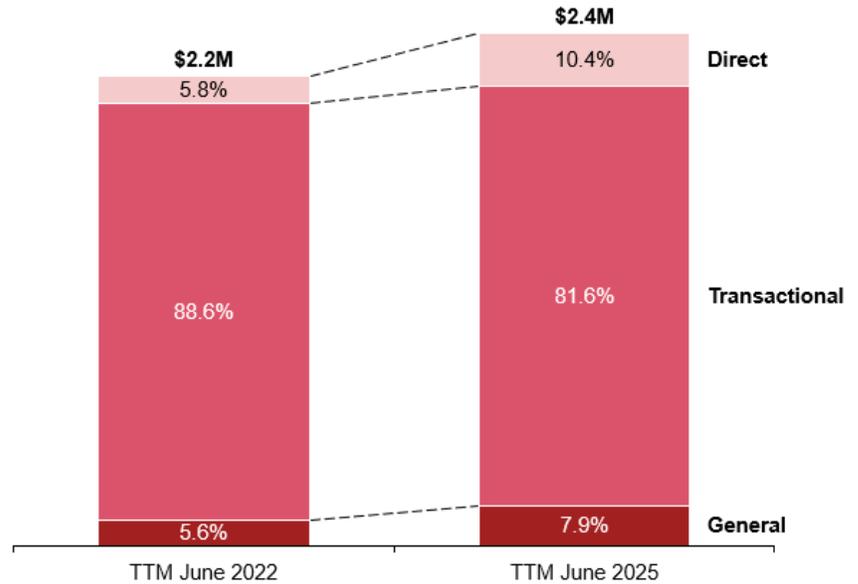


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TABLE 19: ACCOUNTING ALLOCATION TRENDS - TNMP

TNMP Billings: Breakdown by Allocation Method  
TTM June 2022 and TTM June 2025, Nominal, \$



2

3 **Q. WHAT IS YOUR OVERALL CONCLUSION WITH RESPECT TO THE**  
4 **APPROPRIATENESS OF THE COST ALLOCATION / BILLING METHODS**  
5 **USED IN THE ACCOUNTING CLASS OF SERVICE?**

6 **A.** My overall conclusion is that the cost allocations and billing methods used for  
7 Accounting Department functions are appropriate and cost causative related to the  
8 services being performed and the benefit received by TNMP. The allocation  
9 method encourages direct and transactional billing to track cost drivers and provide  
10 transparency to benefiting operating units.

11 **5. Necessity and Reasonableness of Accounting Services**

12 **Q. ARE THE SERVICES PROVIDED BY THE ACCOUNTING DEPARTMENT TO**  
13 **THE OPERATING COMPANIES NECESSARY TO SUPPORT THE BUSINESS**  
14 **OF THE OPERATING COMPANIES?**

15 **A.** Yes, the services provided by the Accounting Department are necessary to support  
16 the activities of the operating companies.

1 Corporate Accounting primarily relates to enterprise-wide activities such as  
2 accounts payable, payroll, SEC Reporting, GAAP Analysis, and financial reporting.  
3 These activities enhance management control, enable strategic planning, and  
4 ensure legal compliance.

5 Utility Accounting involves utility and regulatory accounting, financial analysis, and  
6 regulatory activities related to regulated utility companies. The Utility Accounting  
7 group also provides accounting for fixed assets and internal reporting on an  
8 enterprise-wide basis. These activities are critical for management control, cost  
9 recovery and risk management.

10 **Q. WHAT TYPE OF CORPORATE OVERSIGHT OF THE ACCOUNTING**  
11 **DEPARTMENT'S ACTIVITIES IS IN PLACE TO ENSURE THAT ITS SERVICES**  
12 **ARE THOSE THAT ARE MOST BENEFICIAL FOR THE SUPPORT OF THE**  
13 **OPERATING COMPANIES' UTILITY SERVICE?**

14 **A.** Most services that the Accounting Department provides are mandated by  
15 regulation, legislation and general accounting requirements. Therefore, the  
16 Accounting Department services that are the most beneficial for the support of the  
17 operating companies' utility service are those that ensure TXNM Energy and its  
18 operating units are in compliance with mandates of the PUCT, FERC, SEC and  
19 other regulatory or governmental entities. Accounting Department services are  
20 also discussed between senior management at PNMR Services and the affiliate  
21 operating companies to ensure value added accounting services are provided to  
22 the operating units.

23 **Q. DO THESE SERVICES DUPLICATE SERVICES PROVIDED BY PERSONNEL**  
24 **WITHIN THE OPERATING COMPANIES OUTSIDE OF THE ACCOUNTING**  
25 **DEPARTMENT?**

26 **A.** No. These services do not duplicate services provided by personnel within the  
27 operating companies outside of the Accounting Department.

28 **Q. ARE ANY OR ALL OF THESE SERVICES PROVIDED BY THE ACCOUNTING**  
29 **DEPARTMENT AVAILABLE THROUGH THE OPERATING COMPANY'S OWN**  
30 **CAPABILITIES?**

1 **A.** No. Services provided by the Accounting Department are not available through  
2 the operating company's own capabilities. Employees that reside outside of the  
3 Accounting Department in the operating companies do not perform the functions  
4 of the accounting department.

5 **Q. IS IT NECESSARY AND REASONABLE FOR THESE ACTIVITIES TO BE**  
6 **PROVIDED BY AN AFFILIATE (AS OPPOSED TO THE OPERATING**  
7 **COMPANIES PROVIDING THESE SERVICES THEMSELVES)?**

8 **A.** Yes, the service company model provides services that are necessary for the  
9 operation of more than one business unit. Centralized support services create  
10 economies of scale. Therefore, common services that are shared between  
11 operating companies can be provided more efficiently than if they were provided  
12 only to one group. Centralization also minimizes duplication of resources and  
13 efforts between various operating companies.

14 **Q. IN SUMMARY, ARE THE SERVICES THAT THE ACCOUNTING DEPARTMENT**  
15 **PROVIDES NECESSARY TO PROVIDE RELIABLE ELECTRIC SERVICE TO**  
16 **RATEPAYERS?**

17 **A.** Yes, the services that the Accounting Department provides are necessary for  
18 TNMP to conduct its business to provide reliable electric delivery service.

19 **6. Cost Management**

20 **Q. WHAT PROCESSES DO YOU EMPLOY TO ENSURE THAT ACCOUNTING**  
21 **EXPENSES INCURRED BY OR ON BEHALF OF THE OPERATING COMPANY**  
22 **ARE REASONABLE?**

23 **A.** To ensure that Accounting Department expenses incurred by or on behalf of the  
24 operating companies are reasonable, the Accounting Department performs  
25 monthly actual versus budget variance reviews. The monthly report presents  
26 detailed information about service company charges and provides transparency to  
27 the operating companies. Budget variances are reviewed monthly at various levels  
28 in the accounting group from departmental managers, directors, and to the Vice  
29 President, and Controller level.

1 **Q. DISCUSS HOW THE ACCOUNTING DEPARTMENT EMPLOYS BUDGETING,**  
2 **PLANNING, COST REVIEW AND REPORTING TO CONTROL ITS CHARGES**  
3 **TO THE OPERATING COMPANIES.**

4 **A.** The Accounting Department follows the standard PNMR Services budgeting  
5 process described earlier. In the third quarter, the Accounting Department begins  
6 to develop annual budgets by month for both O&M and Capital using the O&M and  
7 Capital targets determined through the budgeting process. The detailed budgets  
8 are created at the home center level by cost type and by allocation methodology.  
9 Once the budgets are established, the Accounting Department tracks actual cost  
10 levels against budget, reviews monthly variances and makes appropriate spend  
11 adjustments to control its costs. This review can also identify if costs are being  
12 inappropriately allocated amongst the operating units by comparing actual charges  
13 to budgeted charges by location. The Accounting Department also participates in  
14 reforecast processes which facilitate re-justifying expected spend levels.

15 **Q. WHAT TYPES OF CONTROLS ARE IN PLACE WITHIN THE ACCOUNTING**  
16 **DEPARTMENT TO ASSURE THAT BUDGETS ARE EFFECTIVELY**  
17 **CONTROLLED?**

18 **A.** The Accounting Department controls its affiliate costs through several means.  
19 First, Accounting Department personnel are trained to direct bill or to allocate costs  
20 based on transactional allocators whenever appropriate. Furthermore, the  
21 Accounting Department billing reports are sent to the operating companies on a  
22 monthly basis. The reports track accounting-related costs billed to the operating  
23 companies. The business units have the opportunity to review the billing reports  
24 to ensure that the costs are reasonable.

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

26 **A.** TXNM Energy's short-term incentives program links workgroup O&M targets with  
27 incentive pay. In the performance scorecard for the PNMR Services Workgroup,  
28 meeting O&M budget targets is a bonus plan goal. If workgroup targets are not  
29 met, then the O&M portion of incentive compensation is not paid according to plan.  
30 Therefore, the Accounting Department must carefully monitor its budget in order  
31 for its staff to be eligible for bonuses.

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

3 **A.** My overall conclusion is that the costs of this class are reasonable and necessary  
4 for reliable operations of the units to which those costs are billed, including TNMP.  
5 The Accounting Department closely monitors the budget through monthly variance  
6 reviews. Additionally, Accounting Department services billing reports are  
7 submitted to the operating companies so that unreasonable charges may be  
8 identified and corrected. Manager and employee incentive compensation are  
9 linked to meeting O&M budget targets.

10 **XI. AFFILIATE INTERNAL AUDIT EXPENSES**

11 **1. Organization of the Internal Audit Department**

12 **Q. PLEASE BRIEFLY DESCRIBE / SUMMARIZE THE INTERNAL AUDIT CLASS**  
13 **OF SERVICES.**

14 **A.** The PNMR Services Internal Audit department provides independent, objective  
15 assurance to evaluate the efficiency and effectiveness of the Company's internal  
16 control structure (including maintaining and continually enhancing SOX internal  
17 controls), identify opportunities for process and control improvement, monitor  
18 compliance with laws and regulations, and investigate reported allegations.  
19 Additionally, Internal Audit develops and executes the annual audit plan outlining  
20 Company entities to be reviewed during the duration of the Plan. The Audit Plan is  
21 developed using a risk-based methodology that includes any risks, process or  
22 control concerns identified by management, the Audit & Ethics Committee of the  
23 Board of Directors, or Internal Audit. The plan is submitted to the Audit & Ethics  
24 Committee of the Board of Directors for review and approval. The Internal Audit  
25 group reports on findings to management and to the Audit & Ethics Committee of  
26 the Board of Directors. Please see RFP Schedule II-C-3 for listing of ongoing  
27 internal audits during the Test Year.

28 **Q. PLEASE PROVIDE AN OVERVIEW OF HOW THE INTERNAL AUDIT**  
29 **DEPARTMENT IS ORGANIZED.**

1 **A.** The Internal Audit department consists of an Audit Director, a Project Manager and  
2 six staff auditors. Internal Audit reports to the General Counsel at PNMR Services  
3 Company.

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

6 **A.** PNMR Services uses General Service Agreements to set terms and provisions of  
7 services provided by the Service Company to the operating companies. The  
8 periodic meetings between the Internal Audit Services director and senior  
9 management of the operating units described below help to determine the focus  
10 of Internal Audit Services for each operating unit.

11 **Q. HOW DO THE OPERATING COMPANIES OBTAIN INTERNAL AUDIT  
12 SERVICES?**

13 **A.** The operating companies obtain Internal Audit services through the General  
14 Service Agreements mentioned above. Internal Audit services interviews senior  
15 management from each operating unit annually to ascertain what process areas  
16 the operating units would like to focus on in the next year. Internal Audit services  
17 also receive input from the Board of Directors regarding areas to focus on each  
18 year. Internal Audit services can be called up at any time to investigate process  
19 inefficiencies or accounting-related discrepancies.

20 **2. Cost Levels and Cost Trends**

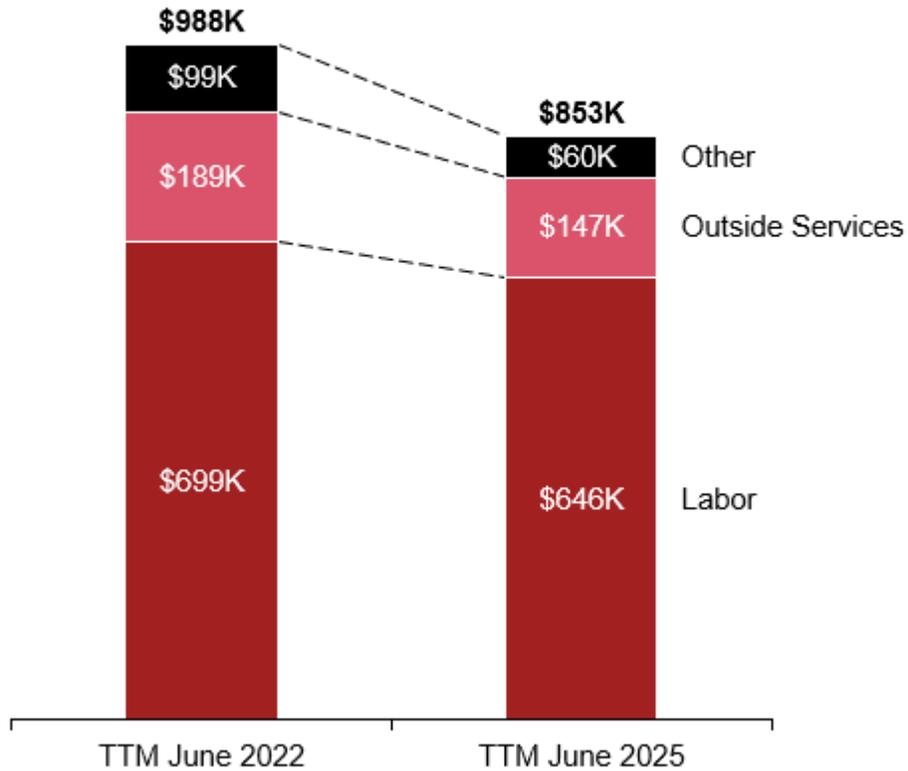
21 **Q. WHAT ARE THE TOTAL COSTS OF INTERNAL AUDIT DURING THE TEST  
22 YEAR AND WHAT ARE THE COSTS BROKEN DOWN BY SERVICES?**

23 **A.** The total Test Year Internal Audit costs are \$0.9 million. The figure below shows  
24 total PNMR Services Internal Audit affiliate costs by cost type for TTM June 2022  
25 and the Test Year.

1

**TABLE 20: INTERNAL AUDIT COST FOR TEST YEAR**

**PNMR Services: Internal Audit Costs by Cost Type**  
(Nominal, \$K)

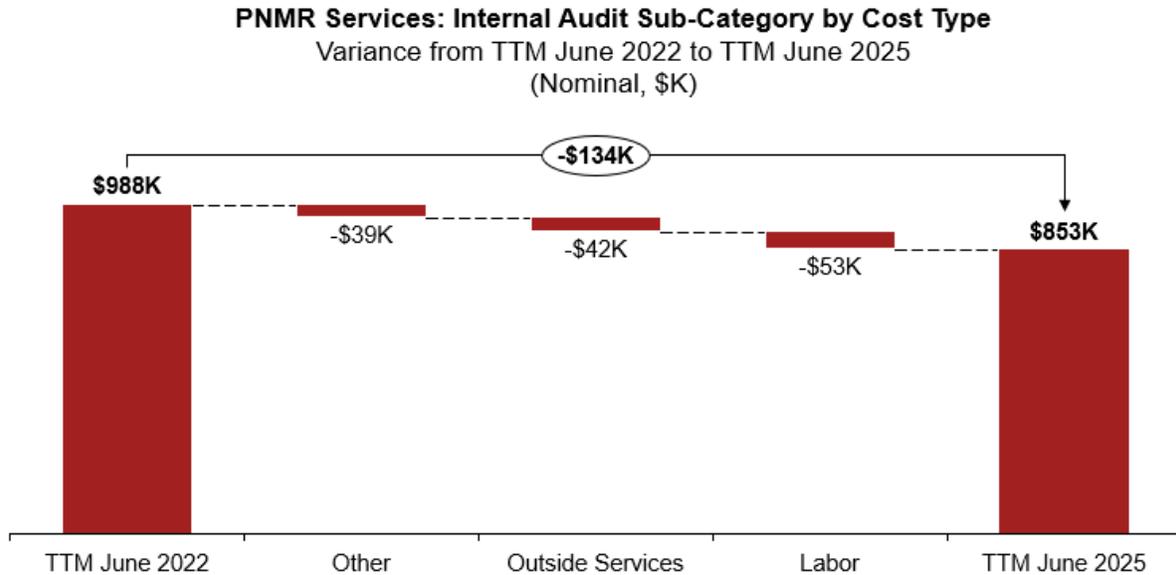


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3 **Q. WHAT HAS BEEN THE TREND IN ACTUAL EXPENDITURES AFFILIATED**  
 4 **WITH INTERNAL AUDIT SERVICES?**

5 **A.** From TTM June 2022 to the Test Year, internal audit affiliate costs decreased by  
 6 \$0.1 million from \$1.0 million to \$0.9 million. The figure below shows the changes  
 7 in PNMR Services’ costs from TTM June 2022 to the Test Year by Cost Type.

1 **TABLE 21: PNMR SERVICES INTERNAL AUDIT COSTS BY COST TYPE**



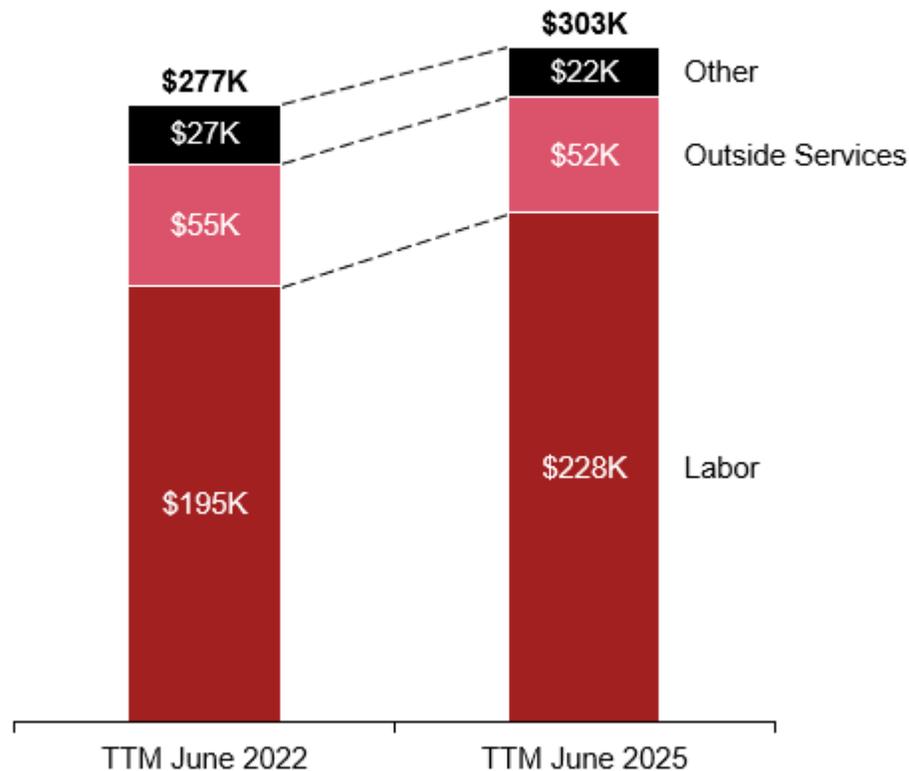
2

3 **Q. WHAT HAS BEEN THE TREND IN COSTS BILLED TO TNMP IN RECENT**  
 4 **YEARS?**

5 **A.** From TTM June 2022 to the Test Year, TNMP billings by the internal audit  
 6 department increased by \$26 thousand from \$277 thousand to \$303 thousand.  
 7 The figure below shows the trend in actual expenditures for internal audit services  
 8 charged to TNMP by cost type.

1 **TABLE 22: INTERNAL AUDIT COST SERVICE GROUP COST TRENDS – TNMP**  
 2 **ALLOCATION**

**TNMP Allocations: Internal Audit Costs by Cost Type**  
 (Nominal, \$K)



3  
 4 **Q. PLEASE EXPLAIN THE VARIATION IN COSTS AND THE REASON FOR**  
 5 **VARIATION BETWEEN THE TWO YEARS COSTS.**

6 **A.** The charges to TNMP remained relatively consistent between TTM June 2022 and  
 7 the Test Year. The increase in labor is related to annual merit increases, partially  
 8 offset with a reduction in outside service and other costs.

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

11 **A.** Yes, the changes in costs previously described are reasonable.

**3. Cost Allocation of Internal Audit Services**

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

**A.** More than one billing method is employed for the costs of Internal Audit services. Billing methods are selected based on cost causation. Table 23 below demonstrates for the Internal Audit class of services, 90.6% of costs were assigned during the Test Year using the 941-Employee Headcount, Gross Margin, Net Plant methodology and 8.4% of costs are assigned using the 911-Number of General Ledger Transactions methodology. Of the Internal Audit costs allocated to TNMP, 90.3% were assigned using 941-Employee Headcount, Gross Margin, Net Plant methodology and 8.7% from the 911-Number of General Ledger Transactions methodology.

**TABLE 23: INTERNAL AUDIT COST BY BILLING METHOD – TEST YEAR**

**Internal Audit Category Billing Methods**

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

Allocation Method	Location	Allocation Driver	PNMR Allocations	TNMP Allocations
General	941	MMF - Employee Headcount, Gross Margin, Net Plant.	90.6%	90.3%
Direct	946	PNM Bulk Power Marketing	0.4%	-
	953	TNMP – Texas	0.1%	0.2%
	999	TXNM Energy	-0.5%	-
Transactional	911	Number of General Ledger Transactions	8.4%	8.7%
	968	Number of Network ID's	1.0%	0.7%

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

**A.** The billing methods used by Internal Audit are appropriate since they relate to the causality of the costs. 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. For example, financial audits or SOX compliance related work utilize allocator 911 - Number of General Ledger Transactions, as these transactions relate to the services provided by Internal Audit. Operational Audits utilize allocator

1 941 - Employee Headcount, Gross Margin, Net Plant general allocation method.  
2 The general allocation methodology is used when the Internal Audit activities are  
3 not assignable using the other methods, or for activities which benefit the entire  
4 group of TXNM Energy affiliates.

5 **Q. WHAT PNM RESOURCES AFFILIATES DOES INTERNAL AUDIT SERVICES**  
6 **SUPPORT?**

7 **A.** Internal Audit costs are billed to TXNM Energy and its active business units,  
8 including TNMP and PNM. Each entity receives its direct and allocated share of  
9 the service company costs per the cost allocation manual.

10 **Q. WHAT IS YOUR OVERALL CONCLUSION WITH RESPECT TO THE**  
11 **APPROPRIATENESS OF THE COST ALLOCATION / BILLING METHODS**  
12 **USED TO ASSIGN INTERNAL AUDIT COSTS IN THIS CLASS?**

13 **A.** My overall conclusion is that the cost allocations and billing methods used for  
14 Internal Audit functions are appropriate and cost causative related to the services  
15 being performed and the benefit received by the operating units, including TNMP.

16 **4. Necessity and Reasonableness of Internal Audit Services**

17 **Q. ARE THE SERVICES PROVIDED BY THE INTERNAL AUDIT DEPARTMENT**  
18 **TO THE OPERATING COMPANIES NECESSARY TO SUPPORT THE**  
19 **BUSINESS OF THE OPERATING COMPANIES?**

20 **A.** Yes, the services provided by the Internal Audit function are necessary to support  
21 the activities of the operating companies. Internal Audit Services ensures  
22 operating units processes are in line with defined company policy as well as legal  
23 and accounting requirements and assists the operating units in preventing and  
24 detecting fraud as well as ensures systems which support the business unit have  
25 appropriate controls and identifies process improvements to enhance those  
26 controls.

27 **Q. WHAT TYPE OF CORPORATE OVERSIGHT OF THE INTERNAL AUDIT**  
28 **DEPARTMENT'S ACTIVITIES IS IN PLACE TO ENSURE THAT ITS SERVICES**  
29 **ARE THOSE THAT ARE MOST BENEFICIAL FOR THE SUPPORT OF THE**  
30 **OPERATING COMPANIES' UTILITY SERVICE?**

1 **A.** The annual meeting with senior management and the Internal Audit Director to  
2 define areas of focus for the next year ensure that the operating units have input  
3 into the services provided by Internal Audit and benefit from those services.

4 **Q. DO THESE SERVICES DUPLICATE SERVICES PROVIDED BY PERSONNEL**  
5 **WITHIN THE OPERATING COMPANIES OUTSIDE OF THE INTERNAL AUDIT**  
6 **DEPARTMENT?**

7 **A.** No. These services do not duplicate services provided by personnel within the  
8 operating companies outside of the Internal Audit function.

9 **Q. ARE ANY OR ALL OF THESE SERVICES PROVIDED BY THE INTERNAL**  
10 **AUDIT ORGANIZATION AVAILABLE THROUGH THE OPERATING**  
11 **COMPANY'S OWN CAPABILITIES?**

12 **A.** No. Service provided by the Internal Audit organization is not available through  
13 the operating company's own capabilities. Employees that reside outside of the  
14 Internal Audit department in the operating companies do not perform the functions  
15 of Internal Audit.

16 **Q. IS IT NECESSARY AND REASONABLE FOR THESE ACTIVITIES TO BE**  
17 **PROVIDED BY AN AFFILIATE (AS OPPOSED TO THE OPERATING**  
18 **COMPANIES PROVIDING THESE SERVICES THEMSELVES)?**

19 **A.** Yes, the service company provides services that are necessary for the operation  
20 of more than one business unit. Centralized support services create economies  
21 of scale. Therefore, common services that are shared between operating  
22 companies can be provided more efficiently than if they were provide to one group  
23 only. Centralization also minimizes duplication of resources and efforts between  
24 various operating companies. By providing Internal Audit from the PNMR Services  
25 centralized group, the cost of internal audits of various shared processes and  
26 systems is not all borne by TNMP.

27 **Q. IN SUMMARY, ARE THE SERVICES THAT INTERNAL AUDIT PROVIDES**  
28 **NECESSARY FOR TNMP TO PROVIDE RELIABLE ELECTRIC SERVICE?**

29 **A.** Yes, the services that the Internal Audit department provides are necessary for  
30 TNMP to conduct its business to provide reliable electric delivery service.

**5. Cost Management**

1  
2 **Q. WHAT PROCESSES DO YOU EMPLOY TO ENSURE THAT INTERNAL AUDIT**  
3 **EXPENSES INCURRED BY OR ON BEHALF OF THE OPERATING COMPANY**  
4 **ARE REASONABLE?**

5 **A.** To ensure that Internal Audit expenses are incurred by or on behalf of the operating  
6 companies are reasonable, the Accounting group performs monthly budget  
7 variance reviews. The monthly report presents detailed information about service  
8 company charges and provides transparency to the service charges. The Internal  
9 Audit Director receives systematic budget to actual variance reports and  
10 participates in the corporate budgeting process.

11 **Q. WHAT IS YOUR OVERALL CONCLUSION ON THE REASONABLENESS AND**  
12 **NECESSITY OF COSTS IN THE INTERNAL AUDIT AFFILIATE CLASS OF**  
13 **SERVICE?**

14 **A.** My overall conclusion is that the costs of the Internal Audit class of services are  
15 reasonable and necessary for reliable operations of the company. The Internal  
16 Audit department closely monitors the budget through monthly variance reviews.  
17 Additionally, Accounting services billing reports are submitted to the operating  
18 companies so that unreasonable charges may be identified and corrected at the  
19 detailed home center level. Manager and employee incentive compensation are  
20 clearly linked to meeting O&M budget targets.

21 **XII. AFFILIATE EXECUTIVE MANAGEMENT EXPENSES**

22 **1. Organization of the Executive Management Function**

23 **Q. PLEASE DESCRIBE THE EXECUTIVE MANAGEMENT CLASS OF SERVICE.**

24 **A.** The Executive Management function provides enterprise-wide leadership,  
25 strategic planning, and policy design for TXNM Energy and its subsidiaries. The  
26 Executive Management team consists of the Executive Chair; Chief Executive  
27 Officer; Chief Financial Officer; General Counsel, Senior Vice President  
28 Regulatory & Public Policy and Corporate Secretary; Senior Vice President,  
29 Corporate Services; Vice President, PNM Regulatory; and Vice President,

1 Corporate Controller. The expenses include the officers' salaries as well as any  
2 administrative support in those departments.

3 **Q. PLEASE DESCRIBE ANY RECENT CHANGES IN THIS FUNCTION.**

4 **A.** Since TTM June 2022, the Senior Vice President, Public Policy position was  
5 eliminated, and these responsibilities were assumed by the General Counsel,  
6 Senior Vice President Regulatory & Public Policy and Corporate Secretary  
7 position. The Vice President, Chief Customer Officer position was eliminated, and  
8 these responsibilities were assumed by the newly created Senior Vice President,  
9 Corporate Services. The Senior Vice President, Utility Operations position was  
10 eliminated, and these responsibilities were assumed by the existing Chief  
11 Executive Officer position. In addition, the Executive Vice President, Corporate  
12 Development and Finance position was eliminated, and these responsibilities were  
13 assumed by the existing Chief Financial Officer position

14 **Q. PLEASE DESCRIBE ANY INITIATIVES THAT HAVE BEEN INTRODUCED IN  
15 RECENT YEARS TO PROVIDE FOR ORGANIZATIONAL FLEXIBILITY AND  
16 OPTIMAL SERVICE DELIVERY.**

17 **A.** The overall number of officers in the Executive Management class of service has  
18 been reduced since TTM June 2022 with the elimination of the Senior Vice  
19 President, Utility Operations position and the Executive Vice President, Corporate  
20 Development and Finance position and the Senior Vice President, Public Policy  
21 position, with these responsibilities going to existing positions. In addition, the  
22 responsibilities of the Vice President, Chief Customer Officer position were  
23 reorganized to a newly created position. These changes have facilitated a more  
24 efficient management team.

25 **2. Services Provided by Executive Management**

26 **Q. PLEASE DESCRIBE THE SERVICES FOR WHICH THE EXECUTIVE  
27 MANAGEMENT CLASS OF SERVICE IS RESPONSIBLE.**

28 **A.** The Executive Management group assures the execution of strategy to achieve  
29 high level company objectives and translates company vision and values into  
30 actions. The group is accountable for understanding customer, employee, and

1 community needs and the resulting impact to the company, evaluating industry  
2 issues and associated opportunities for the company, and establishing policies to  
3 assure a safe, reliable, and environmentally sustainable system. The group also  
4 provides support and guidance across the organization and within respective  
5 areas, develops and directs policies and procedures per their respective areas  
6 consistent with company goals, develops and directs strategy, assures  
7 performance to plan for their respective areas; ensures timely analysis and  
8 reporting, identifies and mitigates risks, and develops and manages workforce  
9 excellence.

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

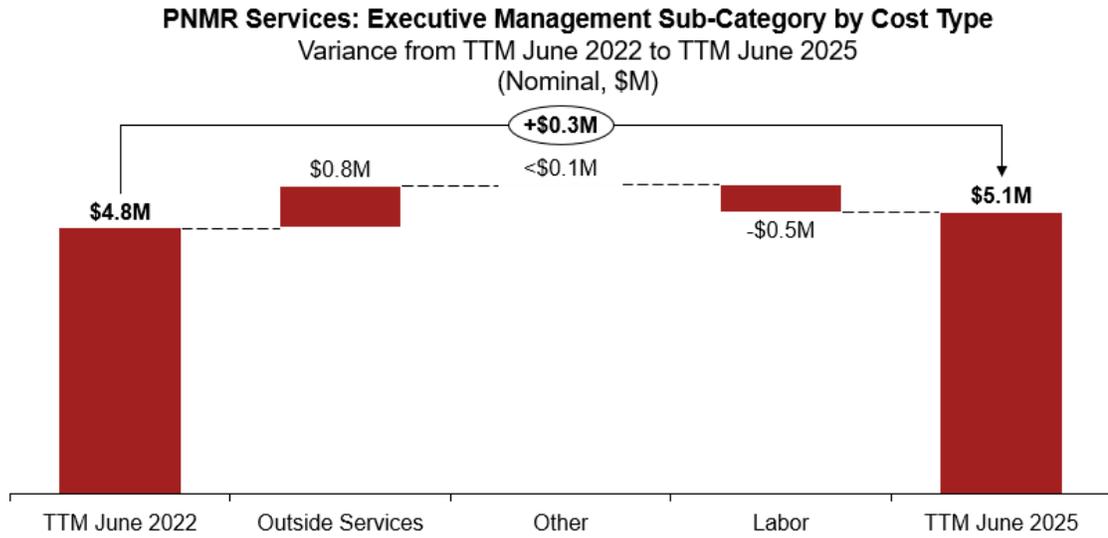
12 **A.** PNMR Services uses service agreements to set terms for services provided to  
13 affiliates. The Executive Management group is subject to oversight by the TXNM  
14 Energy Board of Directors.

15 **3. Cost Levels and Cost Trends**

16 **Q. WHAT IS THE TOTAL COST OF EXECUTIVE MANAGEMENT IN THE TEST**  
17 **YEAR?**

18 **A.** The total adjusted PNMR Services Test Year Executive Management costs for  
19 PNM Resources and its affiliated companies was \$5.1 million.

1 **TABLE 24: TOTAL EXECUTIVE MANAGEMENT COSTS BY COST TYPE**



2

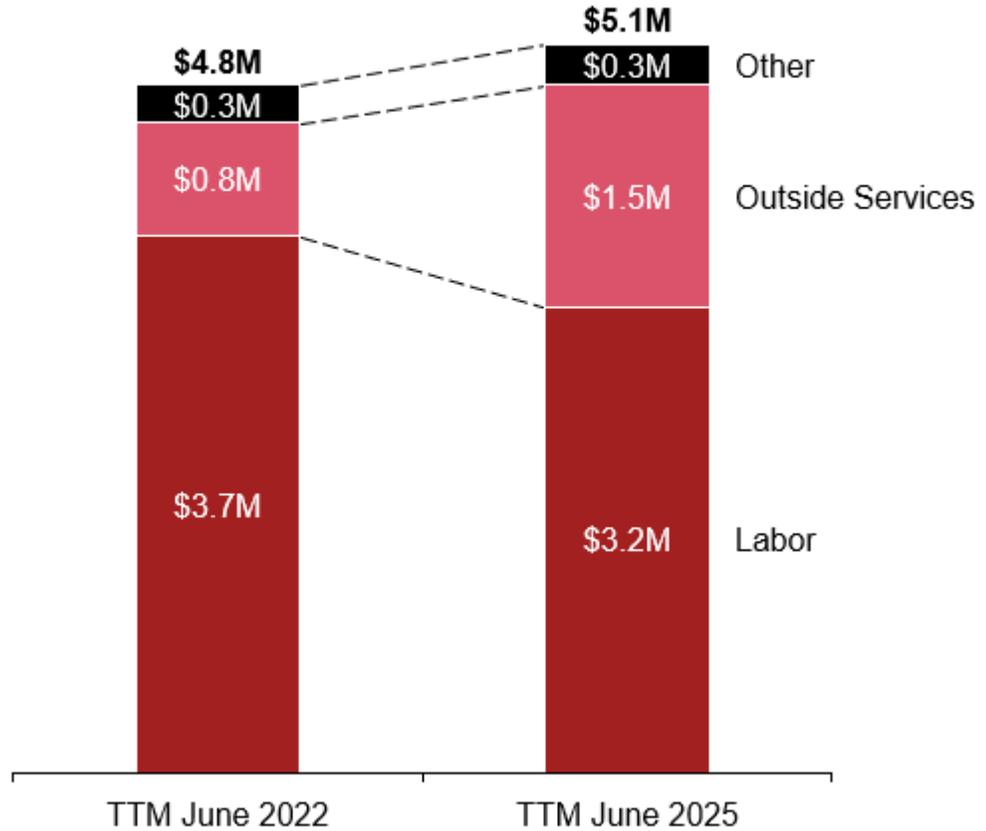
3 **Q. WHAT HAS BEEN THE TREND IN EXECUTIVE MANAGEMENT COSTS IN**  
 4 **RECENT YEARS?**

5 **A.** From TTM June 2022 to the Test Year, Executive Management adjusted costs  
 6 increased by \$0.3 million from \$4.8 million to \$5.1 million. Table 25 below shows  
 7 the changes in Executive Management costs from TTM June 2022 to the Test Year  
 8 by cost type. From TTM June 2022 to the Test Year, outside services increased  
 9 by approximately \$0.7 million and labor decreased by \$0.5 million.

1

**TABLE 25: TOTAL EXECUTIVE MANAGEMENT COSTS BY COST TYPE**

**PNMR Services: Executive Management Costs by Cost Type**  
(Nominal, \$M)

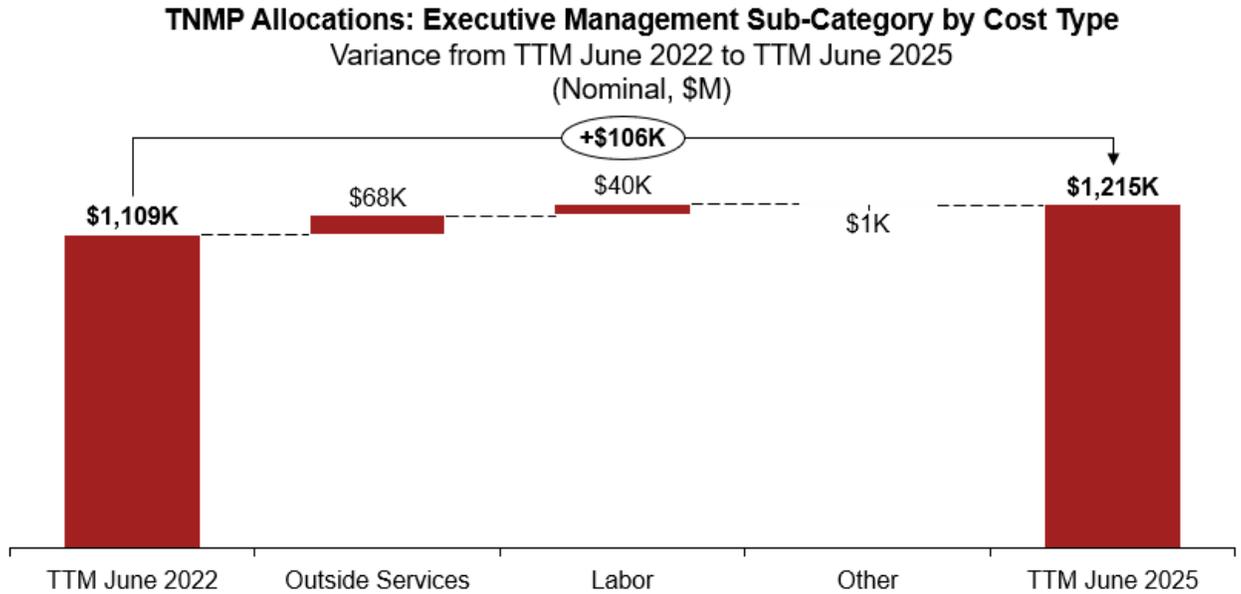


2

3 **Q. WHAT ARE THE TOTAL ADJUSTED EXECUTIVE MANAGEMENT COSTS**  
4 **CHARGED TO TNMP IN THE TEST YEAR?**

5 **A.** The total adjusted Executive Management costs allocated to TNMP during the Test  
6 Year was \$1.2 million. Table 26 below shows the changes Executive Management  
7 costs by cost type.

1 **TABLE 26: EXECUTIVE MANAGEMENT COSTS BY COST TYPES – TNMP**



2

3 **Q. WHAT HAS BEEN THE TREND IN COSTS BILLED TO TNMP BY THE**  
 4 **EXECUTIVE MANAGEMENT GROUP IN RECENT YEARS?**

5 **A.** Executive Management adjusted costs billed to TNMP have increased by \$0.1  
 6 million, from \$1.1 million in TTM June 2022 to \$1.2 million in the Test Year. Labor  
 7 and outside services increased \$0.1 million and other miscellaneous items had  
 8 minimal changes.

9 **Q. DOES EXECUTIVE MANAGEMENT COSTS INCLUDE ANY ASSOCIATED**  
 10 **LOBBYING EXPENSES?**

11 **A.** No, Edison Electric Institute (“EEI”) and Electric Power Research Institute (“EPRI”)  
 12 fees are included in Executive Management cost, however the lobbying expense  
 13 associated with the EEI dues has not been included and EPRI dues do not include  
 14 any portion related to lobbying.

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

17 **A.** Yes, the changes previously described are reasonable.

**4. Cost Allocation of Executive Management**

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

**A.** As indicated in the figure below, the predominant billing method for the Executive Management class of service is from the 941-Employee Headcount, Gross Margin, Net Plant general allocation method. The general allocation methodology is used when the management activities are not assignable using the other methods, or for activities which benefit the entire group of TXNM Energy affiliates.

**TABLE 27: EXECUTIVE MANAGEMENT COSTS BY BILLING METHOD – TEST YEAR**

**Executive Management Category Billing Methods**

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

Allocation Method	Location	Allocation Driver	PNMR Allocations	TNMP Allocations
General	941	MMF - Employee Headcount, Gross Margin, Net Plant.	48.5%	71.7%
	951	MMF- Employee Headcount, Gross Margin, Net Plant.	12.1%	-
Direct	999	TXNM Energy	20.8%	-
Transactional	911	Number of General Ledger Transactions	18.7%	28.3%

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

**A.** The activities performed by the Executive Management group often are not related to one specific affiliate individually and are assigned using transactional and general allocators which allocate the costs equitably. For instance, costs associated with the CEO are assigned using the 941-Employee Headcount, Gross Margin, Net Plant general allocation methodology.

**Q. TO WHICH COMPANIES ARE EXECUTIVE MANAGEMENT COSTS BILLED, AND HOW ARE THOSE COSTS BILLED?**

**A.** The Executive Management group costs are billed to TXNM Energy and all of TXNM Energy active business units including TNMP and PNM. The 999 - allocator is used for costs held at the TXNM Energy corporate level and not allocated to the subsidiary companies.

1 **Q. WHAT IS YOUR OVERALL CONCLUSION WITH RESPECT TO THE**  
2 **APPROPRIATENESS OF THE COST ALLOCATIONS AND BILLING METHODS**  
3 **USED FOR EXECUTIVE MANAGEMENT COSTS?**

4 **A.** The cost allocations and billing methods used by the Executive Management class  
5 of service are appropriate and necessary to provide reliable electrical delivery  
6 services.

7 **5. Necessity and Reasonableness of Services**

8 **Q. ARE THE SERVICES PROVIDED BY EXECUTIVE MANAGEMENT GROUP**  
9 **NECESSARY TO SUPPORT THE BUSINESS OF THE AFFILIATED**  
10 **COMPANIES?**

11 **A.** Yes, the services provided by the Executive Management group are necessary to  
12 ensure strategic governance for the affiliates and to establish and maintain policies  
13 to assure a safe and reliable electric delivery system.

14 **Q. DO ANY OTHER DEPARTMENTS HAVE THE CAPABILITY TO PROVIDE THE**  
15 **SERVICES CURRENTLY PROVIDED BY EXECUTIVE MANAGEMENT?**

16 **A.** No. There are no other departments that have the capability to provide such  
17 services. Other departments lack the skill set, span of control and resources to  
18 offer the same services.

19 **Q. IS IT NECESSARY AND REASONABLE FOR THESE ACTIVITIES TO BE**  
20 **PROVIDED BY AN AFFILIATE (AS OPPOSED TO WITHIN EACH AFFILIATED**  
21 **COMPANY)?**

22 **A.** Yes, the Executive Management group provides services to TXNM Energy,  
23 benefiting all affiliated companies. Common executive oversight services that are  
24 shared among affiliated companies can be provided more efficiently on a  
25 consolidated basis than if they were performed separately within multiple affiliated  
26 companies. Centralization also minimizes the potential for duplication of resources  
27 and efforts among the affiliated companies.

28 **Q. IN SUMMARY, ARE THE SERVICES THAT THE EXECUTIVE MANAGEMENT**  
29 **GROUP PERFORMS NECESSARY FOR TNMP TO PROVIDE RELIABLE**  
30 **ELECTRIC DELIVERY SERVICE?**

1 **A.** Yes, the services that Executive Management performs are necessary to support  
2 the businesses of the operating units.

3 **6. Cost Management**

4 **Q. WHAT PROCESSES ARE IN PLACE TO ENSURE THAT EXECUTIVE**  
5 **MANAGEMENT EXPENSES INCURRED ON BEHALF OF THE AFFILIATED**  
6 **COMPANY ARE REASONABLE?**

7 **A.** To ensure that Executive Management expenses incurred on behalf of the  
8 operating companies are reasonable, Executive Management members'  
9 compensation is based on company performance and is reviewed regularly by the  
10 Compensation Committee of the Board of Directors. The Accounting group  
11 performs monthly budget variance reviews. The monthly report presents detailed  
12 information about service company charges and provides transparency to the  
13 service charges.

14 **Q. DISCUSS HOW EXECUTIVE MANAGEMENT EMPLOYS BUDGETING,**  
15 **PLANNING, COST REVIEW AND REPORTING TO CONTROL ITS CHARGES**  
16 **TO THE AFFILIATED COMPANIES.**

17 **A.** In addition to establishing the corporate budgeting guidelines, the Executive  
18 Management group also follows the standard PNMR Services budgeting process.  
19 In the third quarter, each of the departments in the Executive Management group  
20 develops an annual budget by month for both O&M and Capital. The detailed  
21 budget is created at the home center, cost type and allocation methodology level.  
22 Once the budget is established, the Executive Management costs are tracked  
23 against actual expenditures and appropriate adjustments are made to control  
24 charges through monthly budget variance reviews. The Executive Management  
25 group also prepares quarterly reforecast budgets where original budgets, spend to  
26 date and future spend expectations are reviewed and re-justified.

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

28 **A.** TXNM short-term incentives program links incentive pay to workgroup O&M  
29 budget targets. Meeting O&M targets impacts the performance scorecards for the

1 Executive Management workgroup. Performance against the scorecard goals  
2 determines the bonus amount earned or not earned.

3 **Q. WHAT IS YOUR OVERALL CONCLUSION ON THE REASONABLENESS AND**  
4 **NECESSITY OF COST MANAGEMENT PRACTICES FOR EXECUTIVE**  
5 **MANAGEMENT GROUP COSTS?**

6 **A.** The Executive Management group's cost control practices are reasonable and  
7 effective, and result in reasonable and necessary costs for reliable operation of the  
8 business units to which they are billed, including TNMP. The major cost controls  
9 include conducting monthly budget variance reviews and linking the budget targets  
10 in the performance scorecard for incentive compensation.

11 **XIII. INDIRECT EFFECTS AFFILIATE EXPENSES**

12 **Q. PLEASE DESCRIBE THE INDIRECT EFFECTS CLASS OF SERVICES.**

13 **A.** Indirect Effects is a group of home centers used to account for non-organizational  
14 expenses such as depreciation, amortization, time off allowances, corporate  
15 donations, and certain nonrecurring expenses. Indirect effects also includes the  
16 expense offset to payroll loads applied to capital projects.

17 **Q. PLEASE EXPLAIN THE EXPENSE OFFSET TO PAYROLL LOADS INCLUDED**  
18 **IN INDIRECT EFFECTS.**

19 **A.** Certain payroll expenses are capitalized as a part of fixed assets such as pension  
20 and benefits, payroll taxes and injuries and damages. For example, the expense  
21 for pension and benefits would be included in the Compensation and Benefits  
22 costs addressed by TNMP witness Rebecca Teague, but when a portion of those  
23 expenses are added to capital projects, a credit to expense is created in the  
24 Indirect Effects class of service discussed here.

25 **1. Cost Levels and Cost Trends**

26 **Q. WHAT IS THE TOTAL COSTS OF INDIRECT EFFECTS DURING THE TEST**  
27 **YEAR?**

28 **A.** The total Test Year adjusted Indirect Effects costs for TNMP are a negative  
29 expense of \$0.3 million in the Test Year.

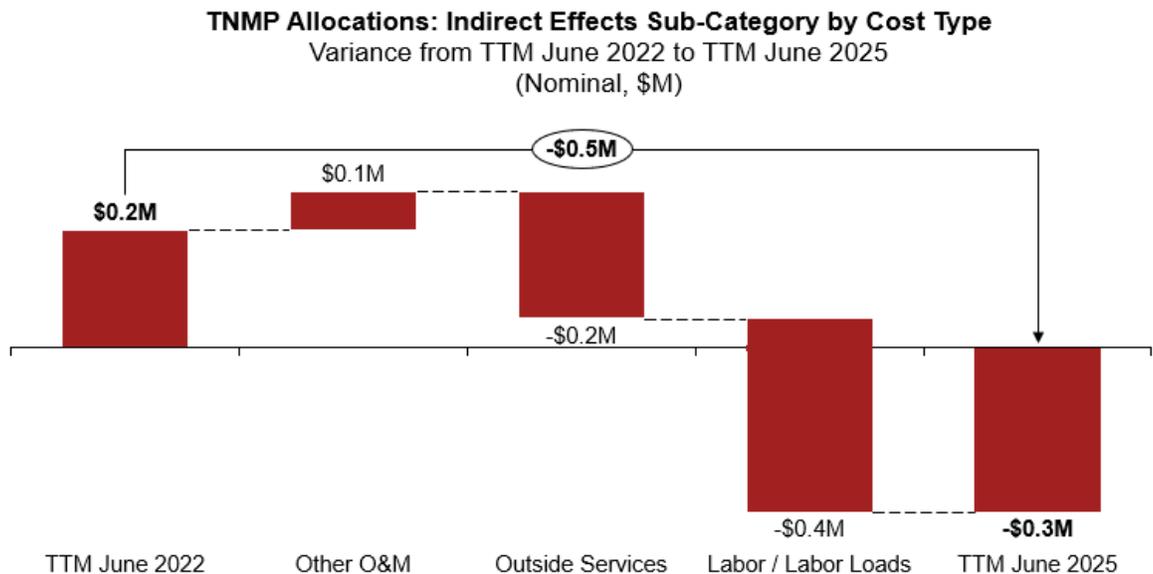
1 **Q. WHY ARE THE INDIRECT EFFECTS EXPENSES INCLUDED IN THE TEST**  
 2 **YEAR NEGATIVE?**

3 **A.** For the current Test Year, all depreciation, amortization, and property tax  
 4 expenses were removed from the affiliate transactions portion of the filing and are  
 5 instead included in the rate filing package along with depreciation, amortization,  
 6 and property tax expense directly incurred by TNMP. Once the depreciation,  
 7 amortization, and property tax expenses were moved out of the affiliate expense  
 8 indirect effects category, primarily the payroll loads to capital expense offset  
 9 remains, creating an overall negative expense in this category.

10 **Q. WHAT HAS BEEN THE TREND IN ACTUAL EXPENDITURES AFFILIATED**  
 11 **WITH INDIRECT EFFECTS?**

12 **A.** As shown in the figure below, Indirect Effects adjusted costs billed to TNMP  
 13 decreased \$0.5 million from \$0.2 million in the Test Year to negative \$0.3 million  
 14 in the Test Year. Labor decreased \$0.4 million, primarily related to payroll loads  
 15 discussed above. Outside services decreased \$0.2 million and other  
 16 miscellaneous O&M increased \$0.1 million.

17 **TABLE 28: INDIRECT EFFECTS COST BILLED TO TNMP BY COST TYPE**



18

1 **Q. ARE THE AMOUNTS ALLOCATED TO TNMP FOR INDIRECT EFFECTS**  
2 **REASONABLE?**

3 **A.** Yes, the amounts described above are reasonable in relation to TNMP.

4 **XIV. OVERALL CONCLUSIONS**

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

6 **A.** My conclusion is that the services provided by PNMR Services are necessary, the  
7 PNMR Services costs billed to TNMP are reasonable, and the costs are  
8 appropriately allocated. The activities performed by PNMR Services are  
9 necessary in order for TNMP to provide reliable electric delivery services. These  
10 activities also fulfill responsibilities to shareholders, regulators and legal entities.  
11 PNMR Services charges are billed to TNMP at cost; the prices charged to TNMP  
12 for PNMR Services are in no event higher than the prices charged by PNMR  
13 Services to any other affiliate or person. The changes in PNMR Services costs  
14 between TTM June 2022 and the Test Year are reasonable as described by my  
15 testimony and the testimony of the other affiliate witnesses. PNMR Services'  
16 allocation factors are generally acceptable and reasonable as they utilize direct  
17 charging whenever practical to ensure cost transparency and control.

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

19 **A.** Yes, it does.

**AFFIDAVIT**

**STATE OF NEW MEXICO**       §  
  §  
**COUNTY OF BERNALILLO**   §

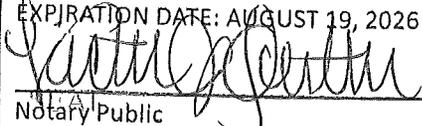
BEFORE ME, the undersigned authority, on this day personally appeared Emmanuel J. Lopez, who, upon proving his identity to me and by me being duly sworn, deposes and states the following:

“My name is Emmanuel J. Lopez. 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 6<sup>th</sup> 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

**FOURTH AMENDED AND RESTATED ADMINISTRATIVE SERVICES  
AGREEMENT BETWEEN PNMR SERVICES COMPANY  
AND TEXAS-NEW MEXICO POWER COMPANY**

**THIS FOURTH AMENDED AND RESTATED ADMINISTRATIVE SERVICES AGREEMENT** (the "Restatement") effective as of March 1, 2018 (the "Effective Date") is entered into by and between PNMR Services Company ("PNMR Services") and Texas-New Mexico Power Company ("TNMP").

**WHEREAS**, PNMR Services and TNMP entered into an Administrative Services Agreement dated June 6, 2005 (the "Agreement") under which each agreed to render to the other certain services under the terms and conditions stated therein; and

**WHEREAS**, on October 9, 2006, the Agreement was subsequently amended; and

**WHEREAS**, on May 7, 2007, the Agreement was subsequently amended and restated; and

**WHEREAS**, on January 1, 2011, the Agreement was subsequently amended and restated; and

**WHEREAS**, PNMR Services and TNMP now desire to amend and restate the terms of the Agreement to clarify services provided.

**NOW THEREFORE**, in consideration of the premises and mutual covenants, conditions and terms set forth herein, PNMR Services and TNMP hereby agree to amend and restate the Agreement in its entirety as follows:

1. **Term.** This Restatement shall be effective from the Effective Date and continue until terminated as provided herein.
2. **Provision of Services by PNMR Services.** PNMR Services agrees to provide to TNMP those types of services (the "Services") described in current PNM Cost Allocation Manual (the "CAM") and as outlined in the Agency Designation attached to this Agreement as Appendix 1. TNMP shall specify agreed levels of service and performance metrics, which may be adjusted from time to time by mutual agreement of the parties.
3. **Provision of Services by TNMP.** Subject to any limitations in the Order of the Public Utility Commission of Texas filed in Docket No. 30172 on April 22, 2005 (the "PUCT Order"), TNMP agrees to provide to PNMR Services such incidental Services as may be agreed upon by TNMP and PNMR Services. PNMR Services shall specify agreed levels of service and performance metrics, which may be adjusted from time to time by mutual agreement of the parties.
4. **Compensation for Services Provided by PNMR Services.** In accordance with Section 11 herein, TNMP agrees to pay PNMR Services on either a direct cost basis or an allocated cost basis for the Services provided to TNMP. If an allocated cost basis is used,

costs for the specific Service involved will be allocated in proportion to the benefits received by TNMP, pursuant to methodologies described in the CAM.

5. **Compensation for Services Provided by TNMP.** PNMR Services agrees to pay TNMP on a cost basis for the Services provided by TNMP.
6. **Parties' Responsibilities Related to Services Provided.** In connection with the Services provided, each party will:
  - (a) coordinate with the other party on the level of Services to be provided and in sharing information on business changes affecting the level of Services to be provided;
  - (b) participate in planning meetings with the other party and assist in the development of accurate demand forecasts;
  - (c) provide timely notification of significant changes in the conduct of its business that will impact the specific workload of the party providing the Services;
  - (d) provide timely feedback, when requested, on performance to the party providing the Services so that improvements can be implemented as necessary; and
  - (e) Monitor internal demand for Services.
7. **Review and Changes in Services.** This Restatement will be reviewed, as agreed upon, jointly by the parties. At any time, this Restatement or the Services provided hereunder may be modified by mutual agreement if the respective needs of TNMP and PNMR Services require changes in the Services or level of Services provided. Both TNMP and PNMR Services may propose changes to Services provided to or by them.
8. **Payment.** The party providing services shall provide the party receiving services with an invoice or other statement of charges ("Invoice"). For Services provided by PNMR Services to TNMP, the Invoice shall be the Ongoing Income Statement, specifically the current ongoing amount shown for A&G Expense Corporate Allocation. The Invoice shall be provided on or before the 10<sup>th</sup> day of the month following the month in which Services were provided. Provided that the Invoice is timely transmitted, payment of the Invoice shall be due on the 20<sup>th</sup> day of the month following the month in which Services were provided. If the party to whom the Services are provided disputes a charge, then that party shall provide notice to the other party of the disputed charge within forty-five (45) days of payment and the parties shall negotiate in good faith for a resolution of the disputed charge. The party providing Services shall provide reasonable supporting documentation for its charges as requested by the party receiving Services. The provision for resolving disputed charges does not alter the Invoice due date.
9. **Resolution of Issues.** TNMP and PNMR Services personnel will work together to obtain timely resolution of any problems arising under this Restatement. In the event that any

service level, cost allocation or similar issue relating to Services provided by either PNMR Services or TNMP cannot be resolved in a timely manner by TNMP and PNMR Services personnel, resolution of the issue shall be referred to the appropriate TNMP and PNMR Services managers.

10. **Compliance with Laws, Regulations and Policies.** In the provision and pricing of Services, the parties will comply with applicable and valid requirements of the New Mexico Public Regulatory Commission, the Public Utility Commission of Texas, and other applicable laws, regulations and policies.
11. **Confidentiality of Information.** The parties agree that all data and information that they receive from or are given access to by the other party pursuant to this Restatement is confidential, proprietary and may contain trade secrets. The parties acknowledge and agree that all such data and information is and shall remain the property of the party from whom it is received or who provides access to it (hereinafter called the "Disclosing Party"). Further, in addition to the requirements of Section 11 herein, the parties agree to take reasonable precautions to maintain the confidentiality of all such data and information and to not disclose such data or information to any third party without the prior consent of the Disclosing Party, except as required by law. If a party is served with process of law, including but not limited to subpoenas requiring that party to produce, release or disclose any such data or information received hereunder or to which it was given access hereunder, such party shall immediately notify the Disclosing Party and allow the Disclosing Party, at its sole expense and cost, to challenge the process of law, including any subpoena.
12. **Audit of Records.** At any time, but not later than two (2) years after a payment is made under this Restatement, either party may audit the statements of accounts and other substantiating documentation of the other party relating to such payment. Each payment previously made shall be subject to a decrease to the extent that any amount is found not to have been properly payable or to an increase for any under payments that are discovered.
13. **Right to Use TNMP Property by PNMR Services.** PNMR Services shall be entitled to use certain property of TNMP as follows:
  - (a) PNMR Services shall be entitled to the use of certain tangible and intangible personal property, including, but not limited to, vehicles and office space of TNMP (the "TNMP Property") in performing Services for TNMP under this Restatement and PNMR Services shall compensate TNMP for such use on an allocated cost basis. PNMR Services shall acquire no interest in the TNMP Property and its use by PNMR Services for purposes other than providing Services to TNMP shall be terminable by TNMP at will on thirty (30) days written notice to PNMR Services.
14. **Termination.** Except as provided in Sections 13, 14, and 15 above, this Restatement shall continue until terminated by mutual consent of the parties.

15. **Prohibition against Assignment.** This Restatement is not assignable in whole or in part by either party without the written consent from the other party.
16. **Binding Effect.** This Restatement is binding upon PNMR Services, TNMP and their respective successors and assigns.
17. **Notices.** Any notice or approval required or permitted under this Restatement, whether delivered by hand, electronic facsimile or mail, shall be in writing and shall be sent to the following addresses or to any other address designated by prior written notice:

If to **PNMR Services:**

PNMR Services Company  
414 Silver Ave., SW  
Albuquerque, NM 87102  
Facsimile: (505) 241-2338  
Attention: Secretary

If to **TNMP:**

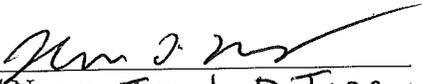
PNMR Services Company  
414 Silver Ave., SW  
Albuquerque, NM 87102  
Facsimile: (505) 241-2338  
Attention: Secretary

18. **Further Actions.** The parties agree to take such further actions and to execute and deliver such documents as may be reasonably necessary to effectuate the purposes of this Restatement.
19. **Counterparts.** This Restatement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which, taken, together, shall be construed as a single instrument.

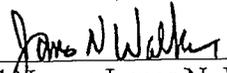
**IN WITNESS WHEREOF,** PNMR Services and TNMP have caused this Restatement to be signed by their duly authorized representatives as of the Effective Date.

*[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]*

**PNMR SERVICES COMPANY**

By:   
Printed Name: Joseph D. TARRY  
Title: VP Finance & Controller

**TEXAS-NEW MEXICO POWER COMPANY**

By:   
Printed Name: James N. Walker  
Title: President

## Appendix 1

### AGENCY DESIGNATION

This **AGENCY DESIGNATION** (the "Designation") is made between Texas-New Mexico Power Company, a Texas corporation ("Texas") and PNMR Services Company, a New Mexico corporation. TNMP does hereby appoint PNMR Services Company as the representative and agent of TNMP, to allow PNMR Services Company and any officers and employees of PNMR Services Company who are delegated responsibility for the activities described herein and are acting within the scope of their employment with PNMR Services Company (PNMR Services Company and such officers and employees collectively referred to herein as "PNMR Services") to be its agent and attorney in fact, with full power and authority to sign or endorse, or both, the following contracts in the name of TNMP and on its behalf in connection with the fulfillment of the obligations of PNMR Services to provide procurement services through its Supply Chain organization pursuant to the Fourth Amended and Restated Administrative Services Agreement between PNMR Services and TNMP, effective March 1, 2018, as amended from time to time: (i) construction contracts for the construction and maintenance of TNMP's electric distribution and transmission systems, and any facilities related to or incidental to such systems, including but not limited to warehouses, maintenance shops, storage facilities, offices, and administrative facilities; (ii) contracts for the acquisition and disposition of tangible personal property (including equipment, parts, and supplies) and services to construct and maintain TNMP's electric distribution and transmission systems, and any facilities related to or incidental to such systems, including but not limited to warehouses, maintenance shops, storage facilities, offices, and administrative facilities; (iii) contracts for the acquisition and maintenance of tangible personal property and services to carry out TNMP's executive, management, accounting, compliance, and other administrative activities; and (iv) confidentiality and nondisclosure agreements related to the subject matter of the contracts included in (i), (ii), and (iii) above.

PNMR Services shall exercise the power, authority, and rights granted hereunder in accordance with its disbursement and procurement policies and monetary limits associated therewith, as amended from time to time.

This Designation shall be effective until terminated by TNMP.

**AMENDED AND RESTATED  
SERVICES AGREEMENT  
BETWEEN  
PUBLIC SERVICE COMPANY OF NEW MEXICO  
AND  
TEXAS-NEW MEXICO POWER COMPANY**

**THIS AMENDED AND RESTATED SERVICES AGREEMENT** (the "Restatement") is effective as of October 9, 2006 (the "Effective Date") by and between PUBLIC SERVICE COMPANY OF NEW MEXICO ("PNM") and TEXAS-NEW MEXICO POWER COMPANY ("TNMP").

**WHEREAS**, PNM and TNMP entered into a services agreement dated July 31, 2005 (the "Agreement") under which each agreed to render to the other certain services under the terms and conditions stated therein; and

**WHEREAS**, on November 28, 2005, the Agreement was amended to add environmental services to the list of services under the Agreement; and

**WHEREAS**, PNM and TNMP now desire to amend and restate the terms of the Agreement in order to delete environmental services from the list of services under the Agreement.

**NOW THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS, CONDITIONS AND TERMS SET FORTH HEREIN, PNM AND TNMP AGREE TO AMEND AND RESTATE THE AGREEMENT IN ITS ENTIRETY AS FOLLOWS:**

1. **Term.** This Restatement shall be effective as of July 31, 2005, and continue thereafter until terminated by mutual consent of the parties.
2. **Provision of Services.** PNM and TNMP agree to provide to the other party those types of services (the "Services") described in Appendix 1 attached to and made a part of this Restatement, which services are necessary to their electric utility operations. PNM and TNMP shall specify agreed levels of service and performance metrics, which may be adjusted from time to time by mutual agreement of the parties.
3. **Compensation for Services.** PNM and TNMP agree to pay the other party on a cost basis consistent with applicable state and federal regulatory requirements for Services provided by the other party.
4. **Annual Review and Changes in Services.** At any time, this Restatement or the services provided hereunder may be modified by mutual agreement if the respective needs of PNM and TNMP require changes in the services or level of services provided. Both PNM and TNMP may propose changes to services provided to or by them.

5. **Statement of Account.** The party providing the services shall provide the other party with a statement of account in a form mutually agreed to by the parties, on a calendar month basis for the services provided. Each statement of account shall be provided within forty-five (45) days following the end of each calendar month. Statements of account shall be settled within thirty (30) days of receipt. Such settlement may include the opportunity for netting the respective statements for services. If the party to whom the services are provided disputes a charge, then that party shall provide notice to the other party of the disputed charge within fifteen (15) days of receipt of the statement of account and the parties shall negotiate in good faith for a resolution of the disputed charge. All undisputed charges on the statement of account shall be settled within the time frame provided in this Section 5.
6. **Resolution of Issues.** PNM and TNMP personnel will work together to obtain timely resolution of any problems arising under this Restatement. In the event that any service level, allocated cost or similar issue relating to services provided by either PNM or TNMP cannot be resolved in a timely manner by PNM and TNMP personnel, resolution of the issue shall be referred to the appropriate PNM and TNMP managers.
7. **Confidentiality of Information.** The parties agree that all data and information that they receive from or are given access to by the other party pursuant to this Restatement may be confidential, proprietary and may contain trade secrets. Subject to the transfer of assets and related data and information from TNMP to PNM pursuant to state and federal regulatory authorizations, the parties acknowledge and agree that all such data and information is and shall remain the property of the party from whom it is received or who provides access to it (hereinafter called the "Disclosing Party"). Further, in addition to the requirements of this Section 7, the parties agree to take reasonable precautions to maintain the confidentiality of all such data and information and to not disclose such data or information to any third party without the prior consent of the Disclosing Party, except as required by law. If a party is served with process of law, including but not limited to subpoenas requiring that party to produce, release or disclose any such data or information received hereunder or to which it was given access hereunder, such party shall immediately notify the Disclosing Party and allow the Disclosing Party, at its sole expense and cost, to challenge the process of law, including any subpoena.
8. **Audit of Records.** At any time, but not later than two (2) years after invoices are settled under this Restatement, either party may audit the statements of accounts and other substantiating documentation of the other party relating to such settlement. Each settlement previously made shall be subject to a decrease to the extent that any amount is found not to have been properly payable or to an increase for any underpayments that are discovered.

9. **Prohibition Against Assignment.** This Restatement is not assignable in whole or in part by either party without the written consent of the other party.
10. **Binding Effect.** This Restatement is binding upon PNM, TNMP and their respective successors and assigns.
11. **Notices.** Any notice or approval required or permitted under this Restatement, whether delivered by hand, electronic facsimile or mail, shall be in writing and shall be sent to the following addresses or to any other address designated by prior written notice:

If to PNM:                    Joel K. Ivy  
                                      Vice President, Technical Services  
                                      Alvarado Square, MS 0600  
                                      Albuquerque, NM 87158  
                                      Facsimile: (505) 241-0815

If to TNMP:                    James N. Walker  
                                      Vice President, Operations  
                                      4100 International Plaza  
                                      Suite 900  
                                      Fort Worth, Texas 76109  
                                      Facsimile: (317) 762-7577

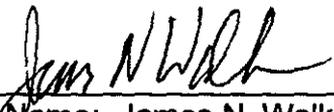
12. **Further Actions.** The parties agree to take such further actions and to execute and deliver such documents as may be reasonably necessary to effectuate the purposes of this Restatement.
13. **Counterparts.** This Restatement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which, taken together, shall be construed as a single instrument.

**IN WITNESS WHEREOF**, PNM and TNMP have caused this Restatement to be signed by their duly authorized representatives as of the Effective Date.

**PUBLIC SERVICE COMPANY OF NEW MEXICO**

By:   
Name: Joel K. Ivy  
Title: Vice President, Technical Services

**TEXAS-NEW MEXICO POWER COMPANY**

By:   
Name: James N. Walker  
Title: Vice President, Operations

## **Appendix 1**

### **SERVICES**

A general description of the electric utility related Services that may be provided by PNM and TNMP to each other, which may be modified from time to time, is set forth below.

Distribution and Substation Planning Services

Transmission Planning Services

Transmission Contract Management Services

Transmission and Distribution System Operations Services

Vegetation Management Policy and Contract Management Services

Right-of-Way Acquisition and Administration Services

Transmission, Distribution and Substation Design and Standards Services

Call Center and Customer Support Services

Utility Geographic Information System and Mapping Services

Safety Support Services

Main Offices  
Albuquerque, NM 87158 -1105  
P 505 241-2700  
F 505 241-2347  
PNM.com



December 29, 2023

Ms. Melanie Sandoval  
Records Bureau Chief  
Prc.records@prc.nm.gov  
New Mexico Public Regulation Commission  
P.O. Box 1269  
Santa Fe, NM 87504

RE: PNM Cost Allocation Manual, Effective: January 1, 2024  
Compliance with NMPRC Case No. 03-00017-UT

Dear Ms. Sandoval:

Enclosed for filing with the New Mexico Public Regulation Commission ("Commission") is Public Service Company of New Mexico's Cost Allocation Manual ("CAM"), effective January 1, 2024. The attached CAM supersedes the previously filed CAM. The enclosed copy is provided in compliance with Paragraph 20 of the Commission approved Stipulation in NMPRC Case No. 03-00017-UT, which states:

"PNM shall update its Cost Allocation Manual on an annual basis [March 31, as per the oral testimony of Tom Sategna], or whenever a change in organizational structure makes such an updated appropriate, whichever occurs first."

If you have any questions regarding this filing, please contact me at 505-241-0675.

Sincerely,

/s/ Justin Rivord  
Justin Rivord  
Project Manager  
Regulatory Policy and Case Management

Enclosures

cc: Alex Zamora – PNM  
Jason Peters – PNM

GCG#531922

**Cost Allocation Manual**

**Effective: January 1, 2024**

**Filed: December 29, 2023**

**For  
Public Service Company of New Mexico  
PNMR Services Company, Inc.  
And  
PNM Resources, Inc.**

**Cost Allocation Manual**

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## **INTRODUCTION**

### **Company Operations**

PNM Resources, Inc. (PNMR) is an investor-owned holding company with two regulated utilities providing electricity and electric services in New Mexico and Texas. PNMR also holds 50% ownership in a joint venture created to pursue the acquisition, development, and ownership of renewable energy generation projects, primarily in New Mexico. These operations are carried out through business units, which may be individuals or groups of subsidiaries of PNMR. The business units maintain their own accounting records, including general ledgers. In addition, PNMR maintains a corporate general ledger where the costs of certain centralized corporate oversight activities are recorded. These activities include those necessary for the overall governance of any publicly held enterprise such as executive oversight, finance, corporate planning, legal, corporate communications, human resources, regulatory and government affairs. It is the activities performed through these corporate “centers”, included in a Shared Services subsidiary or PNMR Services Company, Inc., which are maintained on the corporate general ledger, that are subject to cost assignment using the methodology set forth in this manual. These shared services are provided to the subsidiaries of PNMR.

### **Regulation**

The New Mexico Public Regulation Commission (NMPRC or Commission), in its Order Approving Formation of Holding Company issued in NMPRC Case No. 3137 (Case 3137) on June 28, 2001, ordered Public Service Company of New Mexico (PNM), with the aid and cooperation of Staff and interested parties, to develop and file a cost allocation manual (CAM). (Case 3137 Recommended Decision, pp. 45 and 60). Paragraph 20 of the Stipulation in NMPRC Case No. 03-00017-UT further requires PNM to update its Cost Allocation Manual on an annual basis or whenever a change in organization structure makes updates appropriate. The company has complied with the NMPRC requirement since June 28, 2002.

Effective January 1, 2005, PNM Resources, Inc. (PNMR) registered as a Holding Company under the Public Utility Holding Company Act of 1935. This registration required the formation of

PNMR Services Company, which captures all corporate shared services and equitably allocates those costs to the operating units to avoid any cross subsidization of those segments. In September 2005, the Energy Policy Act of 2005 was signed into law. This comprehensive energy legislation resulted in repeal of PUHCA. FERC issued a final rule on October 19, 2005 adopting new financial accounting, reporting and records retention requirements under the Public Utility Holding Company Act of 2005 to provide greater accounting transparency and to protect ratepayers from paying improper service-company costs. PNMR Service Company is governed by this FERC order.

## **PURPOSE OF ASSIGNMENT OF PNMR SERVICES COSTS**

The purpose of assigning PNMR Services costs to individual segments, business units is to reflect all costs of doing business in each segment and business unit including PNMR Services costs thereby reflecting the financial results of operations as though the segment or business unit had operated independently of all others.

This is consistent with the cost allocation principles outlined in FERC C.F.R. Part 367 in that the general method for charging affiliates should be on a fully allocated cost basis. PNMR Services cost assignment methods are based on selected cost drivers which meet the following five criteria: (1) cost causative, (2) measurable, (3) objective, (4) stable or predictable and (5) consistently applicable. These criteria are discussed further below.

### **Anticipated changes**

Although the methodology is flexible, the way in which it is applied across the corporate center will likely be different as PNMR transitions through time. Corporate cost centers will be added and deleted and the activities within a cost center may change, so as to necessitate use of a new assignment formula.

As changes occur, PNMR will update the manual and processes with the necessary changes. It is important to understand that process changes will not affect the cost assignment methodology, but merely how it is applied.

The remainder of the manual discusses the assignment method, the criteria for selections, and the calculation process.

**DEFINITION OF PNMR SERVICES COSTS TO BE ASSIGNED**

The combined PNMR Services Company is staffed with certain centralized functions operating in support of more than one of its business units. These functions are required to comply with external government and regulatory requirements or driven by valid business needs. Through centralization, duplication of staff and resources is minimized. It is these common centralized functions, which are not otherwise supporting a single business unit, that are considered “PNMR Services costs.”

Assigned corporate costs do not include billings from one business unit to another for services, which reside outside of the corporate center nor does it include direct charges which are specific charges incurred directly in support of a business unit and billed directly to that business unit.

## **BASIS OF ASSIGNMENT OF PNMR SERVICES COSTS**

In order to obtain a reasonable cost assignment method, the Company adhered to the following criteria:

### **Cost-causative--**

The distribution method should represent the relationship between the cause for the expense being incurred and the effect that the activity (and its associated cost) has on the operations of the benefiting business unit.

### **Measurable--**

The distribution method should be derived from operational or financial data, which is subject to internal accounting controls and independently auditable.

### **Objective--**

The ability to influence the outcome of the distribution of any costs that cannot be directly linked to a specific business unit must be avoided. The method should reflect the causative nature of the incurred costs, with no intrinsic bias towards any business unit.

### **Stable/Predictable--**

The distribution method should not produce inherent variations in the distribution of costs, which are not related to fundamental changes in the service level provided.

### **Consistently applicable--**

The amounts distributed to any one business unit should be no higher than those charged to any other business unit on a per-unit of usage basis. Basically, the cost per unit should be the same for all users of that particular service.

## **METHODOLOGY OF ASSIGNMENT OF COSTS**

### **Steps for Assignment of Costs:**

1. Identify all costs within PNMR Services.
2. Identify direct charge specific support.
3. Identify transaction charge specific support.
4. Identify general charge specific support.
5. Classify remaining support.
  - A. Internal
  - B. External
  - C. Composite of Internal & External support

## **ORGANIZATIONAL STRUCTURE**

To provide effective management of the various business lines, PNM Resources has adopted an organizational structure that allows for the assessment of each individual operating unit subsidiary and the consolidated whole. This is made possible by an account segment structure that allows for the use of different Operating Units that correspond with the various business lines within PNMR. An organizational chart and descriptions of affiliates are included in Exhibit I.

## **PNM / PNM RESOURCES TAX ALLOCATION POLICY**

### **NMPRC directives regarding tax allocation**

The Case 3137 Order Approving Formation of Holding Company included the following directives:

“PNM’s plan is to file consolidated tax returns under a tax sharing arrangement, substantially the same as the current arrangement among PNM and its subsidiaries. ... PNM states that computation of its taxes for ratemaking purposes will continue to be made on a stand-alone basis and will not be affected by the formation of PNM Resources. ... This approach is consistent with the practice of other utilities in New Mexico according to PNM. The Commission accepts PNM’s rationale and will examine these issues in an appropriate ratemaking setting. The Commission reserves the authority to determine the appropriate method for calculating income tax liability in rate related proceedings.” Recommended Decision, p. 48.

“PNM’s payment to the holding company for income taxes shall be limited to PNM’s share of the current tax liability of the consolidated corporation.” (Recommended Decision, p. 60, term 15(h)).

Consistent with PNM’s past practice and the above Commission directives, the consolidated income tax liability of PNM Resources, Inc., and subsidiaries (including PNM) must be allocated in such a manner that no member of the consolidated group is subsidizing any other member of the group with respect to income taxes. Once the tax liability has been computed, PNM Resources settles (pays to or receives from) with the IRS for the consolidated group and each subsidiary settles with PNM Resources for its individual portion.

### **PNM Resources inter-company income tax allocation**

The filing of a consolidated income tax return by PNM Resources and its subsidiaries requires certain policies or agreements be established setting forth how and by whom the consolidated tax liability should be borne. Due to the constantly changing environment of income tax law, establishing specific procedures to accomplish the goals of such policies or agreements is a difficult task. The procedures outlined below are not expected to be all-inclusive nor are they

expected to provide exact processes to be followed. Instead, they are general in nature and will serve only as guidelines in producing an inter-company income tax allocation.

## **Objectives**

Each member of the consolidated group joining in the filing of a consolidated income tax return should bear their allocable portion of the consolidated income tax liability. Key to this objective is the determination of each company's "allocable portion" of the income taxes. The establishment of corporate procedures and the implementation of an inter-company income tax allocation method provide a framework by which the consolidated income tax liability will be shared equitably by the members of the group on a basis consistent with each member's contribution to such liability. More simply stated, the consolidated income tax liability is the sum of the tax liabilities of the members of the group computed on a stand-alone separate company basis with adjustments for certain items which are affected by consolidation. Some of these adjustments will be specifically addressed herein. Others, infrequent in occurrence, will have to be dealt with as they arise in the consolidated tax return. The allocation of such adjustments should be consistent with the concepts developed in this section. The consolidated income tax liability, and the allocable member liabilities, will be determined in accordance with generally accepted accounting principles, industry practices, income tax laws and regulation, and regulatory requirements.

## **Procedures**

### **General Allocations**

As previously stated, the consolidated income tax liability should be the sum of the separate company liabilities with "certain adjustments." Therefore, the starting place for the allocation must be the computation of separate company liabilities. The stand-alone separate income tax liability for each company is computed within the framework of the applicable generally accepted accounting principles, industry practices, regulatory requirements, income tax laws, and principles of consolidation (both accounting and income tax). The last two areas are where adjustments arise. Some of the adjustments are created by provision of income tax law, while others are created by the process of combining the taxable incomes of the members of the group filing a consolidated return. A distinction must be made between the two types of exceptions because the allocation of

each type is different. The two types, examples of each, and the procedures to be used in allocation are discussed below.

### Adjustments Required by Law

In the filing of a consolidated return, particular provisions of the income tax law place certain limitations on, or provide certain benefits to, the consolidated group rather than to the separate companies. An example is the graduated corporate income tax rates. For this and similar items, the benefit or cost of the items is specifically allocated to the parent company as a benefit or cost resulting from the decision to have subsidiaries and file a consolidated return.

### Adjustments Required by Consolidation

In the filing of a consolidated return, items of income, expense, credits, tax preferences, etc., must be combined to determine the consolidated tax liability. In combining such items, their treatment in the consolidated return may vary from their treatment on a stand-alone separate company basis. Examples of these types of items are:

- Alternative Minimum Tax (AMT) – In computing AMT, it is not practical to perform separate company computations because AMT is not applicable to the consolidated group every year. If each company computes AMT on a separate basis, there are times when one or more companies would record a liability for AMT when no AMT is due for the consolidated group.

AMT should only be addressed in years in which it is applicable on a consolidated basis. It is allocated only to members having positive minimum tax preference items. The total AMT due on the consolidated return is allocated to such members based on the ratio of their positive tax preference items over the total stand-alone positive tax preference items.

- Charitable Contribution Limitation – The deduction for charitable contributions is limited to 10 percent of taxable income (with certain adjustments). Situations arise where a limitation is warranted on a consolidated basis when none arises on a stand-alone basis. When such a limitation arises, the limitation is allocated to members with charitable contributions, based on the ratio of their contributions over the total contributions.

For years in which there is a contribution carryover, that carryover will be used only after utilization of the current year's contributions. If the carryover is attributable to more than one company, the utilization will be on a pro rata basis.

- Capital Loss Limitation – In filing a consolidated return, all the members' gains and losses are netted in determining the net long or short-term capital gain or loss for the consolidated group. When such netting results in an overall loss, usage of the loss against ordinary income is subject to limitation. The amount of the limitation is allocated only to those members with capital losses, based on a ratio of their loss over the total stand-alone losses.

#### Satisfaction of Inter-company Income Tax Allocations

As stated above, PNM Resources makes all income tax payments relating to the consolidated group's tax liabilities. This involves making quarterly estimated payments towards the federal and state liability and paying any balance due with the tax returns. Thus, satisfaction of inter-company income tax allocations will be on a quarterly basis (more specifically on the estimated payment due dates) for federal and state purposes.

In making quarterly estimated payments for the consolidated group, the objective is to compute the estimated tax in a manner providing the lowest amount of tax on a consolidated basis and still avoid any underpayment penalties. The amount of tax allocable to each company on a quarterly basis will be based on the information used for the particular company in computing the estimate and not what is accrued on the company's books for that period. Thus, it may be required that the subsidiaries provide additional information requested by the PNMR Services Tax Department.

The information used in computing the quarterly estimate should contain accurate projections of the separate companies anticipated taxable incomes for the year. Should the consolidated group

end up in an underpayment situation subject to penalties and interest on the underpayment, the penalties and interest will be charged the company, or companies, causing the underpayment. Thus, it is imperative that accurate projections of book income be provided by the subsidiaries to the PNMR Services Tax Department.

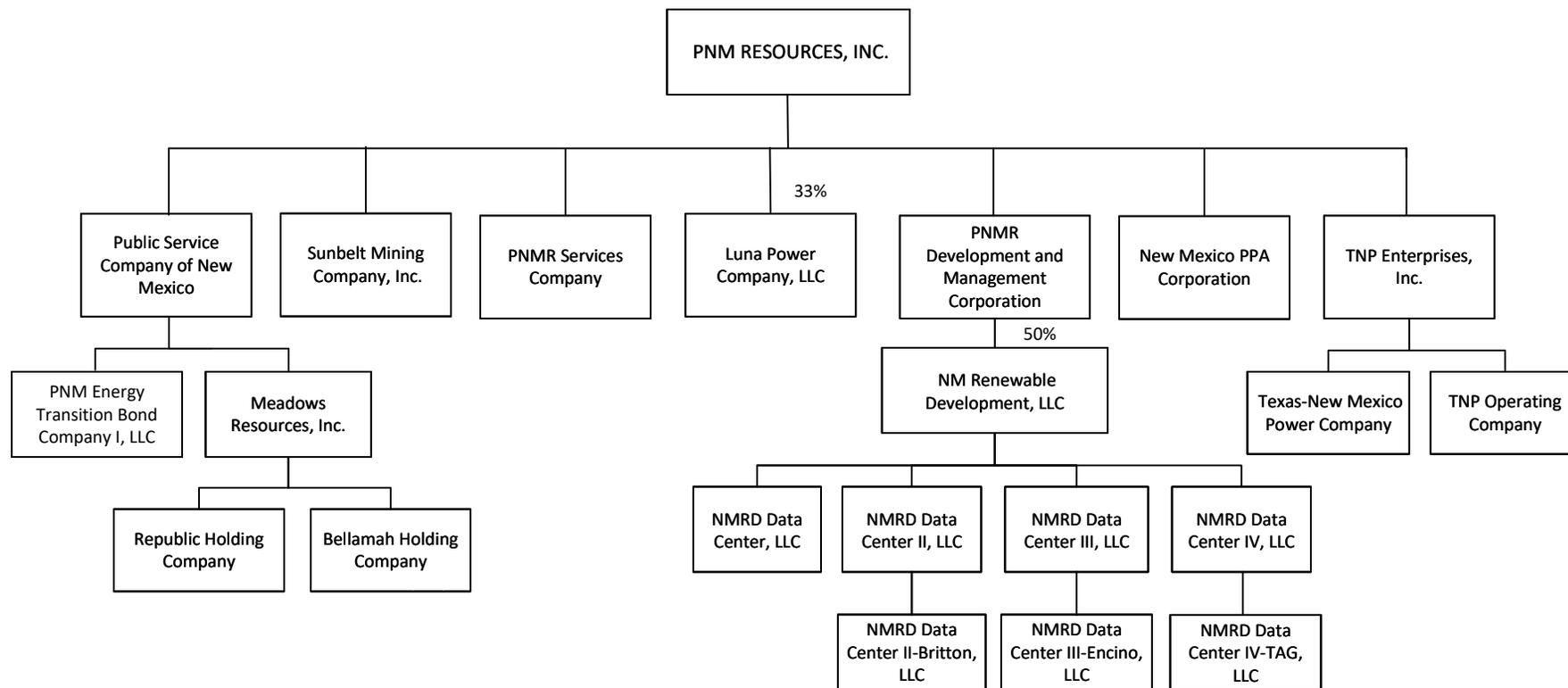
The final allocation of the consolidated income tax liability is the allocation of the amounts reported on the federal and state corporate income tax returns. Differences usually exist between the liability per the returns and the computations of amounts accrued on the year-end financial statements. These differences will be reconciled by the PNMR Services Tax Department and the necessary adjustments booked to the respective companies upon the filing of the returns.

Once the tax return is filed, reconciliations of year-end tax accruals to the tax return will be performed in addition to the actual income tax allocations. The reconciliations will provide the information necessary to adjust each company's tax liability, deferred taxes, and tax expense to actuals. After the allocations are completed, satisfaction of differences between the allocation of the tax liability and the amounts paid with the quarterly estimates will take place.

#### Penalties and Interest on Under Payments

To the extent the underpayment can be specifically attributable to certain members, the penalties and interest will be allocated to those members. The penalties and interest allocated are the actual amounts due to the IRS or the state. In no case will the sum of these allocations exceed the amount due. There will be no inter-company charges for interest or income tax allocations.

PNM Resources, Inc. Organizational Chart



(Last Updated December 11, 2023)

- 1.1 Public Service Company of New Mexico (“PNM”)  
A New Mexico corporation and wholly owned subsidiary of PNM Resources, Inc. (“PNMR”). Upon the completion of a one-for-one share exchange between PNM and PNMR on December 31, 2001, PNMR became the parent company of PNM. PNM is an electric utility that provides electric generation, transmission, and distribution service to its rate-regulated customers. PNM was incorporated in the State of New Mexico in 1917. PNM’s retail electric service territory covers a large area of north-central New Mexico, including the cities of Albuquerque, Rio Rancho, and Santa Fe, and certain areas of southern New Mexico. Service to retail electric customers is subject to the jurisdiction of the NMPRC. Other services provided by PNM include wholesale transmission services to third parties. PNM owns transmission lines that are interconnected with other utilities in New Mexico, Texas, Arizona, Colorado, and Utah.
- 1.1.2 Meadows Resources, Inc. (“MRI”)  
MRI is a wholly-owned subsidiary of PNM which formerly developed and conducted activities unrelated to utility operations. As of December 31, 2014, MRI's subsidiaries are: Bellamah Holding Company; Republic Holding Company.
- MRI and its subsidiaries and affiliates are inactive. Please see PNM's Supplemental Report filed by letter dated December 30, 1994 in NMPSA Case Nos. 2326 and 2429 for a detailed discussion of these companies.
- 1.1.2.1 Republic Holding Company (“RHC”)  
A Delaware corporation and subsidiary of MRI. RHC was a savings and loan holding company and is currently inactive.
- 1.1.2.2 Bellamah Holding Company (“BHC”)  
A New Mexico corporation and subsidiary of MRI. BHC is inactive.
- 1.1.3 PNM Energy Transition Bond Company I, LLC (“PNM ETA”)  
A Delaware limited liability company and a subsidiary of PNM. PNM ETA was formed to facilitate the issuance of energy transition bonds related the retirement of San Juan Generating Station.
- 1.3 Sunbelt Mining Company, Inc. (“SMC”)  
A New Mexico corporation and wholly owned subsidiary of PNMR. SMC, among other things, acquired, developed, and marketed coal. SMC is inactive.
- 1.4 PNMR Services Company – (“PNMR Services”)  
A New Mexico corporation and wholly owned subsidiary of PNMR established to provide managerial and administrative support services to PNMR and its subsidiaries.
- 1.5 Luna Power Company, LLC (“Luna Power”)  
A Delaware limited liability company in which PNMR owns a one-third interest. Luna Power holds various easements related to the 570-megawatt Luna generating facility.

- 1.6 PNMR Development and Management Corporation (“PNMR Development”)  
PNMR Development is a New Mexico corporation and an unregulated subsidiary of PNM Resources.
- PNMR Development is engaged in the development, ownership and supply of renewable energy resources and to support other economic development in New Mexico.
- PNMR Development owns a one-half interest in New Mexico Renewable Development LLC.
- 1.6.1 New Mexico Renewable Development LLC. (“NMRD”)  
A Delaware limited liability company in which PNMR Development owns a one-half interest. NMRD was created to pursue the acquisition, development, and ownership of renewable energy generation projects, primarily in the state of New Mexico.
- 1.6.2.1 NMRD Data Center, LLC  
A Delaware limited liability company, is a wholly owned subsidiary of NMRD and was formed for the purchase and development of a solar project in New Mexico for an industrial/commercial customer in the region.
- 1.6.2.2 NMRD Data Center II, LLC  
A Delaware limited liability company, is a wholly owned subsidiary of NMRD and was formed for the purchase and development of a solar project in New Mexico for an industrial/commercial customer in the region.
- 1.6.2.3 NMRD Data Center II-Britton, LLC  
A Delaware limited liability company, is a wholly owned subsidiary of NMRD Data Center II, LLC and was formed to facilitate the use of industrial revenue bonds.
- 1.6.2.4 NMRD Data Center III, LLC  
A Delaware limited liability company, is a wholly owned subsidiary of NMRD and was formed for the purchase and development of a solar project in New Mexico for an industrial/commercial customer in the region.
- 1.6.2.5 NMRD Data Center III-Encino, LLC  
A Delaware limited liability company, is a wholly owned subsidiary of NMRD Data Center III, LLC and was formed to facilitate the use of industrial revenue bonds.
- 1.6.2.6 NMRD Data Center IV, LLC  
A Delaware limited liability company, is a wholly owned subsidiary of NMRD and was formed for the purchase and development of a solar project in New Mexico for an industrial/commercial customer in the region.
- 1.6.2.7 NMRD Data Center IV-TAG, LLC  
A Delaware limited liability company, is a wholly owned subsidiary of NMRD Data Center IV and was formed to facilitate the use of industrial revenue bonds.
- 1.7 TNP Enterprises, Inc. (“TNPE”)

A Texas corporation and wholly owned subsidiary of PNMR. TNPE is the holding company for an electric utility company and energy related subsidiaries.

1.7.1 Texas-New Mexico Power Company (“TNMP”)

A Texas corporation and subsidiary of TNPE. TNMP is a regulated utility providing transmission and distribution services in Texas.

1.7.2 TNP Operating Company

A Texas corporation and subsidiary of TNPE. TNP Operating Company was established for real property acquisition in Texas and New Mexico and is currently inactive

1.8 New Mexico PPA Corporation (NMPPA)

New Mexico PPA Corporation., a Delaware corporation and wholly owned subsidiary of PNM Resources, Inc., currently holds industrial revenue bonds issued by Bernalillo County related to the acquisition of an office building by PNMR Services Company.

Exhibit II

**Company 7 – PNMR Services Allocations**

**Direct Charge Allocations:**

There are various employees of PNMR Services Company who work on projects that benefit only one operating unit. To provide the ability to direct charge time spent on such projects, the company has devised allocators that move 100% of charges recorded with these allocators directly to the operating unit benefiting from their work. All are part of the PNMR Services Allocation. The following Locations provide for 100% allocation:

<u>Location</u>	<u>Allocates to Company</u>
917	9 PNMR DM
942	1 PNM Electric Services
946	3 PNM Bulk Power Marketing
947	2 PNM Electric Transmission Services
953	12 TNMP – Texas
999	8 PNM Resources

**Allocation Code 999 – PNM Resources**

Location 999 is part of the PNMR Services Allocation. 100% of costs charged to this location are allocated to Company 8 – PNM Resources, Inc. This method of allocation provides a direct charge from PNMR Services Company to PNM Resources while still capturing the appropriate corporate home center that incurred those costs. It is used primarily for items that should be recorded at the Holding Company level.

Exhibit II

**Allocation Code 911 – Financial Systems**

Allocation Code 911 – Financial Systems is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

The transaction rate based on volume produced will be used for the distribution of costs to business units. The allocation rate is based on the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

The Financial Systems allocator is primarily used for expenses incurred in finance support groups as well as maintenance of the general ledger systems.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	
Number of Transactions	631,344	62,311	99,513	509,424	881	<b>1,303,473</b>
San Juan Transactions	0	5,566	0	0	0	<b>5,566</b>
Total GL Transactions	631,344	67,877	99,513	509,424	881	<b>1,309,039</b>
Co. 006 Allocated	6,831	0	2,432	0	0	<b>9,263</b>
Co. 007 Allocated	20,251	11,452	5,866	14,532	0	<b>52,101</b>
Total Allocated	27,083	11,452	8,297	14,532	0	<b>61,364</b>
Total Transactions*	<b>658,427</b>	<b>79,329</b>	<b>107,810</b>	<b>523,956</b>	<b>881</b>	<b>1,370,403</b>
Percent to be applied**	<b>48.05%</b>	<b>5.79%</b>	<b>7.87%</b>	<b>38.23%</b>	<b>0.06%</b>	<b>100.00%</b>

\* = 631,344 + 27,083 = 658,427

\*\* = 658,427 / 1,370,403 = 48.05%

Exhibit II

**Allocation Code 912 - Accounts Payable**

Allocation Code 912 – Accounts Payable is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

The transaction rate based on volume produced will be used for the distribution of costs to business units. The allocation rate is based on the number of invoices. The total is composed of the general ledger transactions related to accounts payable and is allocated proportionally based on the number of invoices processed for each company.

The Accounts Payable allocator is primarily used for expenses incurred in processing vendor payments.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	<b>TOTAL</b>
Number of AP Transactions	7,704	2,316	1,775	9,817	28	<b>21,640</b>
San Juan	0	404	0	0	0	<b>404</b>
Total AP Transactions	7,704	2,720	1,775	9,817	28	<b>22,044</b>
Co. 006 Allocated	1,358	0	584	0	0	<b>1,942</b>
Co. 007 Allocated	1,575	615	505	1,028	1	<b>3,723</b>
Total Allocated	2,933	615	1,089	1,028	1	<b>5,665</b>
Total*	<b>10,637</b>	<b>3,335</b>	<b>2,864</b>	<b>10,845</b>	<b>29</b>	<b>27,709</b>
Percent to be applied**	<b>38.38%</b>	<b>12.03%</b>	<b>10.34%</b>	<b>39.14%</b>	<b>0.11%</b>	<b>100.00%</b>

\* = 7,704 + 2,933 = 10,637

\*\* = 10,637 / 27,709 = 38.38%

Exhibit II

**Allocation Code 914 - Asset Management**

Allocation Code 914 – Asset Management is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

The transaction rate based on volume produced will be used for the distribution of costs to business units. The allocation rate is based on the total of depreciable assets and is allocated proportionately based on the number of depreciable assets on record for each company.

The Asset Management allocator is primarily used for general functions related to the management of assets including depreciation, asset retirement, clearing completed construction projects to plant and for general maintenance of the fixed asset software system.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	
Number of Assets	83,310	7,120	15,569	65,506	0	<b>171,505</b>
Co. 006 Allocated	21	0	9	0	0	<b>30</b>
Total	<b>83,331</b>	<b>7,120</b>	<b>15,578</b>	<b>65,506</b>	<b>0</b>	<b>171,535</b>
Percent to be applied*	<b>48.58%</b>	<b>4.15%</b>	<b>9.08%</b>	<b>38.19%</b>	<b>0.00%</b>	<b>100.00%</b>

\* = 83,331 / 171,535 = 48.58%

Exhibit II

**Allocation Code 941 – Direct-PNMR Utility**

Allocation Code 941 – Direct-PNMR Utility is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to PNMR’s operating units (companies 1, 2, 3, and 12).

Allocation rates are based on the Massachusetts Method, which incorporates employee headcount, gross margin and net utility plant amounts and calculates a composite average of all three.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	
Margin	397,277,340	348,982,583	151,566,288	370,647,218	0	<b>1,268,473,429</b>
Percent Calculation*	<b>31.32%</b>	<b>27.51%</b>	<b>11.95%</b>	<b>29.22%</b>	<b>0.00%</b>	<b>100.00%</b>
Net Utility Plant	1,489,349,869	1,409,824,161	1,574,034,850	2,473,228,779	0	<b>6,946,437,659</b>
Co 006 Allocated	551,066	0	582,399	0	0	<b>1,133,465</b>
Total Utility Plant	1,489,900,935	1,409,824,161	1,574,617,249	2,473,228,779	0	<b>6,947,571,124</b>
Percent Calculation**	<b>21.44%</b>	<b>20.29%</b>	<b>22.66%</b>	<b>35.60%</b>	<b>0.00%</b>	<b>100.00%</b>
Number of Employees	576	101	52	391	0	<b>1,120</b>
Co 006 Allocated	35	0	25	0	0	<b>60</b>
Total Number of Employees	611	101	77	391	0	<b>1,180</b>
Percent Calculation***	<b>51.78%</b>	<b>8.56%</b>	<b>6.53%</b>	<b>33.14%</b>	<b>0.00%</b>	<b>100.00%</b>
Total	<b>104.54%</b>	<b>56.36%</b>	<b>41.14%</b>	<b>97.95%</b>	<b>0.00%</b>	<b>300.00%</b>
Percent to be applied****	<b>34.85%</b>	<b>18.79%</b>	<b>13.71%</b>	<b>32.65%</b>	<b>0.00%</b>	<b>100.00%</b>

\* = \$ 397,277,340 / \$ 1,268,473,429 = 31.32%

\*\* = \$ 1,489,900,935 / \$ 6,947,571,124 = 21.44%

\*\*\* = 611 / 1,180 = 51.78%

\*\*\*\* = (31.32% + 21.44% + 51.78% = 104.54%) / 3 = 34.85%

Exhibit II

**Allocation Code 948 - Co 6 Utility General**

Allocation Code 948 – Co 6 Utility General is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to PNM's operating units (companies 1 and 2).

Allocation rates are based on the Massachusetts Method, which incorporates employee headcount, gross margin and net utility plant amounts and calculates a composite average of all three.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	
Margin	397,277,340		151,566,288		<b>548,843,628</b>
Percent Calculation*	<b>72.38%</b>		<b>27.62%</b>		<b>100.00%</b>
Net Utility Plant	1,489,349,869		1,574,034,850		<b>3,063,384,719</b>
Co 006 Allocated	551,066		582,399		<b>1,133,465</b>
Total Utility Plant	1,489,900,935		1,574,617,249		<b>3,064,518,184</b>
Percent Calculation**	<b>48.62%</b>		<b>51.38%</b>		<b>100.00%</b>
Number of Employees	576		52		<b>628</b>
Co 006 Allocated	35		25		<b>60</b>
Total Number of Employees	611		77		<b>688</b>
Percent Calculation***	<b>88.81%</b>		<b>11.19%</b>		<b>100.00%</b>
Total	<b>209.81%</b>		<b>90.19%</b>		<b>300.00%</b>
Percent to be applied****	<b>69.94%</b>		<b>30.06%</b>		<b>100.00%</b>

\* = \$ 397,277,340 / \$ 548,843,628 = 72.38%

\*\* = \$ 1,489,900,935 / \$ 3,064,518,184 = 48.62%

\*\*\* = 611 / 688 = 88.81%

\*\*\*\* = (72.38% + 48.62% + 88.81% = 209.81%) / 3 = 69.94%

Exhibit II

**Allocation Code 951 – Direct-PNM Utility**

Allocation Code 951 – Direct-PNM Utility is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to PNM’s operating units (companies 1, 2, and 3).

Allocation rates are based on the Massachusetts Method, which incorporates employee headcount, gross margin and net utility plant amounts and calculates a composite average of all three.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	
Margin	397,277,340	348,982,583	151,566,288		<b>897,826,211</b>
Percent Calculation*	<b>44.25%</b>	<b>38.87%</b>	<b>16.88%</b>		<b>100.00%</b>
Net Utility Plant	1,489,349,869	1,409,824,161	1,574,034,850		<b>4,473,208,880</b>
Co 006 Allocated	551,066	0	582,399		<b>1,133,465</b>
Total Utility Plant	1,489,900,935	1,409,824,161	1,574,617,249		<b>4,474,342,345</b>
Percent Calculation**	<b>33.30%</b>	<b>31.51%</b>	<b>35.19%</b>		<b>100.00%</b>
Number of Employees	576	101	52		<b>729</b>
Co 006 Allocated	35	0	25		<b>60</b>
Total Number of Employees	611	101	77		<b>789</b>
Percent Calculation***	<b>77.44%</b>	<b>12.80%</b>	<b>9.76%</b>		<b>100.00%</b>
Total	<b>154.99%</b>	<b>83.18%</b>	<b>61.83%</b>		<b>300.00%</b>
Percent to be applied****	<b>51.66%</b>	<b>27.73%</b>	<b>20.61%</b>		<b>100.00%</b>

\* = \$ 397,277,340 / \$ 897,826,211 = 44.25%

\*\* = \$ 1,489,900,935 / \$ 4,474,342,345 = 33.30%

\*\*\* = 611 / 789 = 77.44%

\*\*\*\* = (44.25% + 33.30% + 77.44% = 154.99%) / 3 = 51.66%

Exhibit II

**Allocation Code 968 - IT Infrastructure**

Allocation Code 968 – IT Infrastructure is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

The transaction rate based on volume will be used for the distribution of costs to business units. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of employee Network ID's belonging to each company.

The IT Infrastructure allocator is used for expenses incurred in maintaining information technology that cannot be traced to an individual operating unit used by the Company.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	
Number of NT Ids	1,328	182	72	544	0	<b>2,126</b>
Co. 006 Allocated	76	0	32	0	0	<b>108</b>
Co. 007 Allocated	467	139	128	272	0	<b>1,006</b>
Total	<b>1,870</b>	<b>321</b>	<b>233</b>	<b>816</b>	<b>0</b>	<b>3,240</b>
Percent to be applied*	<b>57.71%</b>	<b>9.91%</b>	<b>7.19%</b>	<b>25.19%</b>	<b>0.00%</b>	<b>100.00%</b>

\* = 1,870 / 3,240 = 57.71%

Exhibit II

**Allocation Code 972 – Masthead Building**

Allocation Code 972 – Building-Masthead is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional allocation based on square footage will be used for the distribution of costs to business units. The allocation rate is based on the total square footage and occupancy of Masthead Building and is allocated proportionately based on building square footage and department’s occupancy per company.

The Masthead Building allocator is used to allocate expenses among the operating units supported by shared services occupying space at Masthead.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	
Direct	0	0	0	0	0	<b>0</b>
Corporate Allocated <sup>1</sup>	5,551	0	393	0	0	<b>5,944</b>
Total	<b>5,551</b>	<b>0</b>	<b>393</b>	<b>0</b>	<b>0</b>	<b>5,944</b>
Percent to be applied*	<b>93.39%</b>	<b>0%</b>	<b>6.61%</b>	<b>0%</b>	<b>0.00%</b>	<b>100.00%</b>

\* = 5,551 / 5,944 = 93.39%

<sup>1</sup>Note: Certain Corporate services are housed in the Masthead building

**Allocation Code 973 – Lewisville Building**

Exhibit II

Allocation Code 973 – Building-Lewisville is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to PNMR.

Transactional allocation based on square footage will be used for the distribution of costs to business units. The allocation rate is based on the total square footage and occupancy of Lewisville Building and is allocated proportionately based on building square footage and department’s occupancy per company.

The Lewisville Building allocator is used to allocate lease expenses among the operating units supported by shared services occupying space at Lewisville.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	
Direct	0	0	0	0	<b>0</b>
Corporate Allocated <sup>1</sup>	145	52	30	233	<b>461</b>
<b>Total</b>	<b>145</b>	<b>52</b>	<b>30</b>	<b>233</b>	<b>461</b>
Percent to be applied*	<b>31.48%</b>	<b>11.37%</b>	<b>6.61%</b>	<b>50.54%</b>	<b>100.00%</b>

\* = 145 / 461 = 31.48%

<sup>1</sup>Note: Certain Corporate services are housed in the Lewisville building

Exhibit II

**Allocation Code 974 – Dallas-Las Colinas Building**

Allocation Code 974 – Buildings-Dallas-Las Colinas is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to PNMR.

Transactional allocation based on square footage will be used for the distribution of costs to business units. The allocation rate is based on the total square footage and occupancy of Dallas-Las Colinas Building and is allocated proportionately based on building square footage and department’s occupancy per each company.

The Dallas-Las Colinas Building allocator is used to allocate lease expenses among the operating units occupying space in Dallas.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	
Direct	0	0	0	0	0	<b>0</b>
Corporate Allocated <sup>1</sup>	3,789	651	472	1,654	0	<b>6,565</b>
Total	<b>3,789</b>	<b>651</b>	<b>472</b>	<b>1,654</b>	<b>0</b>	<b>6,565</b>
Percent to be applied*	<b>57.71%</b>	<b>9.91%</b>	<b>7.19%</b>	<b>25.19%</b>	<b>0.00%</b>	<b>100.00%</b>

\* = 3,789 / 6,565 = 57.71%

<sup>1</sup>Note: Certain Corporate services are housed in the Dallas Las Colinas building

Exhibit II

**Allocation Code 977 – Downtown Albuquerque Buildings**

Allocation Code 977 – Downtown Albuquerque Buildings is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional allocation based on square footage will be used for the distribution of costs to business units. The allocation rate is based on the total square footage and occupancy of Downtown Albuquerque Buildings and is allocated proportionately based on building square footage and department’s occupancy per company.

The Downtown Albuquerque Buildings allocator is primarily used to allocate costs associated with the maintenance of these facilities.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	
Direct	0	0	0	0	0	<b>0</b>
Corporate Allocated <sup>1</sup>	61,823	18,568	13,729	37,446	12	<b>131,578</b>
Total	<b>61,823</b>	<b>18,568</b>	<b>13,729</b>	<b>37,446</b>	<b>12</b>	<b>131,578</b>
Percent to be applied*	<b>46.99%</b>	<b>14.11%</b>	<b>10.43%</b>	<b>28.46%</b>	<b>0.01%</b>	<b>100.00%</b>

\* = 61,823 / 131,578 =  
46.99%

<sup>1</sup>Note: Certain Services Company areas are housed in the Albuquerque downtown building.

Exhibit II

**Allocation Code 980 - Aztec Building**

Allocation Code 980 – Aztec Building is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional allocation based on square footage will be used for the distribution of costs to business units. The allocation rate is based on the total square footage and occupancy of Aztec Building and is allocated proportionately based on building square footage and department’s occupancy per company.

The Aztec Building allocator is primarily used to allocate costs associated with the maintenance of the Aztec Facility.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	
Direct	0	40,639	0	0	<b>40,639</b>
Corporate Allocated <sup>1</sup>	12,635	1,810	5,309	3,144	<b>22,898</b>
<b>Total</b>	<b>12,635</b>	<b>42,448</b>	<b>5,309</b>	<b>3,144</b>	<b>63,537</b>
Percent to be applied*	<b>19.89%</b>	<b>66.80%</b>	<b>8.36%</b>	<b>4.95%</b>	<b>100.00%</b>

\* = 12,635 / 63,537 =  
19.89%

<sup>1</sup>Note: Certain Services Company areas are housed in the Albuquerque Aztec building.

Exhibit II

**Allocation Code 986 – Maximo (PNMR)**

Allocation Code 986 – Maximo is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional allocation based on the Maximo transaction count. The total is composed of all Maximo transactions posted to the financials and is allocated proportionately based on the number of transactions posted by each company.

The Maximo allocator reflects products and services designed to impact or benefit all PNMR. This basis of assignment is described for each Area in Exhibit IV. Maximo transaction count is primarily used to allocate costs associated with managing the Maximo work management system.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>TOTAL</b>
Number of Maximo	25,719	3,403	3,812	23,733	<b>56,667</b>
San Juan	0	219	0	0	<b>219</b>
Total Maximo Transactions	25,719	3,622	3,812	23,733	<b>56,886</b>
Co. 006 Allocated	737	0	317	0	<b>1,054</b>
Co. 007 Allocated	554	91	143	411	<b>1,199</b>
Total Allocated	1,291	91	460	411	<b>2,253</b>
Total*	<b>27,010</b>	<b>3,713</b>	<b>4,272</b>	<b>24,144</b>	<b>59,139</b>
Percent to be applied**	<b>45.67%</b>	<b>6.28%</b>	<b>7.22%</b>	<b>40.83%</b>	<b>100.00%</b>

\* = 25,719 + 1,291 =  
27,010

\*\* = 27,010 / 59,139 =  
45.67%

Exhibit II

**Allocation Code 993 - Employee Headcount (PNMR)**

Allocation Code 993 – Employee Headcount is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional allocation based on the employee headcount. The total is composed of all PNMR employees and is allocated proportionately based on the number of employees in each company.

The Employee Headcount allocator reflects products and services designed to impact or benefit all PNMR employees. This basis of assignment is described for each Area in Exhibit IV. Employee Headcount is primarily used to allocate costs associated with Benefits, Ethics and Governance, Payroll, People Services, Communications, and related technology utilized by these areas.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	
Number of Employees	576	101	52	391	<b>1,120</b>
Co. 006 Allocated	35	0	25	0	<b>60</b>
Co. 007 Allocated	157	127	33	105	<b>422</b>
Total	<b>768</b>	<b>228</b>	<b>110</b>	<b>496</b>	<b>1,602</b>
Percent to be applied*	<b>47.94%</b>	<b>14.23%</b>	<b>6.87%</b>	<b>30.96%</b>	<b>100.00%</b>

\* = 768 / 1,602 = 47.94%

Exhibit II

**Company 6 – PNM General Utility Allocations**

**Direct Charge Allocations:**

There are various employees of the general PNM Utility who work on projects for TNMP Texas. Such services are described in the Services Agreement between PNM and TNMP filed as a Class I transaction on November 29, 2005. To provide the ability to direct charge time spent on such activities, the company has devised allocators that move 100% of charges recorded with these allocators directly to the operating unit benefiting from their work.

The following Locations provide for 100% allocation:

- Location 192 – TNMP-Texas

**Allocation Code 192 – TNMP-Texas**

Location 192 is a part of the Services Agreement Allocation between PNM and TNMP. 100% of the costs charged to this location are allocated from PNM to TNMP Texas. This method of allocation allows us to provide a direct charge from the corporate level to TNMP Texas while still capturing the appropriate corporate home center that incurred those costs.

Exhibit II

**Allocation Code 174 - Massachusetts Method (Companies 1, 2, 34, 35)**

Allocation Code 174 – Massachusetts Method (Companies 1, 2) is a part of the PNM Common Utility Allocation where expenses incurred by the general PNM Utility (Company 6) are equitably allocated to the operating units (Company 1 – PNM Electric, Company 2 – PNM Transmission)

Allocation rates are based on the Massachusetts Method. This method incorporates employee head count, gross margin (revenues less operating expenses), and net utility plant (plant in service less depreciation) amounts and calculates a composite average of all three.

The costs allocated to PNM Electric Distribution and Transmission, based on the Massachusetts Method, are related to engineering and technology support provided for safe transmission and distribution operations.

	PNM ELEC		PNM TRANS	TNMP	
	001		002	012	TOTAL
Net Utility Balance*	1,489,900,935		1,574,617,249		3,064,518,184
	48.62%		51.38%		100.00%
Margin**	397,277,340		151,566,288		548,843,628
	72.38%		27.62%		100.00%
Number of Employees***	611		77		688
	88.81%		11.19%		100.00%
Percent to be applied****	69.94%		30.06%		100.00%

\* = \$1,489,900,935 / \$3,064,518,184 = 48.62%

\*\* = \$397,277,340 / \$548,843,628 = 72.38%

\*\*\* = 611 / 688 = 88.81%

\*\*\*\* = (48.62% + 72.38% + 88.81%) / 3 = 69.94%

**PNM Resources, Inc  
Shared Services  
2024 Cost Allocation Manual Detail**

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**CEO, PRESIDENT, & SENIOR VICE PRESIDENTS**

7011 – Chief Executive Officer  
7020 – President & Chief Operating Officer  
7022 – General Counsel & Secretary  
7067 – SVP, Chief Financial Officer & Treasurer

**CEO, President and Senior Vice Presidents**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to CEO**

- Provide enterprise-wide leadership, translating company vision and values into actions
- Develop and assure execution of strategy to achieve high level company objectives
- Understand customer, employee and community needs and impact to company
- Evaluate industry issues and associated opportunities for the company
- Establish policies to assure a safe, reliable and environmentally sustainable system

**Processes and Activities Specific to President & COO, CFO & Treasurer, General Counsel & Secretary**

- Oversee, provide support and guidance across the organization and within respective areas
- Develop and direct policies and procedures per their respective areas consistent with company goals
- Develop and direct strategy, and assure performance to plan for their respective areas
- Ensure timely analysis and reporting
- Identify and mitigate risks
- Develop and manage for workforce excellence

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

Exhibit IV  
PNMR Services Company Departments

**Basis of assignment:**

- Leadership support, financial compilation, reviews, planning and management functions are performed by this group. Specific initiatives are charged directly to the benefiting company. Remaining costs incurred in leading these activities benefit the corporation as a whole and are therefore allocated proportionately based on the Massachusetts Method.

**VICE PRESIDENTS**

7045 – VP, Chief Sustainability Officer  
7111 – VP, Chief Information Officer  
7179 – VP, Chief Customer Officer  
7206 – VP, Corporate Controller  
7557 – VP, Human Resources

**Vice Presidents**

**Major activities/Home Center Overview:**

- Works with executive and senior management, and business leadership
- Evaluate industry issues and associated opportunities for the company
- Establish policies to assure a safe, reliable and environmentally sustainable system
- Oversee, provide support and guidance across the organization and within respective areas
- Develop and direct policies and procedures per their respective areas consistent with company goals
- Develop and direct strategy and assure performance to plan for their respective areas
- Understand and manage organizational objectives and impact to company
- Ensure timely analysis and reporting
- Identify and mitigate risks
- Develop and manage for workforce excellence

Exhibit IV  
PNMR Services Company Departments

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done relating to financial compilation, reviews, and management activities. The allocation is based on the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.
- The transactional rate based on volume produced will be used for the distribution of work done relating to customer service and related management activities. The allocation percentage is based on the number of distribution utility customers for each company.
- The transactional rate based on volume produced will be used for the distribution of work done relating to information management activities. The allocation percentage is based on the number of IT users for each company.
- A general allocation will be used for the distribution of work done for PNM Resources Inc. or PNM Utility organizations. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- Leadership support, financial compilation, reviews, planning and management functions are performed by this group. Financial, compilations, reviews, and planning and management functions incurred in leading these activities benefit the corporation as a whole and are therefore costs are allocated proportionately based on the number of financial transactions in each company.
- Planning and management of areas supporting customer service benefit the distribution services and therefore are allocated proportionally based on the number of utility customers.
- Planning and management of the organization's technology services benefit the corporation as a whole and therefore are allocated proportionally based on the number of IT users.
- General activities in leadership support, planning and management functions activities benefit the corporation as a whole and are therefore assigned based on the Massachusetts Method

**ACCOUNTING SERVICES**

7028 – Accounts Payable  
7076 – Construction, Plant & Asset Accounting  
7200 – SEC Reporting & GAAP Analysis  
7202 – Director, Shared Services  
7208 – TNMP Texas Accounting  
7229 – Energy Utility Accounting  
7231 – Fuels–Operations Accounting  
7240 – General Accounting  
7242 – Corporate Accounting  
7245 – Managerial Accounting–GL Admin  
7260 – Payroll  
7273 – Division Accounting

**Accounts Payable  
Home Center 7028**

**Major activities/Home Center Overview:**

- Process invoices for payments to vendors via paper, EDI, online processing or interfaces.
- Set up new vendors for payments and makes changes to existing vendors
- Address vendor inquiries
- Process positive pay and ACH files to banks
- Process pay cycles to pay vendors
- Process annual 1099's including TIN Matching
- Maintain disbursement authorization rules
- Issue manual checks as needed
- Reconcile and report on outstanding accounts payable balances
- Accounting support for financial transactions
- Monthly journal entries to capture AP related accruals and corrections
- Maintaining System Configuration as required
- System testing for either new implementation or production fixes

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of invoices. The total is composed of the general ledger transactions related to accounts

Exhibit IV  
PNMR Services Company Departments

payable and is allocated proportionally based on the number of financial transactions recorded in the accounts payable table by each company.

**Basis of assignment:**

- Costs to process and remit payment on invoices to procure goods and services for companies are allocated based on the number of invoices processed for each company.

**Construction, Plant and Asset Accounting  
Home Center 7076**

**Major activities/Home Center Overview:**

- Manage capital project work orders
- Prepare depreciation analysis and journal entries
- Depreciation studies
- Prepare data on construction projects for management reporting
- Prepare asset retirement obligation (ARO) analysis, accounting and reporting
- Accounting support for financing transactions
- Accounting support for rate cases
- Perform depreciation analysis for annual and long-range plan budget
- Clear CWIP and RWIP to Plant in Service
- Manage Capital Policy
- Reconcile CWIP & RWIP accounts
- Reconcile depreciation/amortization accounts
- Reconcile plant and service accounts
- Manage the interface between Maximo and PowerPlan for: 1) workorder header, CU estimate, CU As-Built and Transactions to CR

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the total of depreciable assets and is allocated proportionately based on number of depreciable assets on record for each company.

**Basis of assignment:**

- Accounting services create and maintain pertinent financial records related to fixed assets. As these services are an element of creating financial records and reports related to fixed assets, costs are allocated proportionately based on the number of depreciable assets on record for each company.

**SEC Reporting & GAAP Analysis  
Home Center 7200**

**Major activities/Home Center Overview:**

**Processes and Activities Common to Internal/External Reporting**

- External SEC reporting (10K, 10Q, 8K, etc.)
- FERC reporting (Form 1, Form 3Q)
- PUCT reporting (FERC-style Form 1)
- Annual Report to shareholders
- Support for annual proxy
- Employee Benefit Plan financial reporting
- Support for rate filings
- Accounting support for financing transactions
- Support external audit & review functions

**Processes and Activities Specific to Consolidations**

- Prepare monthly GAAP financial statements for internal review
- Prepare average number of shares for earnings per share computation
- Prepare FERC financial statements for FERC filings

**Processes and Activities Specific to Accounting Analysis (GAAP analysis)**

- Provide accounting interpretations for decision making
- Analyze accounting treatment of proposed and effective transactions or contracts
- Analyze proposed revisions to accounting standards and provide comments to standard setters, as appropriate
- Analyze impacts of newly promulgated accounting standards
- Coordinate and review annual impairment analysis
- Support for accounting processes, such as derivatives, pensions and other postretirement benefits, and stock-based compensation

**Processes and Activities Specific to Acquisition/Divestiture Accounting**

- Participate in due diligence analysis
- Review valuation preparations and model runs
- Prepare documentation on accounting approach

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of financial transactions. The total is composed of all general ledger transactions and is

Exhibit IV  
PNMR Services Company Departments

allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

**Basis of assignment:**

- Accounting services relate to internal and external reporting, financial analysis for proper accounting treatment and compliance with regulatory reporting requirements. As these services are an element of creating financial records and reports, costs are allocated proportionately based on the number of financial transactions in each company.

**Shared Services Accounting  
Home Center 7202**

**Major activities/Home Center Overview:**

Oversee, provide support and guidance to shared services accounting areas, including SEC Reporting/GAAP Analysis

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

**Basis of assignment:**

- General accounting functions are performed primarily to prepare and analyze financial records and reports, therefore are allocated proportionately based on the number of financial transactions in each company.

**TNMP Texas Accounting  
Home Center 7208**

**Major activities/Home Center Overview:**

- Prepare analysis on transactions
- Prepare accounting entries
- Prepare financial statement variance analysis for management reporting
- Prepare internal management and Board reports
- Prepare regulatory reports to submit to PUCT
- Accounting support for financing transactions
- Account reconciliations
- PTXB daily processing

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.

**Basis of assignment:**

- The functions described above are an element of creating financial records and reports directly for the benefiting company.

**Energy Utility Accounting  
Home Center 7229**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Management**

- Oversee PNM and TNMP utility accounting groups
- Oversee Internal Reporting for the company

**Processes and Activities Specific to Accounting Support**

- Sox process accounting (including audit support) for all functions
- FAS 133 Accounting
- Fuel clause preparation and analysis
- Banner reconciliation to general ledger
- Variance Analysis and Financial Reporting
- Prepare monthly account reconciliations, analysis, and journal entries
- Wholesale Power Marketing deal analysis
- Posting of wholesale and transmission (margin) revenues and expenses
- Monitor compliance with business unit and corporate risk policies/limits
- Monitor regulations related to Dodd Frank and ensure compliance with applicable regulations
- Comply with SOX 404 testing related to transaction and valuation controls
- Provide support and analysis for potential hedging and trading strategies
- Daily validation of pricing data used for official company price curves
- Management and review of counterparty credit exposure and margin calls
- Perform counterparty credit analysis, provide recommendations for counterparty credit limits, and manage collateral posting requirements
- Provide transaction review for nonstandard transactions
- Review and update disclosures in SEC filings related to risk management activities for commodity risk exposures
- Review risk policy and propose amendments where appropriate for RMC approval

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies and specific generation plants as appropriate.
- A transactional allocation will be used for the distribution of work relating to customer service. The transactional allocation percentage is based on the number of electric utility customers for each company.
- A general allocation will be used for the distribution of work done for the PNMR Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

Exhibit IV  
PNMR Services Company Departments

**Basis of assignment:**

- The activities relating to creating financial records and reports for PNM Utility relating to customer service are allocated proportionately based on the number of utility customers.
- The functions described above are an element of creating financial records and reports for PNM Utility and TNMP; costs are allocated proportionately based on the modified Massachusetts Method for PNMR Utility for each company. Specific initiatives are charged directly to the benefiting company.

**Fuels - Operations Accounting  
Home Center 7231**

**Major activities/Home Center Overview:**

- Joint Projects Accounting
- Fuels Accounting
- Variance Analysis and Financial Reporting
- SJGS Financial Services – Participant accounting
- Prepare account reconciliations and journal entries

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies and specific generation plants as appropriate.

**Basis of assignment:**

- The functions described above are an element of creating financial records and reports for PNM Utility; costs are charged directly to the benefiting company.

**General Accounting, Corporate Accounting  
Home Centers: 7240, 7242**

**Major activities/Home Center Overview:**

**Processes and Activities specific to General Accounting**

- Oversee and provide support and guidance to SEC accounting, corporate accounting, managerial accounting and general ledger administration, payroll, fleet, and accounts payable areas
- Coordinate monthly, quarterly, and annual general ledger close processes
- Oversee corporate variance and corporate allocation variance analysis for all financial statements
- Support external audit and review
- Financial system functional and technical support
- Accounting support for rate cases
- Accounting support for mergers and acquisitions, and divestitures
- Support SEC and FERC filings, as necessary
- Support software implementation projects pertaining to above responsibilities
- Support the Political Action Committee filings and accounting
- Support the Alteryx implementation with demonstrations of its capabilities to various departments

**Processes and Activities specific to Corporate Accounting**

- Oversee, provide support and guidance to corporate accounting areas
- Perform and coordinate monthly general ledger close process
- Prepare various income statement and balance sheet variance analysis
- Record and reconcile cash transactions
- Consolidation accounting and analysis, including intercompany eliminations
- Perform monthly lease updates in the lease module and account for all lease transactions
- Account for all fleet activity including labor, maintenance and parts expense allocations
- Accounting for equity transactions including dividends and accumulated other comprehensive income
- Accounting for compensation plans, including equity-based plans
- Accounting support for debt financing transactions and monthly AFUDC calculations
- Accounting for pension plans
- Accounting for corporate investments
- Accounting for general shared services & corporate activities, including BTS, Legal, and HR
- Accounting for joint venture activities
- Accounting for intercompany transaction including intercompany loans and share services management allocations
- Reconcile all Cash accounts on a monthly basis

Exhibit IV  
PNMR Services Company Departments

- Support external audit and review
- Financial system functional support
- Accounting support for rate cases
- Accounting support for Mergers, Acquisitions, and Disposition

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

**Basis of assignment:**

- General accounting functions are performed primarily to prepare and analyze financial records and reports, therefore are allocated proportionately based on the number financial transactions in each company.

**Managerial Accounting – GL Administration  
Home Center 7245**

**Major activities/Home Center Overview:**

- Perform and coordinate monthly general ledger close process
- Support external audit and review
- Financial Reporting support and development
- Budgeting variance reporting support and development
- Accounts Receivable system functional and technical support
- Billing system functional and technical support
- Financial system functional and technical support
- General Ledger system maintenance and updates
- Ad Hoc queries and support for reporting requirements
- Design, perform and review all system generated allocation/load transactions
- Annual review related to development of all allocation rates
- Review and evaluation of Shared Service cost tracking to ensure correct use
- PowerPlan alert process creation, tracking and support

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

**Basis of assignment:**

- General accounting functions are performed primarily to prepare and analyze financial records and reports, therefore are allocated proportionately based on the number financial transactions in each company. Accounting services related to managerial accounting and provide information support to managers for use in planning and controlling operations and decision-making. As these services are an element of creating financial records and reports, costs are allocated proportionately based on the number of financial transactions in each company.

**Payroll  
Home Center 7260**

**Major activities/Home Center Overview:**

- Prepare periodic payroll
- Prepare annual W-2 filings
- Implement tax law changes
- Maintain bonus plan payments
- Create payments to various vendors (401K, taxing authorities, garnishments)
- Maintain Time and Attendance system
- Prepare adhoc labor reports as required
- Reconcile payroll charges to general ledger
- Accounting support for financing transactions
- Test payroll for all acquisitions
- Prepare all payroll tax filings
- Test Payroll and Time & Labor modules for any upgrades, fixes or patches
- Process Restricted Stock vesting (tax withholding to calculate net shares)

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on number of units involved will be used for the distribution of work done. The allocation rate is based on the employee headcount. The total is composed of all PNMR employees and is allocated proportionately based on the number of employees in each company.

**Basis of assignment:**

- All costs associated with assuring employees and related taxes and benefits are appropriately calculated and paid are in this area. The related costs incurred in leading these activities benefit all PNMR employees; therefore, the costs are allocated proportionately based on the number of employees.

**Division Accounting  
Home Center 7273**

**Major activities/Home Center Overview:**

- Customer Misc. Accounts Receivable and bad debt analysis
- Record payments (check and ACH/Wire) from customers for BU 6, 7, 12
- Prepare Transmission (construction, study, and TNMP) billing
- Support field offices in Albuquerque, northern NM, southern NM, and Texas
- Prepare all Joint Use billings (yearly, monthly and quarterly)
- Prepare all Damage Claim billing requests (third party & municipalities) Review and research
- Prepare any other billings needed (Construction & Misc.)
- Prepare and record accounting journal entries
- Prepare monthly account analysis and reconciliations
- Prepare and complete all large project Network upgrade and TPIF billings

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional allocation will be used for the distribution of work performed that benefits PNM Utility Distribution. The allocation percentage is based on the number of utility customers.
- A general allocation will be used for the distribution of work done for the PNMR Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- The activities relating to creating financial records and reports relating to customer service benefits PNM Distribution; therefore, costs are allocated proportionately based on the number of utility customers.
- The functions described above are an element of creating financial records and reports related to PNMR Utility; costs are allocated proportionately based on the appropriate applicable Massachusetts Method for PNMR Utility for each company. Specific initiatives are charged directly to the benefiting company.

## **TAX SERVICES**

7922 – Tax Compliance  
7923 – Income Tax Expense

### **Tax Services Home Centers: 7922, 7923**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to Federal, State, and Foreign Tax Compliance and Reporting**

- Compile and gather relevant tax information
- Monitor the adherence to company, regulatory tax and SOX guidelines
- Design tax plans, modeling, budget and variance reporting
- Prepare supporting schedules for tax returns, file returns and make all payments
- Manage tax exams, audits and negotiate settlements
- Maintain tax ledger data
- Prepare monthly tax accounting entries, prepare financial statement information
- Provide tax expertise related to potential acquisitions, dispositions or mergers
- Create and produce tax reports for management
- Manage regulatory relationship as needed (prepare testimony and schedules and provide tax witness)
- Legislative review, provide analysis to management of potential impacts
- Contract review, to ensure the tax language is correct
- Manage outside consultants

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNMR Resources Inc. or PNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients.
  - The allocation rate based on the number of financial transactions for activities relating to financial records and reports. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

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- The allocation rate is based on the employee headcount for activities relating to payroll taxes. The total is composed of all PNMR employees and is allocated proportionately based on the number of employees in each company.
- The allocation rate based on square footage of the Albuquerque headquarters and Aztec facilities for activities relating to property taxes for these facilities. The allocation rate is based on the total square footage and occupancy and is allocated based on applicable square footage and occupancy per each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- The functions described above are an element of creating financial records and reports relating to PNM Utility; costs are allocated proportionately based on the modified Massachusetts Method for PNM Utility for each company.
- Compliance with federal, state and local tax filing requirements as well as analysis, planning and providing supporting documentation cuts across all companies. These costs are assigned based on the number of financial transactions recorded or employee headcount or building occupancy numbers.

## **AUDIT SERVICES**

7023 - Audit Services

### **Audit and SOX Compliance Home Center 7023**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to Audit Services**

- Develop annual Audit Plan, and plan, perform, and report on regular audits
- Assist in improving business processes (continuous improvement)
- Monitor activities of non-compliance with company policy, laws and regulations
- Assess risks and controls related to Operations, Financial Reporting, and Information Technology
- Consult on systems design and development
- Evaluate the soundness of the company's accounting records
- Report on findings of non-compliance and compliance fraud, major defects in controls to management and the board of directors
- Conduct, administer, and summarize results of annual IT and fraud risk assessments

##### **Processes and Activities Specific to SOX Compliance**

- Develop/update, maintain and continually enhance SOX internal control documentation
- Work proactively to identify key controls
- Work proactively with process owners and auditors to achieve automation of control activities
- Work to ensure effective but efficient testing approaches are in use
- Perform testing of control activities to support management's assessment of internal controls over financial reporting
- Analyze potential control deficiencies to determine their significance and impact
- Assist with control remediation activities including active monitoring of such activities
- Provide periodic SOX related training to ensure company-wide knowledge and skills exist for effective SOX compliance
- Complete annual significant account analysis for use in scoping key processes and control activities

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to work related to financial information. The allocation rate is based on

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the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

- A general allocation will be used for the distribution of work done for PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- The Corporation is required to perform internal controls review under the Sarbanes-Oxley Act, these compliance processes are an element of creating financial records and reports, and costs are allocated proportionately based on the number of financial transactions in each company.
- Services represent a review function to independently examine, evaluate and report upon the activities of business operations for the benefit of the Board of Directors and the corporation as a whole, therefore, the costs are generally assigned based on the Massachusetts Method.

## **COST OF SERVICE**

7077 – Cost of Service

### **Cost of Service Home Center 7077**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to Cost of Service**

- Provide analysis for historical and forecasted revenue requirements for the regulatory jurisdictions of PNM Resources
- Development and filing of cost of service schedules for the jurisdictions of PNM Resources
- Financial support for all regulatory filings.

##### **Processes and Activities Specific to Regulatory Filings**

- Determine, potentially compile and file necessary monthly, quarterly, and annual filings at the either a state or federal regulatory agency in response to specific request, rate/tariff change or Commission inquiry
- Adhoc regulatory filings

##### **Processes and Activities Specific to Regulatory Case Filings**

- Conduct research related to regulatory changes for rulemakings or cost of service
- Provide analysis and support for filings and management decision making
- Determine, potentially compare and file necessary pleadings, testimony and exhibits at either state or federal regulatory agency

##### **Processes and Activities Specific to General Rate Case**

- Prepare Electric Rate Case and justification at appropriate regulatory body
- Provide responses to Commission Inquiry, Notice of Rule-making and other regulatory requirements
- Provide analysis to cost of service revenue requirement, regulatory support and justification in testimony, analysis and recommendations
- Provide ongoing cost of service revenue requirement analysis for historical and future test periods

##### **Processes and Activities Specific to Due Diligence**

- Conduct research of regulatory filings and documents for potential M&A
- Analyze regulatory filings and documents for potential M&A
- Summarize regulatory filings and documents for potential M&A
- Research in regulatory arena

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**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The general allocation rate will be used for distribution of work done for PNM Utility. The general allocation percentage is based on the General Utility Mass Method, which allocates cost based on the composite rate comprised of Net Plant Utility, Margin, and Number of Employees in each company.

**Basis of assignment:**

- Services related to preparation, compilation, and analysis of revenue, cost of service and regulatory filings are performed for PNMR Utility therefore costs will be allocated based on a general allocation method.

**TREASURY & RISK MANAGEMENT**

7068 – Trust and Corporate Investments  
7069 – Assistant Treasurer  
7771 – Bank Fees-Services Company

**Trust and Corporate Investments  
Home Center 7068**

**Major activities/Home Center Overview:**

- Oversee investment of all corporate, foundation, and trust funds
- Serve as staff to investment committee
- Manage the relationship with the investment consultant
- Manage relationship with the money managers
- Manage the actuarial interface for the benefit plans
- Interface with PVNGS Termination Funding Committee
- Act as the primary witness on investment related matters
- Advise on new investment strategies
- Recommend the addition or deletion of money managers
- Prepares investment policies
- Oversee the administrative functions of investments
- Manage the relationship of custody bank
- Oversee pension and OPEB accounting, SOX controls and procedures
- Oversee development of actuarial valuation reports
- Maintain investment database
- Make trust payments to vendors
- Oversee compliance activities related to investment and bank agreements

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNMR Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of financial transactions. The total is composed of all the general ledger transactions and is

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allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- The functions described above related to an element of creating financial records and reports for all companies are therefore assigned based on financial transactions.
- Treasury functions that benefit PNMR Utility entities as a whole are allocated proportionately based on the modified Massachusetts Method for PNMR Utility for each company.

**Assistant Treasurer  
Home Center 7069**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Financing**

- Manage bank relations
- Execution and administration of credit facilities
- Amendments and Approvals of credit agreements
- Manage long-term financing
- Issuance of long-term debt
- Redemption of long-term debt
- Refinancing of long-term debt
- Manage equity issuance programs
- Manage due diligence process with debt or equity issuance
- Manage rating agency relations
- Manage capital structure of the company
- Manage cost of debt
- Make rating agency presentations of forecasted financials in collaboration with modeling group
- Compliance of Indenture/debt agreements
- Manage lease purchase analysis
- Manage M/A financing
- Manage independent power project financing
- Implement derivatives strategies
- Manage dividend payment activities
- Administration of credit facility
- Write testimony to NMPRC body for all issuance of security
- Testify to NMPRC
- Report filing to NMPRC to satisfy previous case orders.
- Reporting to other regulatory entities (FERC/ PUTC)

**Processes and Activities Specific to Cash Management**

- Manage cash position
- Manage bank accounts and services
- Manage short-term debt & investments
- Manage third party payment processes & providers
- Administer access to bank portal

**Processes and Activities Specific to Enterprise Risk Management**

- Manage annual Enterprise Risk Management program, including:
  - Establish annual risk list
  - Collaborate with company leaders to develop mitigation plans

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- Monitor and report on risks to senior management and the Board of Directors
- Advance the Company's risk-aware culture
- Contribute to selected projects designed to mitigate strategic and high-impact risks
- Continuously improve and advance the Enterprise Risk Management program

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to financial activities. The allocation rate is based on the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.
- The general rate based on Massachusetts Method will be used for the remainder of work that is not related to financial transactions. The composite rate is comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Monitoring and management of the company's debt facilities involve financial information, inclusive of compliance review that benefits the corporation therefore; the costs are assigned based on financial transactions. New debt and equity issuances are identified and direct charged if specific to a company.
- Costs and activities that benefit PNM Utility will be assigned based on the Massachusetts Method.

**Bank Fees Services Company**  
**Home Center: 7771**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Cash Management**

- Manage cash position
- Manage bank accounts and services
- Manage short-term debt & investment
- Manage Treasury Workstation system
- Manage third party payment processes & providers
- Manage Payment systems' risk

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to financial activity. The allocation rate is based on the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.
- A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- Monitoring and managing the company's financial information involving daily liquidity position by using short-term debt and investments, maximizing payment collection applications, performing payment processing, fulfillment and related ancillary services.
- Costs associated with services that benefit PNM Resources Inc, the corporation as a whole, are assigned to companies based on the Massachusetts Method.

## **FINANCIAL PLANNING**

7074 – Insurance  
7182 – Utility Margin  
7270 – Corporate Budget  
7285 – Financial Planning  
7924 – Insurance and Claims - Corp

### **Insurance Home Center 7074**

#### **Major activities/Home Center Overview:**

Major activities include all administration of all insurance services for PNM, PNMR, and TNMP. Insurance services include procuring all insurance policies, risk assessments, loss control claims handling and contract risk reviews.

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

#### **Basis of assignment:**

- Market risk management and reporting of each company's energy trading and marketing operations are segregated and directly charged. Risk control is centrally managed to mitigate risks to the financial position of the enterprise. Costs associated with these centralized services benefit the corporation as a whole and are therefore assigned to companies based on the Massachusetts Method. Specific initiatives are charged directly to the benefiting company.

### **Utility Margin Home Center 7182**

#### **Major activities/Home Center Overview:**

- Oversee the process and activities relating to margin and reforecasts.
- Provide expert testimony for PNM related to fuel.

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- Development of margin for the AOP, LRP, and quarterly forecasts for all utility margins.
- Analysis of costs and revenues in margin forecasts.
- Develop and file annual and quarterly Fuel Clause reset filing.

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the General Utility Massachusetts Method, which allocates cost based on the composite rate comprised of Net Plant Utility, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are directly charged to the company receiving the benefit.
- Developing, overseeing activities related to margin and reforecasts are an element of creating financial records and reports, costs are allocated proportionately based on the appropriate general allocator for regulated entities.

**Corporate Budget  
Home Center 7270**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Senior Management**

- Lead corporate-wide 5-year Capital & Operating Expense budgeting and consolidation of budgeted income statements
- Provide analysis and make recommendations on financial outlook
- Identify Issues and Provide Analysis and Make Recommendations on Capital Expenditures and Operating Expenses

**Processes and Activities Specific to Cost of Service**

- Support development and filing of cost of service schedules for the jurisdictions of PNM Resources
- Provide financial support for regulatory filings.

**Processes and Activities Specific to Regulatory Case Filings**

- Conduct research related to regulatory changes for rulemaking
- Provide analysis and support for filings and management decision making
- Support and file necessary pleadings, testimony and exhibits at either state or federal regulatory agency

**Processes and Activities Specific to General Rate Case**

- Support Electric Rate Case and justification at appropriate regulatory body
- Provide responses to Commission Inquiry, Notice of Rulemaking and other regulatory requirements
- Provide analysis to support cost of service revenue requirement, regulatory support and justification in testimony, analysis and recommendations
- Support ongoing cost of service revenue requirement analysis for historical and future test periods

**Processes and Activities Common to Corporate Budget**

- Development of Annual Operating Plan
- Development of Quarterly Reforecasting
- Prepare detailed O&M and Capital budgeting
- Consolidate 5-year budgeted income statements
- Participate in Budget to Actual variance analysis
- Coordinate, review and consolidate budget documentation for internal financial management and rate case support to include, assumptions, drivers and variance explanations
- Prepare detailed Management Reports on Business Unit costs
- Lead the Capital Allocation and Capital Approval processes
- Maintain Budgeting and Capital Allocation system and provide user support

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- Accounting support
- Support rate case filings (e.g., testimony and interrogatories)

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The general allocation rate will be used for distribution of work done for PNM Utility. The general allocation percentage is based on the General Utility Mass Method, which allocates cost based on the composite rate comprised of Net Plant Utility, Margin, and Number of Employees in each company.

**Basis of assignment:**

- Preparation, compilation, review, and distribution of organizational budgets, forecasts, company plans, and other materials allow management and Board of Directors to monitor overall corporate performance. Cost of forecasts and additional analysis performed exclusively for a company is tracked by project and the cost is charged to the benefiting company.
- Costs and activities related to PNMR Utility will be allocated based on the appropriate applicable general allocator.

**Financial Planning  
Home Center: 7285**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Senior Management**

- Identify issues and provide analysis
- Make recommendations on financial matters

**Processes and Activities Common to Financial Planning**

- Prepare Annual Budgets with quarterly updates
- Prepare Long-Range Financial plans
- Participate in Budget to Actual variance analysis
- Prepare Cash Flow and Balance Sheet forecasts
- Maintain Planning and Forecasting systems and provide user support

**Processes and Activities Specific to Regulated Business Support**

- Filings
- Rate Cases
- Integrated Resource Plan

**Processes and Activities Specific to Accounting Support**

- Asset impairment
- Goodwill impairment

**Processes and Activities Specific to Load Forecasting**

- Develops periodic energy sales and demand forecasts for both PNM and TNMP
- Provides regulatory support for any filings requiring load or demand information
- Provides analytics for actual energy and demand levels in support of Accounting and IR departments and their various external communications

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company/companies.
- Financial planning includes economic modeling, load forecasting and other analysis to optimize the cash flows and financial position of the company. Cost of analysis performed exclusively for a company is tracked by project and the cost is charged to the benefiting company. Remaining costs incurred in leading these activities benefit the corporation as a whole; therefore, the costs are assigned based on the Massachusetts Method.

**Financial Planning  
Home Center: 7287**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Senior Management**

- Identify issues and provide analysis
- Make recommendations on financial matters

**Processes and Activities Common to Financial Planning**

- Prepare Annual Budgets with quarterly updates
- Prepare Long-Range Financial plans
- Participate in Budget to Actual variance analysis
- Prepare Cash Flow and Balance Sheet forecasts
- Maintain Planning and Forecasting systems and provide user support

**Processes and Activities Specific to Regulated Business Support**

- Filings
- Rate Cases

**Processes and Activities Specific to Accounting Support**

- Asset impairment
- Goodwill impairment

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

Exhibit IV  
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**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company/companies.
- Financial planning includes economic modeling, load forecasting and other analysis to optimize the cash flows and financial position of the company. Cost of analysis performed exclusively for a company is tracked by project and the cost is charged to the benefiting company. Remaining costs incurred in leading these activities benefit the corporation as a whole; therefore, the costs are assigned based on the Massachusetts Method.

## **INVESTOR RELATIONS**

7008 - Investor Relations & Shareholder Services

### **Investor Relations Home Center 7008**

#### **Major activities/Home Center Overview:**

- Respond to inquiries from buy- and sell-side analysts and institutional investors
- Direct investor targeting
- Gather market intelligence and develop communication strategies
- Manage relationship with stock exchanges, specialists, analysts and institutional investors
- Coordinate analyst/investor meetings
- Coordinate, develop and publish the company's annual report
- Draft and finalize news releases for distribution through appropriate channels
- Draft and finalize presentations in support of investor meetings, conference calls, major announcements and executive management meetings with investors and analysts
- Support treasury functions related to debt and equity issuances

#### **Processes and Activities Specific to Shareholder Services**

- Manage shareholder relations
- Manage activities related to proxy solicitation, proxy material, and annual meeting
- Monitor proxy voting
- Coordinate and monitor activities with transfer agent
- Maintain shareholder reports and Employee Stock Purchase Plan (ESPP) history statements
- Coordinate activities related to updating plan prospectus and updates to internet
- Manage dividend payments and dividend declarations
- Manage shares outstanding tracking and reporting
- Track Retirement Savings Plan shares
- Review transfer agent's SSAE 16 report

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

Exhibit IV  
PNMR Services Company Departments

**Basis of assignment:**

- Statistical and stock market analysis, financial planning management, supply of financial and strategic information to external entities, and senior management decision making support benefit the corporation as a whole, therefore, the costs are assigned based on the Massachusetts Method.

**GENERAL COUNSEL**

7021 – Law Department  
7060 – Ethics and Governance  
7081 – Corporate BOD Expenses  
7622 – Legal-NERC Compliance  
7625 – Legal-Environmental Services  
7626 – Legal-PNM Operations  
7627 – Legal-External Affairs and Customer Service  
7629 – Legal-Wholesale Power Marketing  
7630 – Legal-Land Services  
7931 – Legal-CFO  
7932 – Legal-Governmental Affairs  
7933 – Legal-CAO  
7934 – Legal-General Counsel  
7935 – Legal-BTS  
7936 – Legal-Treasury  
7937 – Legal-Corporate Controller  
7938 – Legal-Supply Chain  
7939 – Legal-Regulatory Policy  
7944 – TNMP Affiliate Legal Expenses

**Legal Support  
Home Centers: 7021**

**Major activities/Home Center Overview:**

**Processes and Activities Common to All Legal Groups/Areas**

- Provide effective, high quality, creative and efficient legal services in a candid, ethical, and socially and financially responsible manner to assist the Company in achieving its goals and to support business unit needs.
- Responsible for providing legal services through Law Department lawyers and staff including in the areas of regulatory filings, compliance and other matters; SEC reporting and compliance; and major transactions.
- Manage and supervise outside counsel regularly retained to provide legal services for the Company and its business units. The need for outside counsel is driven by the needs of the Company and its business units. The services typically provided by outside counsel include employee relations, Human Resources, and labor relations; litigation (excluding litigation related to regulatory matters); non-major contracts; and creditors' rights and privacy.  
Responsible for administering department budget, monitoring outside counsel services budgets in support of business unit needs and managing general administrative activities for Law Department.

Exhibit IV  
PNMR Services Company Departments

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives benefiting only one company are directly charged.
- Legal support services described above are available to all companies. Generally, the cost of services is tracked by project and the hourly rate is charged to the benefiting company. Remaining costs benefiting the corporation as a whole are assigned to companies based on the Massachusetts Method.

**Ethics and Governance**  
**Home Centers: 7060, 7081**

**Major activities/Home Center Overview:**

Primary responsibility is to provide corporate secretary and governance support to the CEO, Board of Directors, and the Officers. The Department is also responsible for managing the Company's Ethics and Compliance Program.

Responsibilities include:

- Create, maintain, and oversee the retention of official corporate records
- Assist with development and production of the Company's annual Proxy Statement
- Coordinate board meetings and the annual shareholder meeting
- Maintain Indemnity Agreements
- Administer annual D&O and Conflict of Interest process
- Facilitate NYSE annual and interim affirmations and compliance
- Provide governance support to all PNMR subsidiary companies
- Research governance and compliance needs through analysis of business processes
- Administer the corporate ethics program, including the Integrity Line employee help line
- Administer the Ethics and Compliance Affirmation processes
- Manage the process for disclosure and resolution of any conflicts of interest
- Education and awareness efforts related to ethics and compliance program

Processes/Activities performed for the Board of Directors:

- Benchmark and recommend governance policy and best practices to the Board
- Coordinate Board of Directors/Committee meetings and minutes of the meetings
- Coordinate subsidiary company board meetings and minutes of the meetings
- Serve as a focal point and information gatekeeper for Board communications
- Facilitate governance compliance requirements
- Administer Board compensation
- Administer and maintain Board websites

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies
- A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.
- A transactional allocation will be used for the distribution of work relating to employees. This allocation percentage is based on Number of Employees for each Company.

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**Basis of assignment:**

- Supports and interfaces with the Board of Directors and company leadership to assure compliance with standards of a SEC and NYSE company. A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method.
- Administration of programs relating to employee compliance such as for ethics and conflicts of interest are allocated to the companies based on the Number of Employees.

## **BENEFITS**

7552 – Company Benefit Costs

### **Benefits Home Center 7552**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Common to All Areas within Benefits**

- Respond to retiree and employee questions and issues
- Prepare and update benefits policies
- Prepare and distribute summary plan descriptions and subsequent material modifications
- Maintain intranet benefits data
- Oversee preparation and distribution of annual total compensation/benefits statement
- Prepare federally required annual reports
- Prepare and distribute any legally required or company required employee communication regarding benefit plans
- Audit and process monthly benefit vendor invoices - weekly and monthly
- Process and transmit weekly interface files to vendors
- Prepare annual plan renewals and rates
- Daily administration of the following benefit plans: STI, LTD, medical, dental, vision, life insurance, 401(k), pension, FSA's, COBRA, PTO, executive benefits for all employees and retirees
- Set up benefit plan tables, rules, events and eligibility in PeopleSoft
- Ongoing maintenance of benefits data in PeopleSoft
- Process Qualified Domestic Relations Orders and Qualified Medical Support Orders for qualified and non-qualified benefit plans
- Maintain all employee and retiree benefit files (hard copy)
- Prepare financial statements and audits for benefit plans

##### **Processes and Activities Specific to Retirement**

- Write and maintain retirement benefit plan documents & amendments
- Perform cafeteria plan and retirement plan discrimination testing
- Prepare, set-up and distribute pension disbursements
- Prepare pension valuations, as requested

##### **Processes and Activities Specific to Insurance Benefits**

- Prepare and process annual open enrollments
- Oversee enrollment in group insurance benefits

Exhibit IV  
PNMR Services Company Departments

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on number of units involved will be used for the distribution of work done. The allocation rate is based on the employee headcount. The total is composed of all PNMR employees and is allocated proportionately based on the number of employees in each company.

**Basis of assignment:**

- The benefits, people services and developmental programs vary by company; however, the approach and related costs incurred in leading these activities benefit all PNMR employees and are therefore allocated proportionately based on the number of employees in each company.

## **PEOPLE SERVICES**

7304 – Learning & Development  
7547 – Workforce Planning Recruiting & Benefits  
7548 – Benefits Administration  
7549 – Labor Relations  
7554 – HR Services-Compliance  
7555 – Director, Compensation and Benefits  
7558 – Staffing & Workforce Planning

### **HR Compliance Home Center 7304**

#### **Major activities/Home Center Overview:**

- Provide HR services for NM and TX business areas.
- Works with all levels of management and non-management employees to help meet company goals and objectives.
- Designs and implements services, programs, and procedures to help achieve corporate goals.
- Monitor corporate-wide HR-related Compliance activities.
- Responsible for HR Policy administration
- Affirmative Action plan administration, compliance, reviews and audits.
- Provide corporate oversight for employee terminations and disciplinary actions
- Respond to unemployment claims, and coordinate HR response to external agency complaints or inquiries (e.g., EEOC, NMHRD, DOL oversee data and reports, etc.).
- Represent the Company and serve as expert witness at unemployment hearings, court proceedings, lawsuits, depositions, arbitration, etc.
- Interface with Corporate Integrity Line process and HR investigations of personnel matters
- Review company reorganizations to ensure legal and policy compliance and produce disparate impact statistical analysis.
- Oversee maintenance and retention of all applicable personnel and employee records.
- NERC CIP 004-R3 compliance (Personnel Risk Assessments).
- Separation interview process.
- Drug and alcohol program administration, including pre-employment, random, post-accident, reasonable suspicion, return-to-duty, and follow-up testing, the D&A testing contractor administration, D&A issues management and resolution with management in coordination with HR business partners, and coordination with EAP Substance Abuse Professionals for D&A positives.
- DOT and non-DOT driver status and drug testing pool assignment.
- Annual and new-hire DOT CDL driver qualifications.

Exhibit IV  
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- Lead company's Diversity, Equity, and Inclusion efforts.

Fleet driver safety activities to monitor driver records and coordinate issue management with Staffing, Supervisors, HR Consultants, and EAP Substance Abuse Professional assessments of drivers with DWI's on record when applicable.

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies
- A transactional allocation will be used for the distribution of work done for the PNM Resources, Inc. The transactional allocation percentage is based on the Number of Employees, which allocates cost based on the Number of Employees for each company.

**Basis of assignment:**

- Employee learning and development for enhanced strategic planning, leadership effectiveness and workforce enhancements are available and benefit PNM Resources employees. Costs are allocated proportionately based on the number of employees for each company.

**Employee Relations  
Home Center 7547**

**Major activities/Home Center Overview:**

- Workplace issues and concerns
- Employee corrective actions
- Investigations
- Terminations
- Strategic advice on organizational initiatives and structure

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies
- A transactional allocation will be used for the distribution of work done for the PNM Resources, Inc. The transactional allocation percentage is based on the Number of Employees, which allocates cost based on the Number of Employees for each company.

**Basis of assignment:**

- Recruiting and planning personnel for workforce is performed for PNM Resources Inc. entities. Costs are allocated proportionately based on the number of employees for each company.

**Benefits Administration  
Home Center 7548**

**Major activities/Home Center Overview:**

The department provides services to all PNMR entities that have medical, dental, vision insurance, participate in financial 401(k) deductions, savings and/or loan processing, and company wellness programs for active employees. Others in this department are responsible for disability management, life insurance, change in status orders and retirement eligibility and pension payments.

- Benefits Administration for medical, dental and vision coverage for all active employees and retirees
- Benefits Administration for 401(k) contributions, matches, gifts, loans.
- Benefits Administration for Executive non-qualified contributions, matches, gifts
- Disability Management Administration - FLMA, Short-Term and Long-Term Disability monitor, track and interface
- Pension Plan Administration - Track, monitor and initiate for completion of employee work cycle
- Change in Benefits Status Administration - Benefits Help line - Q&A, QDRO's  
Executive Spending Administration
- Life Insurance – basic, supplemental, AD&D, and executive
- Benefit Plans Administration
- Wellness Program Administration
- New Hire Employee On-Boarding Benefits Administration
- IRS / DOL Compliance Administration
- Post 65 Retiree Eligibility Administration

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional allocation rate will be used for distribution of work done for PNMR entities. The transactional allocation percentage is based on the Number of Employees each company.

**Basis of assignment:**

- Employee information relating to benefits is maintained by this department. A transactional allocation will be used for the distribution of work done for the PNMR entities. The transactional allocation percentage is based on the number of employees for each company. Specific initiatives benefiting only one company are directly charged.

**HR and Compliance**  
**Home Centers: 7549, 7554**

**Major activities/Home Center Overview:**

- Provide HR services and consulting for NM and Texas business areas
- Supports one or more business segments of the company. Provides strategic HR consultation to business unit VPs to help achieve operational excellence.
- Works with all levels of management and non-management employees to help meet company goals and objectives.
- Oversees and/or participates in the delivery of human resource programs including employment, staffing, job classification and compensation, benefits, employee relations, performance management, policy formulation and implementation.
- Designs and implements services, programs, and procedures to help achieve corporate goals.
- Monitor corporate-wide HR-related Compliance activities
- Responsible for HR Policy administration
- Affirmative Action plan administration, compliance, reviews and audits
- Provide corporate oversight for employee terminations and disciplinary actions
- Respond to unemployment claims, and coordinate HR response to external agency complaints or inquiries (e.g., EEOC, NMHRD, DOL oversee data and reports, etc.)
- Represent the Company and serve as expert witness at unemployment hearings, court proceedings, lawsuits, depositions, arbitration, etc.
- Interface with Corporate Integrity Line process and HR investigations of personnel matters
- Review company reorganizations to ensure legal and policy compliance and produce disparate impact statistical analysis
- Oversee maintenance and retention of all applicable personnel and employee records
- NERC CIP 004-R3 compliance (Personnel Risk Assessments)
- Separation interview process
- Utility and Services Company Industrial Hygiene consultation and support, that includes OSHA related compliance programs and activities
- Drug and alcohol program administration, including pre-employment, random, post-accident, reasonable suspicion, return-to-duty, and follow-up testing, the D&A testing contractor administration, D&A issues management and resolution with management in coordination with HR business partners, and coordination with EAP Substance Abuse Professionals for D&A positives
- Corporate PeopleSoft Health and Safety module administration including industrial hygiene programs, company DOT and non-DOT driver status and drug testing pool assignment
- Annual and new-hire DOT CDL driver qualifications
- Fleet driver safety activities to monitor driver records and coordinate issue management with Staffing, supervisors, HR Business partners, and EAP Substance Abuse Professional assessments of drivers with DWI's on record when applicable

Exhibit IV  
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- Labor contract negotiations
- Grievance management and arbitration process
- Building strategic labor-management relationships, NLRB issues
- On-going contract consultations

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The general allocation rate will be used for distribution of work done for PNM Utility. The general allocation percentage is based on the General Utility Mass Method, which allocates cost based on the composite of Net Plant Utility, Margin, and Number of Employees each company.

**Basis of assignment:**

- Work performed based on employees and union relations benefit the utility. A general allocation will be used for the distribution of work done for the PNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company. Specific initiatives that benefit only one company are directly charged.

**Compensation  
Home Center 7555**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Incentive Plans**

- Develop and administer all incentive plans
- Calculate and coordinate all incentive payouts
- Develop and administer all long-term incentive plans
- Administer all stock option, restricted stock grants and performance shares
- Administer equity ownership guidelines

**Processes and Activities Specific to Compensation**

- Develop Executive Comp Proxy Report, Tables, and Tally Sheets
- Develop and administer all Executive Compensation programs
- Develop and administer compensation policies, procedures and guidelines
- Consult line managers, employees, and other HR areas on salary administration issues
- Review and approve compensation-related transactions via PeopleSoft
- Review and approve entrance/promotional salaries for external and internal candidates
- Coordinate and administer annual enterprise-wide merit award process
- Coordinate and administer Business Unit Group Incentive Program
- Develop and administer compensation program training and brochures

**Processes and Activities Specific to Job Research**

- Conduct job analysis and market pricing for all new and existing job classifications
- Develop and maintain all job descriptions
- Classify all jobs (title, grade, FLSA status, EEO class)
- Create and maintain job records in PeopleSoft

**Processes and Activities Common to All Areas within Compensation**

- Conduct all major classification and market studies
- Conduct compensation-related due diligence for all M&A activity
- Develop and maintain all salary structures
- Prepare Board materials
- Make presentations to Compensation & Human Resources Committee, PNM Resources Board of Directors and Executive Policy Committee
- Calculate all severance and change-in-control amounts
- Develop rate case testimony and respond to interrogatories
- Conduct compensation training and orientations for staff and managers
- Conduct Annual Executive Compensation Market Review and make recommendations to Board
- Conduct and participate in salary surveys

Exhibit IV  
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**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on number of units involved will be used for the distribution of work done. The allocation rate is based on the employee headcount. The total is composed of all PNMR employees and is allocated proportionately based on the number of employees in each company.

**Basis of assignment:**

- While the total rewards including base pay, bonus programs and incentive pay varies by company, the related costs incurred in leading these activities benefit all PNMR employees and are therefore allocated proportionately based on the number of employees in each company.

**Staffing & Workforce Planning  
Home Center 7558**

**Major activities/Home Center Overview:**

- Provide Recruitment and Talent Acquisition services
- Provide full background check for new hires
- Coordinating new hire on-boarding processes (pre-employment)
- Coordinating contingent worker acquisition (temporary worker services)
- Responsible for Relocation Policy and services
- Responsible for all staffing and employment policies

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on number of units involved will be used for the distribution of work done. The allocation rate is based on the employee headcount. The total is composed of all PNMR employees and is allocated proportionately based on the number of employees in each company.

**Basis of assignment:**

- Staffing and recruiting services are centrally managed and controlled. Specific initiatives are charged directly to the benefiting company. Remaining costs incurred in leading these activities benefit all PNMR employees and are therefore allocated proportionately based on the number of employees in each company.

## **RECORDS INFORMATION MANAGEMENT SERVICES**

7064 - Records Information Management Services

### **RIMS Home Center 7064**

#### **Major activities/Home Center Overview:**

RIMS maintains a decentralized records and information management program consisting of records in physical form, such as documents that are located throughout the organization and electronic records residing within applications/systems. Records can be found in end users' offices, workstations, electronic applications, enterprise-wide systems, on shared storage locations or other workroom space. A decentralized location is controlled by the end user who creates the file. End users have access to their files at all times and are responsible for maintaining accuracy with assistance from RIMS.

RIMS also develops, implements, and enforces policies on records and information management and ensures procedures are in place for appropriate document control and compliance. Further, RIMS seeks to ensure safe and secure record keeping while reducing expense and storage space. RIMS maintains relationships with document management and off-site storage facilities, vendors, and contractors, and maintains awareness of most current practices and regulations to prevent and/or support litigation and to mitigate PNMR exposure. Services include:

- **Records Management**
- **Program Strategy (including electronic records)**
- **Preservation of records and information**
- **Off-Site Commercial Repository Liaison**
- **Training**
- **Disposition/Destruction**
- **Project Support and Management**
- **Consultation**

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method,

Exhibit IV  
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which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Records and information management support includes document and record management consulting, historical placement, liaison and vital records programs, and management of on and offsite commercial repositories and recycling services. The related costs benefit the corporation as a whole and are primarily assigned based on the Massachusetts Method. Specific initiatives are directly charged to the benefiting company.

## **GENERAL SERVICES**

7054 – Building Maintenance  
7065 – General Services  
7087 – General Services - Security  
7089 – Graphics & Office Services

### **Property Management Home Centers: 7054, 7065**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to Facility and Property Management**

Oversees the day- to -day activities associated with owning, leasing, purchasing and disposal of properties including:

- Lease Management
- Space Planning and Design
- Building Acquisition and Sales
- Parking Management
- Facility Portfolio Information Management
- Centralized Work Order Processing
- Move Planning and Support
- Key Management
- Selects and manages janitorial contractors
- Project management/coordination for new construction and remodels

##### **Processes and Activities Specific to Building Maintenance**

- Responsible for activities required to keep building environments and supporting infrastructure in a condition to support corporate requirements.
- Activities include construction, improvements, preventative and predictive maintenance and corrective repair. Services are performed by a combination of employee and contractor labor.
- Services include:
  - Heating, Ventilation, and Air Conditioning Systems
  - Plumbing
  - Fire Systems
  - Electrical Systems
  - Lighting Systems
  - Parking Structure Maintenance
  - Building Structure and Exteriors
  - Construction/Remodel Project Management

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- Painting
- Utility Systems
- Parking Lot Maintenance
- Road Maintenance
- Grounds Maintenance
- Employee Initiated Requests

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A transactional allocation based on square footage will be used for the distribution of work done. The allocation rate is based on the total square footage and occupancy and is allocated proportionately based on applicable building square footage and occupancy per each company.

**Basis of assignment:**

- Corporate facility management includes space planning, lease administration, security and partaking services, janitorial services, building and grounds maintenance, and construction project management. Specific initiatives are charged directly to the benefiting company. Remaining costs are allocated proportionally based on the applicable square footage and occupancy by each company.

**Graphics**  
**Home Centers: 7065, 7089**

**Major activities/Home Center Overview:**

Provides consultation, contract administration, mail distribution, shipping and receiving, and production support services to all business entities. Specific services are:

- Reproduction and Electronic Imaging
- Inserting/Mass Mail Applications
- Forms Management
- Office Equipment Assessment, Procurement, and Management
- Print Consultation and Outsource Management
- Art Services
- Company Store
- Mailroom
- Shipping and Receiving
- Branding Consultation
- Signage

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- USPS Compliance
- Recycle Support
- Wide Format Printing
- Contract Office Supplies and Liaison Support

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.
- A transactional allocation based on square footage will be used for the distribution of work done. The allocation rate is based on the total square footage and occupancy and is allocated proportionately based on applicable building square footage and occupancy per each company.

**Basis of assignment:**

- Digital copy and print service development, production and procurement, acquisition and contract management for office equipment, art design & production, mailroom services, forms management and stockless inventory operations, and development are centrally managed. Costs are directly charged at the point of purchase as specified by the user. Remaining costs, while minimal are generally allocated based on the Massachusetts Method.
- Services provided to occupants of the various buildings are distributed based on square footage and occupancy method. Costs are allocated proportionally based on the applicable square footage and occupancy by each company. Specific initiatives are charged directly to the benefiting company.

**SECURITY**

**Corporate Security  
Home Centers: 7087**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Security**

Responsible for Physical Security operations for the Corporation. Activities include protection for employees, customers, and assets. Provides protection via a contracted security force, advanced security equipment/systems, access control, and security services including:

- NERC-CIP Compliance Standards
- CIP 003-Cyber Security – Physical Security Controls

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- CIP 006-5 Physical Security for BES Cyber Systems
- CIP 014-1 Physical Security
- Business Continuity and Emergency Planning Related to Security Incidents
- Workplace Continuance Planning
- Physical Security Program
- Security Policies and Procedures
- Workplace Violence Program Policy, Preparation, & Administration
- Investigations as Requested by Other Business Units
- Threat Scenario Planning and Training
- Access Control Systems
- Video Management Systems
- Employee ID Program
- Security Incident Investigations
- Security Assessments
- Contracted Security Personnel
- Security Operations Center (SOC)
- Enterprise Risk Management
- Executive Protection
- International Travel Security

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.
- A transactional allocation based on square footage will be used for the distribution of work done. The allocation rate is based on the total square footage and occupancy and is allocated proportionately based on applicable building square footage and occupancy per each company.

**Basis of assignment:**

- Corporate facility management includes space planning, lease administration, security and partaking services, janitorial services, building and grounds maintenance, and construction project management. Specific initiatives are charged directly to the benefiting company. Remaining costs are allocated proportionally based on the applicable square footage and occupancy by each company.
- The costs related to providing general security for items such as emergency, investigative, government related coordination, benefit the corporation as a whole and are primarily assigned based on the Massachusetts Method. Specific initiatives are directly charged to the benefiting company.

**BUSINESS TECHNOLOGY SERVICES**

7118 – Information Security  
7122 – Hardware/Software Maintenance  
7124 – Crisis Management & Resilience  
7126 – Power Operations IT Support  
7130 – Quality Assurance  
7131 – Enterprise Architecture  
7132 – BTS Project Management & Quality  
7133 – BTS Telecom  
7139 – BTS PPMO  
7141 – Utility Applications  
7142 – Advanced Technology  
7143 – Director-Technology & Security  
7144 – Drafting & Geographic Info Systems  
7146 - PPMO  
7188 – Enterprise Applications  
7191 – Operations Technology  
7559 – Infrastructure Administration  
7560 – Corporate Systems

**Information Security  
Home Center 7118**

**Major activities/Home Center Overview:**

Responsible for enterprise Information Security operations and the minimization of cybersecurity risk through effective implementation, administration, and use of logical and technical security controls. Specific responsibilities include:

- Security Risk Management
- Internal and third-party vulnerability assessments
- Security Architecture
- Security Training and Awareness
- Project Support
- Security Policy Administration
- Electronic Access Provisioning and Management
- Security Governance
- Cybersecurity Incident Response & Investigation
- Cybersecurity Technical Controls
- Information Security Compliance
- NERC CIP Compliance

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- TX AMS Security
- SOX Compliance

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- Technical support comprised of information security management, cyber security, and security remediation activities. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of Network IDs in each company.

**Crisis Management / Resilience  
Home Center 7124**

**Major activities/Home Center Overview:**

This home center provides structure, governance, oversight, and support to enhance crisis management, oversight, and support to enhance crisis management, incident response, business continuity, emergency management/operations, and disaster recovery capabilities necessary to develop and maintain a high level of resiliency against potential strategic, financial, operational, and reputational impacts faced by the organization.

- Leads and delivers the organizational function for enterprise-wide crisis management and resilience for all areas in New Mexico and Texas.
- Responds to crisis incidents to expeditiously contain, mitigate, eradicate, and recover from cyber security and physical security threats.
- Researches, consumes, analyzes, and communicates threat intelligence.
- Creates and leads realistic crisis management table-top and field training exercises with appropriate internal Business Units and external partners.
- Leads the enterprise-wide Business Continuity program by reviewing all Business Continuity Plans, coordinating with all stakeholders, and ensuring viability of all plans.
- Conducts extensive liaison with local, state, tribal, and federal emergency management teams, first responders, law enforcement, and military personnel and engages in cross-training opportunities to prepare or real-world crisis.

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**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- Technical support comprised of information security management, cyber security, and security remediation activities. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of Network IDs in each company.

**Hardware / Software Maintenance  
Home Center 7122**

**Major activities/Home Center Overview:**

This home center is a consolidation of all enterprise hardware (HW) and software (SW) maintenance and support contracts, expenses, and Tower Leases. It does not include any internal labor and/or material.

- Review annual hardware software maintenance and support agreements to ensure contracts are renewed or terminated before expiration date
- Maintain individual line by line items for HW and SW maintenance support agreements
- Track and manage maintenance support variance requests for planned and unplanned services
- Request maintenance and support renewal quotes from contract owners and vendors
- Create purchase requisitions to process annual renewal agreements
- Process maintenance and support invoices before maintenance support expires
- Co-term and consolidate contracts in order to save money and for ease of processing where possible
- Track unplanned maintenance and support items
- Make sure all items are valid HW and SW maintenance and support not products or Subscriptions

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The applicable transactional rate based on volume will be used for the distribution of work done based on departments/areas supported:
  - The allocation rate is based on the total number of general ledger transactions and is allocated proportionately based on number of general ledger transactions in each company.
  - The allocation rate is based on the total number of utility customers and is allocated proportionately based on number of utility customers in each company.
  - The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.
  - The allocation rate based on the total number of employees is allocated proportionately based on number of employees in each company.
- A general allocation will be used for the distribution of work done for PNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

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**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- General IT maintenance supporting systems that benefit PNM Utility and are general in nature are allocated based on the appropriate applicable Massachusetts Method.
- Technical support comprised of non-standard and standard desktop hardware/software, server hardware/software, telecom hardware/software and hardware/software ordering, asset tracking, and maintenance. The related costs incurred in leading these activities are based on applicable systems being utilized:
  - Maintenance relating to financial systems is allocated proportionately based on the number of general ledger transactions of each company.
  - Maintenance services relating to customer services systems benefit PNM Utility companies; therefore, these costs are allocated based on the number of utility customers of each company.
  - General IT maintenance services that benefit all entities are allocated proportionately based on the number of Network IDs in each company.
  - Services relating to human resources area benefit all entities; therefore, these costs are allocated based on the number of employees of each company.

**Operations – IT Support  
Home Center 7126**

**Major activities/Home Center Overview:**

Responsibilities for Operations Technology are to provide system, application, network and NERC CIP compliance support for PNM control centers and remote access sub-station systems. Including NERC CIP access control, provisioning, and revocations for PNM control centers and remote access sub-station systems.

***Processes Specific to Generation and Transmission***

- Performance management administration
- NERC CIP Compliance activities as SME for Power Operations
- Work assignments and workload balancing
- Managing budgeting and contracts
- Liaison to Power Operations and Wholesale Power Marketing management
- Maintain and support Energy Management Systems
- Maintain system administration and network
- End user support
- Power Operations and Wholesale Power Marketing Application support
- Physical Access Control System support

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.

**Basis of assignment:**

- Technical support to San Juan Generation station and Transmission services. The related costs incurred in these activities benefit all Generation and Transmission therefore all costs are directly charged to benefiting companies.

**Quality Assurance  
Home Center 7130**

**Major activities/Home Center Overview:**

Provide software quality assurance function in support of information technology systems.  
Specific responsibilities include:

- Implement and monitor development standards for RPA bot development.
- Design, develop, and deploy new RPA bots.
- KPI/IT Performance metrics collection & reporting.
- Manage testing across major IT systems and projects.
- Software quality assurance test planning & execution.
- Test library management.
- Manage the BTS technology change management process.
- Manage the NERC-CIP technology change management process.
- Design and implementation of software configuration management solutions.
- Software migrations and builds for production computing systems.
- Manage the Automation Anywhere robotic process automation (RPA) platform for high reliability.

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done.  
The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Technical support with an emphasis on test planning, execution, and validation. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.

## **Architecture Home Center 7131**

### **Major activities/Home Center Overview:**

Provides technology solution architecture services and technology investment oversight including governance, risk management and compliance.

#### **Enterprise Architecture**

- Solutions, standards and IT Investment oversight via Enterprise Architecture Solutions Board (EASB)
- Technology investment oversight
- Technology lifecycle management
- Technology risk and impact
- Assess and recommend IT solutions (includes Project support)
- Manage solution and capability roadmaps
- Develop target architecture
- Maintain architecture artifacts
- Maintain architecture repository
- Emerging Technologies and New Technology Innovation

#### **Cloud Computing**

- Initial Cloud Authorization and On-Boarding
- Recurring Annual Cloud Service Review, Change Management, and Support / Maintenance
- Represents Enterprise Architecture on teams responsible for developing strategic cloud guidance, architecture, governance, and planning for cloud delivery models such as SaaS, PaaS, and IaaS, and help to coordinate adoption for same
- Generates cloud migration roadmaps and driving buy-in across the organization
- Crafts reference architecture for multi-cloud across PNMR strategic cloud platforms
- Analyzes application and infrastructure portfolios, identifying dependencies & common platform components, and assessing migration feasibility
- Performs cost/benefit modeling and creates compelling business cases for migration
- Architects hybrid cloud and on-premise solutions for technology clusters and patterns
- Drives hybrid solution architecture, strengthening our capabilities and services in the orchestration, automation and targeted service layers
- Implements cost optimized solutions (based on usage, business requirements and budget)
- Leads application migration projects including optimizing technical reliability and improving application performance
- Adopts cloud integration patterns with on-premise applications, cloud providers or other platforms
- Understands and champions cloud lifecycle management, help evolve the business to expand this footprint

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- Collaborates with consulting and managed services partners to build and execute migration plans
- Articulates advantages, disadvantages and extent of differentiation and risk across PNMR's cloud platform options
- Builds, migrates, and test cloud environments and integration with other providers
- Pursues innovation and improvement across the cloud service portfolio

**Software Asset Management**

- Licensing and Maintenance contract management
- Acquires desktop hardware and software for the Company in cost effective manners and ensures standards and justifications are followed accordingly
- Leads documentation efforts to ensure accurate inventory is maintained, from purchase to disposal
- Identifies asset discrepancies and manages resolution processes
- Leads and manages BTS license tracking
- Analyzes software usage and reconciles usage and license counts
- Reports cost avoidance through software harvesting and utilizing all equipment
- Administers hardware and software contracts as well as relative true up buckets
- Recommends changes in procedures as appropriate

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support with an emphasis on development, assessment, validation, management, and maintenance of architecture functionality. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.

**BTS Project Management Office  
Home Center 7132**

**Major activities/Home Center Overview:**

The BTS Project Management Office (PMO) is responsible for defining and maintaining standards for project management within our organization, and strives to standardize and introduce economies of repetition in the business analysis, planning and execution of projects. The PMO is also the source of documentation, guidance and metrics on the practice of project management and execution.

- IT program and project gathering and ranking
- Perform benefits realization, business analysis and project management support throughout the entire project life cycle (initiation, planning, execution, monitoring/control and close out) for managed IT-specific projects facilitate benefits realization sessions and business case development for capital projects
- Develop business requirements for capital projects
- Develop and administer standardized project management workflows, processes and documentation.
- Train project team members on project management processes, guidelines and documentation
- Conduct project performance metrics collection & report tracking on schedules, budgets and planned objectives/deliverables
- Conduct monthly project status reviews with BTS senior management
- Conduct 5-year portfolio development in accordance with annual Budget group guidelines
- Assist in preparing supplemental narrative and budget information for PNM rate case filings

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support related to IT department expansion through business plan development, analysis, implementation, and review. The related costs incurred in leading

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these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.

**Telecom  
Home Center 7133**

**Major activities/Home Center Overview:**

Overall responsibility for the enterprise data, voice, and transport networks throughout New Mexico and Texas territories. Specific responsibilities include:

**Processes and Activities Specific to Data**

- Install Data Network Infrastructure
- Maintain Data Network Infrastructure
- Document/process Telecom Billings/Service Reviews
- Telecom Infrastructure Planning/Architecture and Strategy
- Provide Proof of Concept studies
- Manage data LAN/WAN connection including IMAC
- LAN/WAN connection break/fix support

**Processes and Activities Specific to Voice**

- Install PBX Systems
- Maintain PBX Infrastructure
- Initial phone installations
- Set-up voicemail
- Phone break/fix support
- Relocate phones
- Remove phones
- Evaluate new systems for form, fit & function
- Participate in technical/requirement reviews
- Conduct hardware and software enhancements
- Collect and provide performance metrics
- Project support

**Processes and Activities Specific to Transport**

- Relationship and contract management for reciprocal fiber/circuit agreements
- Install Transport Infrastructure
- Maintain Transport Infrastructure
- Document Provisioning Information/CAD Drawings
- Engineering Services for developing Work / Costs Estimates
- Engineering Services for Design and Validation of solutions
- Engineering Services for implementation of solutions

Exhibit IV  
PNMR Services Company Departments

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for PNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of phones and is allocated proportionately based on number of phones in each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Costs related to services for utility entities are allocated based on the appropriate applicable Massachusetts Method to the benefiting companies.
- Technical support related to telecommunications design and operations with an emphasis on telecom infrastructure installation and maintenance. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of phones per company.

**Account Management  
Home Center 7136**

**Major activities/Home Center Overview:**

- Aid in the development of policy, strategic, and tactical planning
- Monitor and track Technology capital budget
- Establish and monitor IT performance measures
- Implement IT process improvements
- Mergers, Acquisitions, and divestiture IT program management
- IT requisitions, invoicing, accruals, amortizations
- IT Program Management

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support with an emphasis on account management functionality for establishing and monitoring IT performance measures and as a liaison with companies for all IT support. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.

**Software Applications**  
**Customer Service Applications, BTS Market Ops-Texas, Corporate Systems**  
**Home Centers: 7136, 7188, 7560**

**Major activities/Home Center Overview:**

**Processes and Activities applied Company-wide**

- Application break/fix/enhancement support
- Application development
- System Reports Set-up and Administration
- Ad-hoc Reporting
- Assess software to ensure it aligns with defined architecture
- Liaison with business units for all IT support
- Manage service levels and constraints
- Manage account plans
- Manage account communications
- Aid in the development of policy, strategic, and tactical planning
- Application Architecture Review
- Collect and provide performance metrics
- New Application Installation
- SOX Application Compliance
- Change Management Compliance
- Audit Compliance
- Critical Application On-Call Support
- Application Security Administration
- Application and Platform Retirement
- Data Migration, Cleansing, Maintenance
- Application Performance Monitoring
- Application Documentation Compliance

**7136 – Customer Service Applications**

- Applications and business liaison support on all Customer Service Applications such as Banner, IVR, PNM.com, and Service Suite.

**7188 – Enterprise Applications**

- Application integration and analytics for the enterprise
- Energy Trading and Risk Management
- TNMP Application Support

**7560 – Corporate Systems**

- Application and business liaison support on enterprise corporate applications such as: PeopleSoft, PowerPlant, Hyperion, Legal

Exhibit IV  
PNMR Services Company Departments

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for PNMR Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.
- The transactional rate based on volume will be used for the distribution of work associated with BTS clients.
  - The allocation rate based on the total number of utility customers and is allocated proportionately based on number of utility customers in each applicable utility company.
  - The transactional rate based on volume will be used for the distribution of work associated with financial systems. The allocation rate is based on the total number of general ledger transactions and is allocated proportionately based on number of general ledger transactions in each applicable utility company.
  - The transactional rate based on volume will be used for the distribution of work performed relating to general IT activities. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Technical support related to software applications with an emphasis in installation, maintenance, and compliance. Specific initiatives are charged directly to the benefiting companies.
- Costs related to systems supporting general activities relating to utility companies are allocated based on the applicable Massachusetts Method to the benefiting companies.
- Costs related to systems supporting applications relating to utility customers are allocated based on utility customer count,
- Costs related to systems support relating to financial systems is allocated based on the general ledger transactions.
- Remaining costs incurred in supporting BTS clients benefit all companies and are therefore allocated proportionately based on the number of network ID's per each company.

**PPMO  
Home Center 7139**

**Major activities/Home Center Overview:**

Financial Analysis and tracking for Business Technology Services and General Services.

- Monitor and track Technology & General service operating budget
- Creation of capital funding accounts and work orders for technology
- IT requisitions, invoicing, accruals, amortizations
- Administer iCAT

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work associated with BTS clients.
  - The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.
  - A general allocation will be used for the distribution of work done for PNM Utility for work that is general in nature. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- General IT maintenance supporting systems that benefit PNM Utility and are general in nature are allocated based on the appropriate applicable Massachusetts Method.
- Technical support with an emphasis on account management functionality for establishing and monitoring IT performance measures and as a liaison with companies for all IT support. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.

**Utility Applications  
Home Centers: 7141**

**Major activities/Home Center Overview:**

Provisioning of new applications, upgrades to existing applications to keep technology current, providing application break/fix/enhancement support and monitoring enterprise applications on a daily basis to assure smooth operations for NM & TNMP Transmission and Distribution,

Exhibit IV  
PNMR Services Company Departments

Generation, and Corporate. We provide Operational Data to business on-demand, perform System Administration on applications; resolve trouble calls from customers and provide support for Lifecycle Management and issues with technology-based products such as ORACLE, SQL, MSAccess, Visual Basic, Linux and Windows, .Net and several others. We work closely with Infrastructure, Architecture, Security, Audit, SOx, Business Analysts and the Project Management Office to assure set policies and procedures are closely followed to assure the highest level of success in all we do. We provide monthly Microsoft Patching and on demand Cyber Security Patching on all applications as required to eliminate Cyber Exposure. We provide 7x24x365 On-Call support to several applications to assure high availability. Specific responsibilities include:

- Application break/fix/enhancement support
- Application development
- System Reports Set-up and Administration
- Ad-hoc Reporting
- Enhancement design and implementation
- Lifecycle Management
- Assess software to ensure it aligns with defined architecture
- Liaison with business units for all IT support
- Manage service levels and constraints
- Manage account plans
- Manage account communications
- Aid in the development of policy, strategic, and tactical planning
- Application Architecture Review
- Collect and provide performance metrics
- New Application Installation
- SOX Application Compliance
- Change Management Compliance
- Audit Compliance
- Critical Application On-Call Support
- Application Security Administration
- Application and Platform Retirement
- Data Migration, Cleansing, Maintenance
- Application Performance Monitoring
- Application Documentation Compliance
- Develop Business Continuity Plans

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for PNMR Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

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- The transactional rate based on volume will be used for the distribution of work associated with BTS clients.
  - The transactional rate based on volume will be used for the distribution of work associated with financial systems. The allocation rate is based on the total number of general ledger transactions and is allocated proportionately based on number of general ledger transactions in each applicable utility company.
  - The transactional rate based on volume will be used for the distribution of work performed relating to general IT activities. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- Technical support related to software applications with an emphasis in installation, maintenance, and compliance. Specific initiatives are charged directly to the benefiting companies.
- Costs related to systems supporting general activities relating to utility companies are allocated based on the applicable Massachusetts Method to the benefiting companies.
- Costs related to systems support relating to financial systems is allocated based on the general ledger transactions.
- Remaining costs incurred in supporting BTS clients benefit all companies and are therefore allocated proportionately based on the number of network ID's per each company.

**BTS – Advanced Technology  
Home Center 7142**

**Major activities/Home Center Overview:**

Advanced Technology and Strategy is responsible for providing research and development of new technologies and the proposal of possible business applications of emerging technologies to support PNMR Resources strategic objectives.

Specific responsibilities include:

- The team directs the tracking and reporting of business and industry trends and visioning of new technologies supporting PNMR's understanding of applications and results of emerging electric utility industry technologies. (*examples – attending industry conferences and meetings; interactions with industry groups such as EPRI, EEI, Department of Energy, etc.; providing support to PNMR's corporate strategy and risk; provide support for PNM Governmental Affairs and PNM Economic Development and with respect to customers and constituents desiring advanced energy needs*)
- The team partners across the enterprise and with external stakeholders to formalize application plans and oversee the successful delivery of related projects supporting integration and evaluation of emerging electric utility industry technologies. (*Examples –*

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*DOE Battery Storage project; PNM substation security project; advanced modeling project converting GIS to OpenDSS and supporting analysis using the tool (renewable integration and electric vehicle penetration analysis), and collaboration with national laboratories on project development plans and hypothesis for advanced technology proposals)*

- The team leads, directs, and oversees the research and development of new technologies, monitoring technology trends of vendors, and related industries with respect to the distribution, transmission, and generation system including, but not limited to: “Smart Grid” technologies such as advanced meters, advanced distribution automation, Plug-in-Hybrid Electric Vehicles (PHEVs), energy storage, distributed generation resources and the integration of distributed generation and storage into the distribution system. This work supports operational, regulatory, policy, and strategy understanding of how new technologies can support and/or improve operations and/or what steps must be taken to prepare for these new technologies. *(Examples – Prosperity Energy Storage; PNM Substation Security technology evaluation; investigation of AMI applications; investigation of Conservation Voltage Reduction applications; support to PNM Regulatory and Policy groups on renewable integration, electric vehicles, interrogatories; AMI business case development; management of the EPRI contract for PNMR; NEDO (Japanese Government organization) research and development in New Mexico including NEDO building microgrid project at Mesa del Sol; Internal R&D Tax Credit Reporting)*
- Participates and/or coordinates company participation with standards development, technical and other industry organizations including but not limited to EPRI, WEI, EEI, IEEE, and NIST to guide industry standards development, technical advancement of system design, construction, advanced technologies, systems interoperability, and business processes supporting PNMR’s industry coordination and collaboration. *(Examples – Management of EPRI contract; Participation in EPRI Programs (Information and Communications, Cyber Security, Integration of Distributed Renewables, Energy Storage Working Group); PNMR’s representative on EPRI’s Research Advisory Committee (, participation with EEI; support of Department of Energy on energy storage as part of Prosperity Project and microgrid research; Sandia National Laboratory Grand Challenge Board of Advisors for advanced PV research; NEDO microgrid and renewable energy development and research in New Mexico; State of New Mexico Energy Storage working group; coordination with University of New Mexico on DOE project as well as subsequent advanced modeling research including a graduate level course in advanced modeling)*

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done.
  - The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.
  - A general allocation will be used for the distribution of work done for PNM Utility for work that is general in nature. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite

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rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support related to IT department expansion through business plan development, analysis, implementation, and review. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.
- General IT maintenance supporting systems that benefit PNM Utility and are general in nature are allocated based on the appropriate applicable Massachusetts Method.

**GIS & Mapping  
Home Center 7144**

**Major activities/Home Center Overview:**

- PNM Drafting/CAD Support
- Maintain Vault for drawing centralization for PNM/TNMP/Generation
- Construction Documents and as-builts data for stations, T-lines, Protection/Controls/Relay, and Generation Facilities
- Maintain/Create standards for Enterprise GIS system
- Distribution and Transmission mapping support maintaining/establishing data management for PNMR, PNM & TNMP
- Visualization of information in a geographic context
- Creation of Web GIS maps/apps for NMOps & TNMP Ops
- Geographic Data analysis and reporting for PNMR, PNM & TNMP
- Providing spatial analysis services to include data management, mapping and visualization, and analysis capabilities—from the simple to the complex.
- Enabling Field based GIS data management; Create, edit, and share data, make it available to any device, anywhere, at any time
- Maintain and support GIS Enterprise, Portal for ArcGIS, ArcGIS Server, ArcGIS Data Store and ArcGIS Web Adaptor.
- Support Engineering Management Program – Viewport for T&D Construction documents
- Support Fiber Manager
- Maintain/Support PLS-Grid for TNMP Ops
- Replacement of LandWorks – nothing has been decided at this point

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.

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- The transactional rate based on volume will be used for the distribution of work done.
  - The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.
  - A general allocation will be used for the distribution of work done for PNM Utility for work that is general in nature. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support related to IT department expansion through business plan development, analysis, implementation, and review. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.
- General IT maintenance supporting systems that benefit PNM Utility and are general in nature are allocated based on the appropriate applicable Massachusetts Method.

**PPMO  
Home Center 7146**

**Major activities/Home Center Overview:**

The Enterprise Portfolio and Program Management office (EPMO) provides leadership for implementing large construction projects for PNM and information and operations technology programs and projects for the company.

- Aid in the development of policy, strategic, and tactical planning
- Accountable for PNM Operations & Technology capital budgets
- EPMO governance, project manager training, capital allocation teams (iCAT and eCAT)
- Construction Management Policy
- Organizational Change Management
- Resource Management
- Mergers, Acquisitions, and divestiture program management

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done.
  - The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

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- A general allocation will be used for the distribution of work done for PNM Utility for work that is general in nature. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support related to IT department expansion through business plan development, analysis, implementation, and review. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.
- General IT maintenance supporting systems that benefit PNM Utility and are general in nature are allocated based on the appropriate applicable Massachusetts Method.

**Operations Technology  
Home Center 7191**

**Major activities/Home Center Overview:**

Responsible for increasing electric grid reliability, by reducing cybersecurity risks while simultaneously maintaining regulatory compliance. Operations Technology supports and protects critical grid infrastructure through services including:

- NERC CIP Compliance activities for LIBCS, MIBCS and HIBCS
- Managing budgeting and contracts
- Maintain and support OT networks and associated equipment
- Maintain and support OT systems and applications
- Application break/fix/enhancement support
- Ad-hoc Reporting
- End user support
- Security Risk Management
- Third party vulnerability assessments for OT networks, systems and applications
- OT/SCADA Security Architecture
- OT/SCADA Security Policy Administration
- OT/SCADA Security Governance
- OT/SCADA Cyber Security
- OT/SCADA On-Call Support

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.

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- The transactional rate based on volume will be used for the distribution of work done.
  - The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.
  - A general allocation will be used for the distribution of work done for PNM Utility for work that is general in nature. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support related to IT department expansion through business plan development, analysis, implementation, and review. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.
- General IT maintenance supporting systems that benefit PNM Utility and are general in nature are allocated based on the appropriate applicable Massachusetts Method.

**Infrastructure Admin  
Home Center 7559**

**Major activities/Home Center Overview:**

Central home center for Infrastructure Services including:

**Processes and Activities Specific to Data Center Services**

- Data Center facilities management
- Data Center Network and Server Services
- Disaster Recovery Services
- Consulting Services and Temp labor for Infrastructure and Architecture
- Data Center supplies

**Processes and Activities Specific to Service Desk (Help Desk)**

- 24 x 7 IT critical problem reporting/resolution support
- Incident management
- Tier 1 phone support
- Project support
- Collect and provide performance metrics and reports
- Audit support
- Application Administration (Banner, Oracle, Lodestar)
- Family First Disaster Support (24 x 7 support)

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- Administer Hardware Loaner Requests (laptop, phones, LCD panels)
- PBX Operator
- Knowledge tree updates

**Processes and Activities Specific to Desktop Services**

- Client Hardware Adds, Moves Changes
- Client Hardware Refresh Process & Functions
- Desktop Break/Fix/Enhancement Support (Maintenance)
- Software Adds, Moves, Changes
- Maintenance Performance (Metrics/Statistics)
- Client Information Systems Development / Maintenance
- Project Management Function
- Problem Management Workaround/Solution Process
- Project Support Functions
- Packaged Application Management and Support
- Corporate Image Management and Support
- Patch Management Services (OS, Kernel Applications)
- Research Technology Evaluation / Testing
- Video Conferencing setup and technical support

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.
- The transactional rate based on volume will be used for the distribution of work done relating to desktop support. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Technical support and relate to security administration and strategic planning for network and applications. The related costs incurred in leading these activities benefit all PNMR employees and the corporation as a whole and are therefore allocated proportionately based on the number of network ID's in each company.
- Activities relating to BTS support of desktop and data services benefit the entire organization and are therefore allocated proportionately based on the number of computers in each company.

## **COMMUNITY RELATIONS & STAKEHOLDER ENGAGEMENT**

7100 – Community Relations & Stakeholder Engagement

### **Community Relations & Stakeholder Engagement Home Center 7100**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to Companywide Volunteerism**

- Develop and implement community engagement opportunities for employees
- Track employee volunteer hours and advocacy relationships with organizations and local nonprofits
- Provide contributions to nonprofits where employees in Texas and New Mexico and qualified retirees volunteer (includes Volunteer Grants, Matching Grants and Community Crew)

##### **Processes and Activities Specific to Community Outreach**

- Advance the company's mission, vision and goodwill by providing constituents with information on company business and soliciting stakeholder input and support
- Enhance shareholder value and create opportunities for the future for both PNMR and our customers.

##### **Processes and Activities Specific to Corporate Contributions**

- Advance the company's goodwill and community perception as a trusted corporate citizen by investing in our communities (includes corporate giving and a charitable foundation)
- Invest in issues-based sponsorships in the following focus areas: Education, Economic Development, Low Income customers, and the Environment.
- Geographical and event sponsorships/partnerships are focused in the same four major issue-areas. Employee-driven programs augment the sustainable development goals and serve employee nonprofit interest-areas not covered by Corporate Giving.
- Diversity Equity and Inclusion is a focus of processes and activities

##### **Processes and Activities Specific to Low Income Outreach**

- Develop partnerships with community partners to serve the needs of our low-income customers

##### **Processes and Activities Specific to Environmental Outreach**

- Advance the company's environmental strategies and policies
- Promote internal awareness of company environmental issues

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- Share environmental information with customers and key stakeholders and create partnerships to demonstrate the company's environmental commitment

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional allocations will be used for the distribution of work done relating to PNM Utility community outreach. The transactional allocation percentage is based on the number of electric utility customers.
- A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Services relating to Low Income outreach are associated with utility distribution services therefore costs are assigned based on the number of utility customers.
- External communications and event sponsorship with customers, media, financial audiences, non-profit organizations and the community represent PNMR's corporate citizenship, which is embodied in its people. Costs associated with these activities benefit the corporation as a whole and are assigned based on the Massachusetts Method. Specific initiatives are charged directly to the benefiting company.

## **PROCESS MANAGEMENT**

7306 –Enterprise Process Management

### **Enterprise Process Management Home Center 7306**

#### **Major activities/Home Center Overview:**

- Corporate Benchmarking
- Business Process Improvement
- Skill development and training around Continuous Improvement
- Project Management leadership and coordination
- Root Cause Analysis (RCA) governance and execution
- Corporate Policy Management
- Annual Incentive Plan scorecard management

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.
- A transactional allocation will be used for the distribution of work done for PNM Resources that are related to employees. The transactional allocation percentage is based on the number of employees for each company.

#### **Basis of assignment:**

- Designing and managing business processes is performed across the entire enterprise and benefits all PNMR companies. As process management is centrally managed, standardizing the approach provides benefit to the corporation as a whole therefore; the costs are assigned based on the Massachusetts Method. Specific initiatives are charged directly to the benefiting companies.
- Processes performed relating to employee's benefits all PNMR companies. These costs are allocated proportionately based on the number of employees for each company.

## **TRIBAL GOVERNMENT & CUSTOMER ENGAGEMENT**

7032 – Tribal Government & Customer Engagement

### **Tribal Government Home Center 7032**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to New Mexico**

- Tribal Government and Customer Engagement develops, fosters and maintains critical relationships with the 23 New Mexico Tribes, businesses, entities, stakeholders and key opinion leaders on major policy issues encompassing diverse energy issues and projects.
- Work in collaboration with the Lands and Environmental Services Departments to negotiate balanced outcomes to acquire Rights of Way (ROW) for PNM facilities located on Tribal land in compliance with federal government relations.
- Develop, foster and maintain relationships with Tribal Governments and policy organizations:
  - Analyze legislation and resolutions
  - Prepare testimony and resolutions
  - Present, testify before councils and committees
  - Monitor legislation
- Oversee and manage Tribal Customer segment including associated government, tribal gaming and resorts, associated tribal businesses and residential. We serve as a trusted advisor to all tribal customer segment representatives (residential, small power, general power, large power) and is the liaison between assigned accounts and PNM cross-functional organizations.
- Work with several cross-functional teams within PNM including serving as liaisons to the tribal segment:
  - Account Management
  - Industry
  - Outages
  - Billing issues
  - Energy Efficiency projects
  - Low-income assistance
  - Meter Reading
  - Solar Development
  - Generation
  - Rights-of-Ways
  - Environmental
  - Regulatory
  - Communications & Marketing
  - New Service Delivery
  - Service Line Agreements

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- Vegetation Management
- Taxation
- Project Engineer support
- Operations and Reliability
- Transmission
- Tribal Land Access
- 

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the Utility companies. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Legislative advocacy with local and federal governments in areas in which the Corporation conducts business is directly charged to companies benefiting from such advocacy. General analysis, strategy and related functions benefit the corporation as a whole. Costs primarily are assigned based on the appropriate applicable Massachusetts Method.

**GOVERNMENTAL RELATIONS**

7042 – Governmental Affairs

**Government Affairs  
Home Center 7042**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Lobbying in New Mexico and Washington, DC**

- Develop, foster and maintain relationships with Federal, State, and local officials and key opinion leaders
- Analyze legislation
- Prepare testimony
- Monitor legislation
- Proactively work to pass or defeat legislation
- Administer employee Political Action Committee (PAC)

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the Utility companies. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Legislative advocacy with local and federal governments in areas in which the Corporation conducts business is directly charged to companies benefiting from such advocacy. General analysis, strategy and related functions benefit the corporation as a whole. Costs primarily are assigned based on the appropriate applicable Massachusetts Method.

## **COMMUNICATIONS**

7034 – Corporate Communications  
7179 – Marketing & Communications

### **Communications Home Centers: 7034**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to Intranet Website Development and Maintenance**

- Provide access for employees to essential information such as accounting and human resources systems and services
- Separate intranet sites, which can be developed and maintained for business units. (Does not include any IT costs such as building phone directories, hardware, software required).

##### **Processes and Activities Specific to Internet Website**

- Develop/maintain Internet website as needed for business units.
- Content management

##### **Processes and Activities Common to Public Relations**

- Press release preparation
- Respond to media inquiries
- Development of media backgrounds
- Public Relations advice
- Event coordination
- Media relations advice and deployment
- Internal communication about advertising and branding
- Development and maintenance of social media channels

##### **Processes and Activities Specific to Workforce Communications**

- Raise employees' awareness on topics such as HR changes, Code of Conduct
- Engage PNMR employees into community activities
- Encourage commitment to PNMR and subsidiary goals
- Event coordination
- Electronic and print newsletters
- Executive communications
- Webcasting and video development and production

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**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for PNM Resources, Inc. associated with corporate communications and customer communications that benefit the entire organization. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.
- A general allocation will be used for the distribution of work done for PNMR Utility companies associated with Customer communications. The general allocation percentage is based on the customer count, which allocates cost based on the Number of utility customers for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- Communications directed to employees and related costs incurred in leading these activities benefit the PNMR utility companies and are therefore allocated proportionately based on the Massachusetts Method.
- Communications directed to external customers and related costs incurred in leading these activities benefit the distribution companies; therefore assigned based on the Number of Utility Customers.

**Customer Service Operations  
Home Center 7179**

**Major activities/Home Center Overview:**

**Processes and Activities Management**

- Oversight of Customer Service Operations
- Meter Reading
- Contact Center
- Billing
- Credit
- Collections
- Payment Centers
- Solar applications
- Management Systems

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for PNM Resources, Inc. that benefits the entire organization. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- Costs related to marketing activities benefit all PNMR companies and are therefore allocated proportionately based on the Massachusetts Method.

## **ENVIRONMENTAL SERVICES**

7045 – Environmental Services  
7163 – Wildfire and Vegetation Management  
7420 – Land Services

### **Environmental Services Home Center 7045**

#### **Major activities/Home Center Overview:**

- Provides technical guidance and support to PNMR, PNM and TNMP (“the Company”) in environmental policy and compliance.
- Ensures the Company maintains compliance with applicable environmental laws, regulations, and rules across all business units
- Assists with the development of the Company’s overall sustainability goals and tracks and reports on environmental sustainability goals.
- Manages environmental issues, impacts and mitigation related to the Company’s operations in the areas of construction, operations and maintenance, including but not limited to air and water quality, waste management and disposal, and biological and cultural resource issues
- In conjunction with Public, Governmental, and Regulatory Affairs & Executive Management, develops and implements environmental regulatory policy for the company
- Develops and implements environmental strategy and initiatives
- Conducts compliance monitoring, verification and reporting for all facilities as required by environmental regulations
- Develops, implements, and documents the Company’s Environmental Management System Performance and overall program performance
- Performs EMS audits and assists Audit Services with environmental compliance audits. Assists or oversees requisite corrective actions.
- Responds to spills and environmental-related incidents
- Leads Team Green voluntary employee group focused on waste recycling, reuse and diversion and completion of the annual waste goal
- Conducts regulatory and policy tracking, interpretation, and analysis
- Conducts stakeholder outreach and in conjunction with Corporate Communications, responds to media inquiries
- Reports on company performance/liabilities to internal and external stakeholders

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.

Exhibit IV  
PNMR Services Company Departments

- A general allocation will be used for the distribution of work done for the PNMR Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Environmental functions generally benefit the PNMR Utility companies as a whole, and therefore, the costs are assigned based on the appropriate Massachusetts Method. Specific initiatives are charged directly to the benefiting company.

**Wildfire and Vegetation Management  
Home Center 7163**

**Major activities/Home Center Overview:**

- Leads wildfire risk assessment and mitigation activities
- Leads the process to identify and document risk, assess the impacts, explore & evaluate mitigation alternatives, develop risk scoring and mitigation prioritization approaches
- Works with internal and external stakeholders to maintain geospatial Hazardous Fire Areas (HFAs) and identify opportunities to apply the HFAs to various operations and wildfire mitigation initiatives.
- Develops and maintains effective relationships across the Enterprise to understand the interdependencies between risks and identify mutually beneficial mitigation strategies
- Influences investment planning to include programs to enhance system safety.
- Partners with corporate risk staff to ensure Wildfire Risk practices are developed and consistent across the Enterprise.
- Recognizes internal and external developments that may impact wildfire risks within our service territories
- Manage and lead the development of risk/spend efficiency analysis including any new risk reporting requirements for the annual plan
- Facilitate the thorough documentation of risk/spend efficiency analysis to ensure transparency, repeatability, and auditability of the work
- Develop and/or update processes as needed to streamline ongoing development of risk and/or spend efficiencies
- Build and enhance internal alliances with key operating leadership and subject experts to utilize appropriate metrics and analytics to support wildfire mitigation plan proposals

Exhibit IV  
PNMR Services Company Departments

- Lead and manage team to ensure resources are optimized in support of strategic initiatives and activities
- Prioritize workload based on resources, while promoting employee development
- Develop and deliver dashboards, reports and presentations on regulatory wildfire risk analytics topics
- Represent the Company in community, industry, and regulatory forums to educate and build partnerships around wildfire safety and related activities (e.g., Fire Safe Councils, wildland management agency meetings, wildfire conferences, etc.)
- Build and foster external alliances to maintain up to date knowledge of industry-related issues in wildfire risk reporting
- Serve key strategic and advocacy role for information systems that support wildfire modeling efforts, providing common platform for wildfire risk analytics that drives consistency and repeatability
- Maintains industry contacts for benchmarking and sharing information.
- Manage and lead the vegetation management risk analysis including development of spending requests and reporting.
- Responsible for supporting regulatory communications
- Support external audit and review
- Budgeting variance review and reporting

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNMR Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Environmental functions generally benefit the PNMR Utility companies as a whole, and therefore, the costs are assigned based on the appropriate Massachusetts Method. Specific initiatives are charged directly to the benefiting company.

**Land Services  
Home Center 7420**

**Major activities/Home Center Overview:**

Exhibit IV  
PNMR Services Company Departments

- Acquisition of real property rights for major transmission, solar, generation, substation, distribution, switchyard and power plant for the company.
- Conduct cadastral surveys and prepare legal descriptions and exhibits for the acquisition of property rights. File the executed documents in the appropriate county office.
- Oversee contracts for acquisition, title, survey and appraisal work as relates to the above projects. Work closely with in house and contract attorneys to settle property owner disputes up to and including condemnation. Also, work with in house and contract attorneys in developing real property contracts for the department.
- Review appraisals for internal work as well as external.
- Provide land acquisition estimates for major transmission, substation and generation and interconnection projects as they relate to real property rights for the project.
- Participate in site and alignment/planning meetings for major projects.
- Work with environmental specialists when needed for various studies and environmental due diligence of proposed land acquisition leases and property disposals.
- Acquire permits, license agreements and rights of way from various agencies including the New Mexico Department of Transportation, New Mexico State Land Office, Carson, Santa Fe, Cibola and Lincoln National Forests, the Bureau of Land Management, the Middle Rio Grande Conservancy District, the Albuquerque Metropolitan Area Flood Control Authority, and the Sandoval County Arroyo and Flood Control Authority. Tract and renew all leases, licenses and permits for these agencies.
- Negotiate and acquire rights of way from various Native American tribes in compliance with Government Regulations 25 CFR Part 169, for electric facilities. Renew existing rights of way from Native American interests.
- Review plats on behalf of the company for potential conflicts with PNM's existing infrastructure. Approve plats upon completion of review
- Prepare project files for project closeout and archive in PNM's Document Management System.
- Store and maintain files of all perpetual land rights acquired by the company in both hard and digital format.
- Support property tax accounting department in the company's annual real property rendition to the State Taxation and Revenue Department.

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNMR Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Environmental functions generally benefit the PNMR Utility companies as a whole, and therefore, the costs are assigned based on the appropriate Massachusetts Method. Specific initiatives are charged directly to the benefiting company.

Exhibit IV  
PNMR Services Company Departments

## **SAFETY**

7553 – Safety

### **Safety Home Center 7553**

#### **Major activities/Home Center Overview:**

The Safety Department provides the following support and resources to all of the business units:

- Be a technical/informational resource supporting the companies' occupational health and safety program.
  - Develop and administer safety management system
- Evaluate, develop, and recommend health and safety programs and initiatives to eliminate, reduce, or manage risks, improve health, and prevent injuries and illnesses.
- Monitor existing PNM Resources safety programs to ensure they are current, implemented, compliant, and effective. When appropriate, make changes in coordination with leadership and the appropriate Safety Committee(s) to the safety programs to help ensure a consistent approach throughout PNM Resources.
- Provide guidance, assistance, and coordination of performing hazard analysis and risk assessments. Serve as a technical resource and advisor on issues of occupational health and safety, industrial hygiene, OSHA compliance, and risk management throughout PNM Resources.
- Serve as a point of contact with regulatory agencies, trade associations, and outside groups on matters of occupational health and safety. Using the PNM Resources Safety Committees, and others who are involved with safety, ensure that PNM Resources is represented in the community and industry groups that focus on occupational health and safety.
- Review and provide feedback on all Incident Investigations to help ensure all root cause and correctable opportunities have been identified.
- Work in collaboration with leadership and the appropriate safety committees to evaluate and analyze injury and near-miss trends and develop initiatives and action plans to address all identified correctable opportunities.
- Coordinate and administer PNM Resources safety audits, where applicable
- Act as a resource, and support as necessary, all Safety Committees throughout PNM Resources and assist in ensuring Safety Committees are an effective part of our safety improvement process.
- Manage PNM Resources and each respective business unit safety performance data.

#### **Major Programs and Initiatives**

Health and Safety Program Development; examples –

- Safety Management System

Exhibit IV  
PNMR Services Company Departments

- LOTO
- Corporate safety policies and procedures
- Respiratory Protection
- Job Safety Planning
- Safety Audit protocols
- Hearing conservation
- Confined Space
- Safety Training
- Industrial Hygiene
- Safety Leadership training and development
- National Safety Council Defensive Driving Program

Smith Driving program

The development, implementation, and execution of the health and safety programs, policies, and procedures are a key element for the corporation to achieve its safety goals and targets, as well as each business unit achieving its safety goals.

Example safety goal categories:

- DART- days away, restrictions, job transfers
- OSHA recordable injury rate
- Severity/Lost time injury rate
- Safety training
- OSHA compliance
- Safety audit/assessment to PNMR's Safety Management System
- Safety Walks/Inspections
- PVA – preventable vehicle accident

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Services provided in this area are primarily direct charged to the company receiving the benefit. A portion of the services provides functions generally benefit the corporation as a whole, and therefore, the costs are assigned based on the Massachusetts Method. Specific initiatives are charged directly to the benefiting company.

## **SUPPLY CHAIN**

7078 – Supply Chain  
7092 – Sourcing  
7093 – Chain Fleet  
7094 – Chain Warehouse

### **Supply Chain Home Center 7078**

#### **Major activities/Home Center Overview:**

- Initiate, manage, and direct all Supply Chain and General Services initiatives.
- Support operations, materials management, facilities, real estate and purchasing requirements.
- General administration for Supply Chain and General Services areas.

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of invoices. The total is composed of the general ledger transactions related to accounts payable and is allocated proportionally based on the number of financial transactions recorded in the accounts payable by each company.

#### **Basis of assignment:**

- Supply chain policies and procedures development, contract negotiation, training, process improvement, communication and managing the supplier diversity program are centrally managed and as such benefit the corporation as a whole. Costs to process and remit payment on invoices to procure goods and services for companies are allocated based on the number of invoices processed for each company.

**Sourcing  
Home Center 7092**

**Major activities/Home Center Overview:**

**Processes and Activities Common to Resources Purchasing and Indirect Purchasing**

- Locating sources of supply
- Placing purchase orders
- Expediting material
- Resolving quality, delivery, pricing or related issues with suppliers

**Processes and Activities Common to Contract Administration and Project Contract**

- Administering Requests for Information, Quote, and Proposals
- Negotiating contracts
- Issuing authorization for work against a master contract
- Resolving quality or delivery issues and contract discrepancies with contractors
- Contract Standardization and Review

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of invoices. The total is composed of the general ledger transactions related to accounts payable and is allocated proportionally based on the number of financial transactions recorded in the accounts payable table by each company.

**Basis of assignment:**

- Costs to process and remit payment on invoices to procure goods and services for companies are allocated based on the number of invoices processed for each company. Specific initiatives are charged directly to the benefiting company.

**Fleet Management  
Home Center 7093**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Fleet Equipment and Vehicles**

- Buy / lease activities
- Disposal activities
- Maintenance and service activities

**Processes and Activities Common to Fleet Management**

- Development of replenishment schedule
- Development of maintenance and service plans
- Budget coordination
- Fleet Policies & Procedures
- Fuel program Retail fuel purchases and bulk fuel programs (if appropriate)
- Fuel agreements
- Lease agreements
- Insurance requirements
- Prepare vehicle & equipment specifications
- Align pricing discounts from major manufacturers

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNMR Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Fleet services as described above are centrally controlled and managed. Direct charges are made for equipment used, however the associated management cost related to fleet policy development, standardization of equipment, and strategic sourcing of services and equipment and therefore, the costs are assigned based on the Massachusetts Method. Specific initiatives are charged directly to the benefiting company.

**Warehouse and Distribution  
Home Center 7094**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Inventory Management and Control**

- Min/Max management
- Materials Procurement – Placing purchase orders
- Expediting material
- Resolving quality, delivery, pricing or related issues with suppliers

**Processes and Activities Common to Warehouse and Distribution**

- Asset Management
- Cost containment
- Vendor management service
- Forecasting
- Capacity Planning
- Variance Analysis
- Quality Control
- Warehouse optimization
- Kitting/Staging/Delivery
- Cost discounts
- SOX Compliance
- Performance Reporting
- Metric Reporting
- Maximo App Mgmt Inv.
- Maximo App Mgmt Purch.

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- Costs are assigned to regulated entities through the use of stores expense and purchase clearing accounts. The costs are allocated based on volume of stores expense or purchase account activity by each company.

**Basis of assignment:**

- Managing, directing, and coordinating all warehouse activities is performed enterprise wide and benefit the utility entities. Costs are assigned to the benefiting companies through Stores expense and Purchase clearing accounts. Specific initiatives are charged directly to the benefiting company.

## **GENERATION OPERATIONS**

7360 – Strategic Energy Planning & Development

### **New Generation Development Home Center 7360**

#### **Major activities/Home Center Overview:**

##### **Processes Specific to Generation**

- Provides support for capacity and renewable resource RFPs, including but not limited to RFP development and input, bidder review, short list development, and selection of the successful bidder. The group then has direct control over all contract negotiations and final construction. It is the process owner for the development of new renewable energy construction which includes all aspects of plant development including but not limited to strategy, site selection, stakeholder analysis, RFP development and support, regulatory planning, contract negotiations and development, and actual construction of the facility. Additionally, the group provides direct support of the regulatory approval process and oversees construction and maintenance of generation projects for renewable projects (wind, solar, bio-mass, geo-thermal, and other renewable alternatives).
- Manages the Joint Venture (JV) with American Electric Power (AEP) known as NMRD. NMRD has 135MW of solar completed. NMRD has 50MW under construction and has development sites and potential contracts for an additional 440MW. The asset base is approximately \$200M. Provides management for all aspects of the JV and reports directly to the NMRD Board of Directors.
- Is responsible for the ongoing support of new utility renewable generation facilities including operations and maintenance and manages all aspects of the existing contracts including warranty issues, disputes, production targets and performance, environmental compliance, and other general plant maintenance. Responsibilities also include file submissions to the Western Renewable Energy Information System for renewable credits for regulatory compliance.
- Negotiates and manages renewable PPA contracts to include ensuring milestones and other contract deliverables are met and negotiates mitigation strategies if they are not met.
- Participates in economic modeling and pricing evaluations for potential renewable projects, both owned and contracted.
- Manages other corporate functions including those in PNMR Development and Management Corp.
- Works across all functional areas including regulatory, finance, system engineering, distribution construction, land services, and sourcing.
  - Manages the O&M for the existing solar plants.
    - 291 MW capacity

Exhibit IV  
PNMR Services Company Departments

- Ensure efficient system performance and production
  - Current contracts with O&M suppliers for plant support
  - Contracts with other providers for site support
- Solar Build Programs
  - Manage all aspects of development and administration (site selection, budget, tax benefits, communications, operations, community affairs, environmental, etc.)
  - Sites prepared including G&D, security fencing and interconnections
  - Manage sub-contractors
  - Plant clearings
- Solar Development for Facebook
  - Develop sites
  - Develop cost estimates
  - Provide information
  - Develop PPA pricing
  - Construct plants
- Renewable Plans
  - Site identification, design, permitting, zoning, etc.
  - Site development (G&D, fencing, etc.)
  - Interconnection
  - Regulatory support.
  - All aspects of project management once it is approved
- Liaison with PNM on FB PPAs and other renewable contracts
  - Contract management support
  - Regulatory support
  - Provide monthly and quarterly data
- Develop additional renewable projects for new customers.
  - Site identification, design, permitting, zoning, etc.
  - Cost estimates
  - Pricing structure development
  - Site development (G&D, fencing, etc)
  - Interconnection
  - Regulatory support.
  - All aspects of project management once it is approved
- Special projects
  - Community Solar
  - Economic Development

Exhibit IV  
PNMR Services Company Departments

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.

**Basis of assignment:**

- Specific initiatives are directly charged to the company receiving the benefit.

## **REGULATORY**

7184 – Pricing  
7189 – NERC Compliance

### **Pricing & Regulatory Services Home Center 7184**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to Pricing**

- Provide analysis for historical and forecasted revenue requirements for PNM retail jurisdiction
- Provide pricing and tariff analysis for specific retail customer classes and wholesale customer contracts
- Provide load research for retail customer classes in PNM retail jurisdiction
- Provide analysis to cost of service revenue requirement, regulatory support and justification in testimony, analysis and recommendations in regulatory filings
- Provide price elasticity and usage impact by changing customer load profiles in response to tariff changes, technology and use changes
- Provide load research analysis for customer usage patterns and cost allocation in regulatory filings
- Provide price and load analysis for customer and utility owned alternative sources of generation

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional allocation will be used for the distribution of work done for PNM Utility attributable to customer service information. The allocation rate is based on the number of electric utility customers.
- A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the General Utility Massachusetts Method, which allocates cost based on the composite rate comprised of Net Plant Utility, Margin, and Number of Employees for each company.

#### **Basis of assignment:**

- Specific initiatives are directly charged to the company receiving the benefit.
- Services performed that relate to PNM Utility customer service information are allocated proportionately based on the number of utility customers.

Exhibit IV  
PNMR Services Company Departments

- Developing, managing, and implementing strategy for activities, communication, and pricing related to meeting company and regulatory objectives. Services directly relate to analysis and application of pricing and associated regulatory rulings are an element of creating financial records and reports, costs are allocated proportionately based on the appropriate general allocator for regulated entities.

**NERC Compliance  
Home Center 7189**

**Major activities/Home Center Overview:**

**The primary purpose of the NERC Compliance group is for:**

- Development, maintenance, and implementation of the NERC Compliance Program
- Development and implementation of Reliability Standards compliance controls for governance
- Management of Reliability Standards compliance enforcement process
- Facilitate and file required materials associated with enforcement actions such as self-reports, mitigation plans, root cause analysis, and violation disposition agreements associated with NERC reliability standards
- Coordination preparation and manage on-site audits related to reliability requirements
- Manage oversight of the Electric Information Sharing and Analysis Center (E-ISAC) alert process, including communication, mitigation coordination, and document filings
- Manage company participation in NERC standards drafting and balloting activities
- Ongoing data collection and issue resolution
- Coordinate annual compliance self-certifications for FERC, NERC and regional audits associated with Reliability Standards.
- Evaluate and provide assistance to accountable business areas in development of reliability compliance policies, processes, and procedures
- Review Reliability Standards Audit Worksheets and supporting compliance documentation
- Manage Reliability Compliance related projects
- Manage NERC reliability standards violation penalty reserves
- Track, manage, and regularly report NERC Key Performance Indicators to the NERC Executive Steering Committee

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the PNM Resources, Inc. The general allocation percentage is based on the General Utility Massachusetts Method, which allocates cost based on the composite rate comprised of Net Plant Utility, Margin, and Number of Employees for each company.

**Basis of assignment:**

Exhibit IV  
PNMR Services Company Departments

- Specific initiatives are directly charged to the company receiving the benefit.
- Services relate to managing and administration of objectives related to federal regulatory compliance. Costs are allocated proportionately based on the appropriate general allocator for regulated entities.

**Public Service Company of New Mexico  
PNM General Utility  
2024 Cost Allocation Manual Detail**

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## **VICE PRESIDENT**

### **6009 – VP, PNM NM Operations**

#### **Homecenter Overview:**

- Works with executive and senior management, and business leadership
- Evaluate industry issues and associated opportunities for the company
- Establish policies to assure a safe, reliable and environmentally sustainable system
- Oversee, provide support and guidance across the organization and within respective areas
- Develop and direct policies and procedures per their respective areas consistent with company goals
- Develop and direct strategy and assure performance to plan for their respective areas
- Understand and manage organizational objectives and impact to company
- Ensure timely analysis and reporting
- Identify and mitigate risks
- Develop and manage for workforce excellence

#### **Allocation Method**

- Costs directly related to specific entities are direct charged to the benefiting companies.
- General services benefiting Distribution and Transmission utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission.

**AREAS REPORTING TO ELECTRIC UTILITY OPERATIONS**

- 6420 – NM Operations Training & Administrative**
- 6421 – NM Operations Training**
- 6422 – Work Management & Distribution Standards**
- 6552 – Benefit Costs – Utility Common**
- 6923 – Taxes – Utility Common**
- 6924 – Insurance Claims – Utility Common**

**6420 – NM Operations Training & Administrative**

Administrative and expediter support to PNM NM T&D Operations

**Allocation Method**

- Costs directly related to specific entities are direct charged to the benefiting companies.
- General services benefiting Distribution and Transmission utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission.

**6421 – NM Operations Training**

This department's work effort relates to consolidated management and funding of training activities under direct leadership oversight from a senior manager/director. This department facilitates Utility Ops employee access to training required to meet compliance and development needs, leveraging available resources to optimize quality, timeliness, effectiveness, and efficiency of training while maximizing the utilization of dedicated funds in the most cost-effective manner possible.

The department is responsible for monitoring, identifying, coordinating, funding, and tracking training requirements and activities for all home centers within Utility Operations.

**Allocation Method**

- Costs directly related to specific entities are direct charged to the benefiting companies.
- General services benefiting Distribution and Transmission utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission.

### **6422 – Work Management & Distribution Standards**

- Coordinate development of construction standards for the Distribution System for PNM and assist TNMP.
- Coordinate material and equipment standards for PNM and TNMP.
- Coordinate compatible unit creation (bill of materials) in Maximo and ArcFM for PNM.
- Create construction standards for the Distribution System for PNM and assist TNMP (as needed).
- Create material and equipment standards for PNM and TNMP (as needed).
- Support Operations (e.g., training, communication) at PNM and TNMP, for new materials and construction methods.
- Maintain Maximo and ArcFM compatible units' catalogs and material catalogs.
- Support PNM Transmission with material catalog management in Maximo.
- Streetlight Administration to assist with customer complaints, municipality support, billing support, etc.
- Coordinate LED conversions process with Project Management team as needed.

#### **Allocation Method**

- Costs directly related to specific entities are direct charged to the benefiting companies.
- General services benefiting Distribution and Transmission utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission.

### **6552 - Benefit Cost – PNM Utility Common**

Healthcare benefit costs for PNM Utility Common employees.

- Medical and dental benefits
- 401K benefit costs

#### **Allocation Method**

- Costs relating to PNM Utility Common employees benefit Electric Distribution and Transmission services utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission

**6923 - Taxes - Utility Common**

Expenses related to PNM payroll taxes for Common Utility employees.

**Allocation Method**

Departments supporting the PNM utility business make up the common utility organization. Payroll taxes relating to the Common Utility areas utilize allocation code 174 which allocates based on the Massachusetts Method between PNM Electric and PNM Transmission.

**6924 - Insurance Claims Util Common**

Expenses related to liability insurance or claims against PNM.

**Allocation Method**

General services benefiting Distribution and Transmission utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission

## **AREAS REPORTING TO CHIEF FINANCIAL OFFICER**

### **TREASURY SERVICES**

#### **6771 – Bank Fees – Utility Common**

##### **6771 – Bank Fees - Utility Common**

Bank fees expenses related to banking activity for PNM Utility.

##### **Allocation Method**

General services benefiting Electric Distribution and Transmission services utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission

## **AREAS REPORTING TO SUPPLY CHAIN**

#### **6413 – Fleet Operations**

#### **6416 – Investment Recovery Warehouse**

##### **6413 – Fleet Operations**

Fleet mechanics responsible for: performing maintenance on fleet equipment to ensure all equipment is safe for operations, for parts and oil product inventory levels, for all environmental concerns such as making sure all reclaimable products are tracked and disposed of correctly, and for performing monthly inspections of shop facilities.

##### **Allocation Method**

- Costs directly related to specific entities are direct charged to the benefiting companies.
- Costs relating to PNM Utility operations benefit Electric Distribution and Transmission entities utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission

##### **6416 – Investment Recovery Warehouse**

The home center designation for IBEW Bargaining Unit warehouse personnel responsible for Material asset operations for the Albuquerque Electric Service Center warehouse. Core responsibilities include issuing, receiving, transferring, managing and investment recovery. Also, the home center designation for maintaining the Albuquerque Electric Service Center warehouse includes expenses for equipment and supplies used in daily warehouse operations. This home center is also the default current EAM system home center for FERC 154 inventory asset cycle count variances and adjustments. Activities relating to Inventory Management and Control include Investment Recovery, Facility

Exhibit V  
Departments Using General Utility Allocations

Transfers, Material Issues & Returns, Inspection, Receiving, Picking /Packing, Storing, Bin Location Maintenance, and cycle counts.

**Allocation Method**

- Costs related to specific entities are direct charged to the benefiting companies.
- Costs relating to PNM Utility operations benefit Electric Distribution and Transmission entities utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission

## **AREAS REPORTING TO PUBLIC POLICY**

### **REGULATORY SERVICES**

#### **6004 – Regulatory Policy & Case Management**

#### **6005 – FERC Compliance**

#### **6004 – Regulatory Policy & Case Management**

##### **Activities relating to New Mexico State Regulatory Compliance Filings**

Determine, potentially compile and file necessary monthly, quarterly, and annual filings at the either a state or federal regulatory agency, and other regulatory filings as required by Commission orders, statutes and requirements

##### **Activities relating to New Mexico State Regulatory Case Filings**

Conduct research of regulatory filings and documents, coordinate cross-functional teams and work-product related to specific regulatory requests, coordinate cross-functional teams to prepare new case filings including identification of regulatory issues, coordinating testimony preparation and appropriate communications/meetings with external stakeholders, and ensuring compliance with applicable regulatory requirements, and determine, potential risk and impact on other cases. Compare and file necessary pleadings, testimony and exhibits at either state or federal regulatory agency

##### **Activities relating to Rulemakings and Customer Complaint Handling**

Act as the key regulatory contact when intervening in other cases with a Regulatory agency. Coordinate cross-functional teams and work-product related to proposed rulemakings and other Commission proceedings, and provide the regulatory lead in working with regulatory agencies regarding formal customer complaints

##### **Activities relating to Due Diligence**

Provide summary of regulatory cases that may be reported in Company's 10Q or 10K.

##### **Allocation Method**

- Costs related to specific entities are direct charged to the benefiting companies.
- Costs relating to PNM Utility operations benefit Electric Distribution and Transmission entities utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission.

#### **6005 – FERC Compliance**

##### **Activities relating to Normal Regulatory Compliance Filings**

Determine, potentially compile, and file necessary filings at FERC, and Ad hoc FERC filings. Coordinate appropriate service of FERC Filings.

**Activities relating to Federal Regulatory Case Filings**

Conduct research of federal regulatory filings and documents. Coordinate cross-functional teams and work-product related to specific FERC requests. Coordinate cross-functional teams to prepare new case filings including identification of federal regulatory issues, coordinating testimony preparation and appropriate communications/meetings with internal and external stakeholders, and ensuring compliance with applicable regulatory requirements. Determine, potentially compile and file necessary pleadings, testimony and exhibits at FERC. Coordinate appropriate service of FERC Filings.

**Activities relating to Standards of Conduct**

Compliance to Standards of Conduct for Transmission Providers. Coordinate required employee training on Standards of Conduct.

**Allocation Method**

- Costs related to specific entities are direct charged to the benefiting companies.
- Costs relating to PNM Utility operations benefit Electric Distribution and Transmission entities utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission.

## **CUSTOMER SERVICE**

- 6150 Customer Marketing**
- 1423 North Central Meter Reading**
- 1507 Metro ABQ Meter Reading**
- 1511 North Central Walk In**
- 1512 SCNM Meter Reading**
- 1513 SCNM Walk In**
- 1514 SCNM Collections**
- 1519 Belen Meter Reading**
- 1082 Account Management**
- 1515 Customer Program Marketing & Dev**
- 1517 Energy Efficiency**
- 1501 Customer Service Performance**
- 1503 Postage**
- 1504 Payment Processing**
- 1506 Customer Care Call Center**
- 1508 Exception Processing**
- 1510 Internal Collections**
- 1505 Metro ABQ Field Collections**

Provides all aspects of customer service including meter reading, customer call center and cashier sites, scheduling new hook-ups, collections, customer account and payment services and bill exception processing. Also includes administrative expenses related to developing primary goals, establishing organizational structure, reviewing results of business operations, determining action plans to meet needs of electric customers and representing the organization to financial community, major customers, government agencies, shareholders and public. Various groups within Customer Service utilize a number of various home centers to track expenses. A summary of how the individual home centers allocate is shown on Exhibit IX

### **Allocation Method (all Customer Service departments)**

- Costs related to specific entities are direct charged to the benefiting companies.
- Costs relating to providing customer services to PNM Electric utility customers will utilize allocation code 188, which allocates costs to PNM Electric Distribution and SNM Distribution based on Customer Count.

### **1423, 1507, 1512, 1519 –Meter Reading**

#### **Albuquerque, Bernalillo, and East Mountain**

Meter reading activities in service areas: Albuquerque, Bernalillo and East Mountain.

#### **North Central**

Meter reading in Santa Fe and Las Vegas.

#### **SCNM Meter Reading**

Meter reading services in Alamogordo, Deming, Silver City, and Ruidoso.

#### **Belen Meter Reading**

Meter reading activities in Valencia County.

- 1504 – Payment Processing Customer account and payment services
- Processes customer payments by manual or automated means
- Performs data entry
- Posts payments to accounts receivable ledger

1505 – Field Collections Oversees all field collection activities on electric accounts. Collects past due electric bills, hangs DNP notices on past due accounts, and performs disconnections.

#### **Internal Collections**

- Directs and manages the revenue management departments in customer service, which includes billing exceptions, credit, remittance and payment and customer service center.
- Manages personnel actions, responds to difficult customer inquiries and issues, and evaluates employee performance.
- Creates and executes the vision, strategic goals, and expectations of the department.
- Ensures the integrity of the automated customer service billing system and processes to provide accurate and timely transactions for all PNM customers
- Perform credit and collection activities: A/R and bad debt transfers, bankruptcies, refunds, Med Cert.
- Processes credit and collections reports.

#### **SCNM Collections**

Field collections for delinquent accounts for southeastern and southwestern NM areas – Bayard, Silver City, Deming, Alamogordo, Ruidoso, Lordsburg.

### **1508 – Exception Processing**

- Directs and manages the revenue management departments in customer service, which includes billing exceptions, credit, remittance and payment and customer service center.
- Manages personnel actions, responds to difficult customer inquiries and issues, and evaluates employee performance.
- Creates and executes the vision, strategic goals, and expectations of the department.
- Ensures the integrity of the automated customer service billing system and processes to provide accurate and timely transactions for all PNM customers.

### **1511, 1513 – Regional Payment Centers**

#### **Albuquerque Walk-In**

Payment center activities for Albuquerque area. Receives and processes PNM customer walk-in payments.

#### **SCNM Walk-In**

Payment center activities for southeastern and southwestern NM. Service areas include Bayard, Silver City, Deming, Alamogordo, Ruidoso, and Lordsburg.

#### **North Central Walk-In**

Payment center activities for northern NM area – Las Vegas.

### **1501 – Customer Service Performance**

This department supports the Customer Service organizations.

- Oversees the development, production and consolidation of business metrics and analytics measuring performance of customer service areas; pursues maximum automation of these processes
- Oversees process mapping and benchmarking process to ensure that changes are documented and are consistent with both training materials (in concert with call center trainer) and with actual work practices (in concert with other CS leaders)
- Oversees PRC complaint resolution process
- Analyzes business metrics to identify and recommend improvement opportunities in customer facing processes
- Uses PRC complaint data and benchmarking results as additional sources for identifying process improvement opportunities
- Manages a methodology for prioritizing Customer Service work order requests for BTS
- Provides expert input on CS processes and data in joint initiatives with business partners from Legal, Regulatory, and other PNM departments
- Organizes and leads discussions and meetings on above topics
- Maintains updated end-to-end business process maps, implements process improvement opportunities

Exhibit V  
Departments Using General Utility Allocations

- Collects data to report in the form of dashboards and performance scorecards
- Performs national benchmarking studies
- Oversees business process ownership of key customer service systems
- Automates data collection through implementation of a business intelligence tool
- Resolves high-level PRC escalated issues and issues through the escalation pager
- Conducts ad hoc analysis and benchmarking as requested by business units
- Oversees Landlord Standby Contract Setups, Terminations, Disclosures, Force Offs as requested by property owners or property managers received by Fax, Email and US Mail
- Supports Call Center personnel with review and investigation of landlord contracts verbally through IM or e-mail
- Completes Electronic Work Queue's (EWQs) sent by Call Center representatives pertaining to customer requests related to landlord work
- Maintains landlord folders

**Exhibit VI**  
**Number of Employees Allocating Time for Shared Services by Department**  
**As of June 30, 2023**

<b>Home Center</b>	<b>Employees</b>
7008-Investor Relations	1
7011-CEO	2
7020-President & Chief Operating Officer	1
7021-Law Department	12
7022-General Counsel & Secretary	1
7023-Audit Services	9
7028-Accounts Payable	5
7032-Native American Govnt Affairs	3
7034-Corp Communications	6
7042-Public Affairs	6
7045-Environmental Services	15
7054-Building Maintenance	5
7060-Corp.Govern/SEC Comp&Trans Grp	2
7064-Records Information Mgmt Svs	2
7065-General Services	2
7067-SVP, Chief Financial Officer & Treasurer	2
7068-Trust & Corp Investments	1
7069-Financial Management	5
7070-Public Policy	1
7074-Insurance	3
7076-Construct Accting & Asset Mgmt	6
7077-Cost of Service	2
7078-Supply Chain	2
7087-General Services - Security	6
7089-Graphics and Office Services	7
7092-Sourcing	17
7093-Chain Fleet	2
7094-Supply Chain Warehouse	5
7098-T&D Asset Management	7
7100-Community Rel Stakehldr Engage	3
7111-VP and CIO	1
7118-Information Security	11
7124-Crisis Management & Resilience	4
7126-Enterprise Systems & Storage	5
7130-Quality Assurance	6
7131-Architecture	3
7132-IT Project Mgmt & Quality	13
7133-ITO/Telecomm	7
7136-Customer Serv Apps	9
7139-BTS PPMO	1
7141-Utility Applications	11
7142-Advanced Technology	2
7143-Director-Technology & Security	2
7144-Drafting & Geographic Info Sys	18
7146-PPMO	2
7148-Utility Operations Technology	1
7178-Compliance and Tech Training	5
7179-Customer Experience & Ops	3
7182-Utility Margin	3
7184-Strategic Mkt & Product Mgmt	7

**Exhibit VI**  
**Number of Employees Allocating Time for Shared Services by Department**  
**As of June 30, 2023**

<b>Home Center</b>	<b>Employees</b>
7188-Enterprise Applications	15
7189-NERC Compliance	5
7191-Operations Technology	9
7200-SEC & Internal Reporting	3
7202-Shared Services	1
7206-VP, Corporate Controller	2
7208-TNMP Texas Accounting	3
7229-WPM & Transmission Acct	7
7231-Fuels-Operations Accounting	2
7240-General Accounting	3
7242-Corporate Accounting	4
7245-Close G/L Administration	3
7260-Payroll	4
7270-Corporate Budget	10
7273-Division Accounting	3
7285-Financial Plng & Risk Mgmt	1
7287-Financial Planning	4
7304-HR Solutions C	6
7306-Management Systems	5
7360-Strategic Energy Plng & Dev	5
7420-Land Services	9
7547-HR Consulting	5
7548-HR Solutions B	5
7549-Labor Relations	4
7553-Safety	10
7554-HR Consulting and Labor Relations	2
7555-HR Solutions A	6
7557-Human Resources Department	1
7558-Staffing Workforce	5
7559-Infrastructure - Admin	7
7560-Corporate Systems	9
7922-Tax Compliance	9
<b>Total</b>	<b>422</b>

**Exhibit VII**  
**Number of Employees Allocating Time for General Utility by Department**  
**As of June 30, 2023**

<b>Home Center</b>	<b>Employees</b>
6004 - Regulatory Policy & Case Mgmt	7
6005 - FERC Compliance	2
6006 - Planning & Resources	3
6009 - PNM Electric Operations	1
6010 - Renewable Energy	22
6038 - Director Customer Solutions & Ops	1
6413 - Fleet Operations	5
6416 - Resource Recovery and Warehouse Operations	6
6420 - NM Business Operations Support	7
6422 - Work Mgmt. & Distr Standards	6
<b>Total</b>	<b>60</b>

**PNMR SHARED SERVICES  
CORPORATE ALLOCATION PERCENTAGES  
2024 Allocation Percentages  
Effective 01/01/2024**

DIRECT ALLOCATORS							
SPECIFIC SBU FOCUS ACTIVITIES							
DESCRIPTION	ALLOC CODE	ELECTRIC DISTRIBUTION	BULK GENERATION	ELECTRIC TRANSMISSION	TNMP TEXAS T&D	PNMR DM	PNM RESOURCES
		001	003	002	012	009	008
Direct PNMR DM	<b>917</b>					100%	
Direct NM Capital Util Corp	<b>918</b>						
Direct PNM Electric Services	<b>942</b>	100%					
Direct Bulk Generation	<b>946</b>		100%				
Direct PNM Elec Transmission	<b>947</b>			100%			
Direct TNMP Texas	<b>953</b>				100%		
Direct PNMR Holding Co.	<b>999</b>						100%

TRANSACTIONAL ALLOCATORS							
DESCRIPTION	ALLOC CODE	ELECTRIC DISTRIBUTION	BULK GENERATION	ELECTRIC TRANSMISSION	TNMP TEXAS T&D	PNMR DM	PNM RESOURCES
		001	003	002	012	009	008
Financial Systems	<b>911</b>	48.05%	5.79%	7.87%	38.23%	0.06%	
Accounts Payable	<b>912</b>	38.38%	12.03%	10.34%	39.14%	0.11%	
Asset Management	<b>914</b>	48.58%	4.15%	9.08%	38.19%	0.00%	
IT - Infrastructure	<b>968</b>	57.71%	9.91%	7.19%	25.19%	0.00%	
Building - Masthead	<b>972</b>	93.39%		6.61%			
Building - Lewisville	<b>973</b>	31.48%	11.37%	6.61%	50.54%	0.00%	
Building - Dallas - Las Colinas	<b>974</b>	57.71%	9.91%	7.19%	25.19%	0.00%	
Building - Albq - Downtown	<b>977</b>	46.99%	14.11%	10.43%	28.46%	0.01%	
Building - Albq - Aztec	<b>980</b>	19.89%	66.80%	8.36%	4.95%	0.00%	
MMS - Maximo	<b>986</b>	45.67%	6.28%	7.22%	40.83%		
Employee Headcount	<b>993</b>	47.94%	14.23%	6.87%	30.96%	0.00%	

GENERAL ALLOCATION							
GENERAL MANAGEMENT							
DESCRIPTION	ALLOC CODE	ELECTRIC DISTRIBUTION	BULK GENERATION	ELECTRIC TRANSMISSION	TNMP TEXAS T&D	PNMR DM	PNM RESOURCES
		001	003	002	012	009	008
Direct PNMR Utility	<b>941</b>	34.85%	18.79%	13.71%	32.65%	0.00%	
Direct PNM Util T&D (wo Bulk, wo Texas)	<b>948</b>	69.94%		30.06%			
Direct PNM Util (w Bulk, wo Texas)	<b>951</b>	51.66%	27.73%	20.61%			

**PNM UTILITY COMMON  
2024 Allocation Percentages  
Effective 01/01/2024**

DESCRIPTION	ALLOC CODE	ELECTRIC DISTRIBUTION		ELECTRIC TRANSMISSION	TNMP TEXAS T&D		
		001		002	012		
Gen Mgmt - T&D	<b>174</b>	69.94%		30.06%	0.00%		
TNMP - Texas (Svc Agreement)	<b>192</b>				100.00%		

**Exhibit IX**  
**Department Default Allocation Location**  
**Updated: 11/30/2023**

<b>Home Center<sup>1</sup></b>	<b>Default Location</b>
7008 - Investor Relations	941
7011 - CEO	941, 951
7020 - President & Chief Operating Officer	911, 941
7021 - Law Department	Open
7022 - General Counsel and Secretary	941
7023 - Audit Services	911, 941, 951
7028 - Accounts Payable	912
7032 - Native American Govnt Affairs	941, 942, 951, 999
7034 - Corp Communications	941,951
7042 - Public Affairs	941, 948, 951
7045 - Environmental Services	Open
7054 - Building Maintenance	974, 977, 980
7060 - Ethics & Governance	941, 993
7064 - Records Information Management	941, 968
7065 - General Services	974, 977, 980, 993
7067 - SVP, Chief Financial Officer & Treasurer	941, 951
7068 - Trust and Corporate Investment	941, 951
7069 - Assistant Treasurer	941, 951
7070 - Public Policy	941, 951
7074 - Insurance	941
7076 - Construction, Plnt &Asst Acctg	914
7077 - Cost of Service	941, 951
7078 - Supply Chain	912
7081 - Corporate BOD Expenses	941, 999
7087 - General Services - Security	974, 977, 980
7089 - Graphics & Office Svcs	Open
7092 - Sourcing	Open
7093 - Chain Fleet	941
7094 - Chain Warehouse	Open
7098 - T&D Asset Management	Open
7100 - Comm Relatns and Stkhlder Eng	941, 951
7111 - VP & CIO	911, 941, 968, 999
7118 - Information Security	968
7122 - Hardware/Software Maintenance	968
7124 - Crisis Management & Resilience	968
7126 - Power Operations IT Support	947
7130 - BTS Quality Assurance	968
7131 - Enterprise Architecture	968
7132 - BTS Project Management Office	968
7133 - BTS Telecom	968

**Exhibit IX**  
**Department Default Allocation Location**  
**Updated: 11/30/2023**

<b>Home Center<sup>1</sup></b>	<b>Default Location</b>
7136 - Customer Svc Applications	Open
7139 - BTS PPMO	968
7141 - Utility Applications	Open
7142 - Advanced Technology	Open
7143 - Director-Technology & Security	941, 951, 968, 999
7144 - Drafting & Geographic Info Systems	941, 951, 968, 999
7146 - PPMO	968
7148 - Utility Operations Technology	968
7178 - Compliance and Tech Training	968
7179 - VP, Chief Customer Officer	941, 951
7182 - Utility Margin & Load Forecast	941, 951
7184 - Strategic Mkt & Product Mgmt	941, 951
7188 - BTS Market Ops-Texas	968
7189 - NERC Compliance	941
7191 - Operations Technology	Open
7200 - SEC Reporting & GAAP Analysis	911
7202 - Director, Shared Services	911
7206 - VP Corporate Controller	911, 941
7208 - TNMP Texas Accounting	941, 953
7229 - Utility Acctg & Rptg	941, 948, 951
7231 - Fuels - Operations Accounting	946
7240 - General Accounting	911
7242 - Corporate Accounting	911
7245 - Manager Acctg - GL Admin	911
7260 - Payroll	993
7270 - Corporate Budget	941, 948, 951
7273 - Division Accounting	941, 951
7285 - Financial Planning & Risk Mgmt	941
7287 - Financial Planning	941
7304 - HR Compliance-Learning-Dev	941, 993
7306 - Enterprise Transformation	941, 993
7360 - New Generation Development	Open
7420 - Land Management	968
7498 - Holding Indirect Budget Items	941, 942, 946, 947, 953
7547 - HR Consulting	993
7548 - Total Rewards-Benefits	951, 993
7549 - Labor Relations	993
7552 - Company Benefit Costs	993
7553 - Safety	941
7554 - HR Consulting & Labor Relation	941, 993

**Exhibit IX**  
**Department Default Allocation Location**  
**Updated: 11/30/2023**

<b>Home Center<sup>1</sup></b>	<b>Default Location</b>
7555 - Total Rewards-Benefits	993
7557 - VP Human Resources	941, 993
7558 - Staffing Workforce Planning	993
7559 - Infrastructure Administration	968
7560 - Corporate Systems	968
7622 - NERC Compliance - Legal	Open
7625 - Environmental Svcs - Legal	Open
7626 - PNM Operations - Legal	Open
7627 - Customer Service Legal	Open
7629 - Wholesale Power Mktg - Legal	Open
7630 - Land Services ROW Legal	Open
7771 - Bank Fees Co 7	911
7922 - Tax Compliance	911, 941
7923 - Income Tax Expenses	941, 974, 977, 993
7924 - Insurance and Claims - Corp	941, 993
7931 - CFO Legal	Open
7932 - Governmental Affairs Legal	Open
7933 - CAO Legal	Open
7934 - General Counsel Legal	Open
7935 - BTS Legal	Open
7936 - Treasury Legal	Open
7937 - Corporate Controller - Legal	Open
7938 - Supply Chain - Legal	Open
7939 - Reg Policy Legal	Open
7944 - TNMP Affiliate Legal Expenses	Open
7945 - Acquisition Related Costs	Open

Note<sup>1</sup>: All homecenters can charge directly to benefiting companies via 100% allocator location

Note<sup>2</sup>: Items in this homecenter are reviewed individually for appropriate allocation treatment

Main Offices  
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December 30, 2024

Ms. Melanie Sandoval  
Records Bureau Chief  
Prc.records@prc.nm.gov  
New Mexico Public Regulation Commission  
P.O. Box 1269  
Santa Fe, NM 87504

RE: PNM Cost Allocation Manual, Effective: January 1, 2025  
Compliance with NMPRC Case No. 03-00017-UT

Dear Ms. Sandoval:

Enclosed for filing with the New Mexico Public Regulation Commission ("Commission") is Public Service Company of New Mexico's Cost Allocation Manual ("CAM"), effective January 1, 2025. The attached CAM supersedes the previously filed CAM. The enclosed copy is provided in compliance with Paragraph 20 of the Commission approved Stipulation in NMPRC Case No. 03-00017-UT, which states:

"PNM shall update its Cost Allocation Manual on an annual basis [March 31, as per the oral testimony of Tom Sategna], or whenever a change in organizational structure makes such an updated appropriate, whichever occurs first."

If you have any questions regarding this filing, please contact me at 505-241-0675.

Sincerely,

/s/ Justin Rivord  
Justin Rivord  
Project Manager  
Regulatory Policy and Case Management

Enclosures

cc: Alex Zamora – PNM  
EJ Lopez – PNM

GCG#533299

**Cost Allocation Manual**

**Effective: January 1, 2025**

**Filed: December 30, 2024**

**For  
Public Service Company of New Mexico  
PNMR Services Company, Inc.  
And  
TXNM Energy, Inc.**

**Cost Allocation Manual**

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## **INTRODUCTION**

### **Company Operations**

TXNM Energy, Inc. (TXNM) is an investor-owned holding company with two regulated utilities providing electricity and electric services in New Mexico and Texas. These operations are carried out through business units, which may be individuals or groups of subsidiaries of TXNM. The business units maintain their own accounting records, including general ledgers. In addition, TXNM maintains a corporate general ledger where the costs of certain centralized corporate oversight activities are recorded. These activities include those necessary for the overall governance of any publicly held enterprise such as executive oversight, finance, corporate planning, legal, corporate communications, human resources, regulatory and government affairs. It is the activities performed through these corporate “centers”, included in a Shared Services subsidiary or PNMR Services Company, Inc., which are maintained on the corporate general ledger, that are subject to cost assignment using the methodology set forth in this manual. These shared services are provided to the subsidiaries of TXNM.

### **Regulation**

The New Mexico Public Regulation Commission (NMPRC or Commission), in its Order Approving Formation of Holding Company issued in NMPRC Case No. 3137 (Case 3137) on June 28, 2001, ordered Public Service Company of New Mexico (PNM), with the aid and cooperation of Staff and interested parties, to develop and file a cost allocation manual (CAM). (Case 3137 Recommended Decision, pp. 45 and 60). Paragraph 20 of the Stipulation in NMPRC Case No. 03-00017-UT further requires PNM to update its Cost Allocation Manual on an annual basis or whenever a change in organization structure makes updates appropriate. The company has complied with the NMPRC requirement since June 28, 2002.

Effective January 1, 2005, TXNM Energy, Inc. (TXNM) registered as a Holding Company under the Public Utility Holding Company Act of 1935. This registration required the formation of PNMR Services Company, which captures all corporate shared services and equitably allocates those costs to the operating units to avoid any cross subsidization of those segments. In September

2005, the Energy Policy Act of 2005 was signed into law. This comprehensive energy legislation resulted in repeal of PUHCA. FERC issued a final rule on October 19, 2005 adopting new financial accounting, reporting and records retention requirements under the Public Utility Holding Company Act of 2005 to provide greater accounting transparency and to protect ratepayers from paying improper service-company costs. PNMR Service Company is governed by this FERC order.

## **PURPOSE OF ASSIGNMENT OF PNMR SERVICES COSTS**

The purpose of assigning PNMR Services costs to individual segments, business units is to reflect all costs of doing business in each segment and business unit including PNMR Services costs thereby reflecting the financial results of operations as though the segment or business unit had operated independently of all others.

This is consistent with the cost allocation principles outlined in FERC C.F.R. Part 367 in that the general method for charging affiliates should be on a fully allocated cost basis. PNMR Services cost assignment methods are based on selected cost drivers which meet the following five criteria: (1) cost causative, (2) measurable, (3) objective, (4) stable or predictable and (5) consistently applicable. These criteria are discussed further below.

### **Anticipated changes**

Although the methodology is flexible, the way in which it is applied across the corporate center will likely be different as PNMR Services transitions through time. Corporate cost centers will be added and deleted and the activities within a cost center may change, so as to necessitate use of a new assignment formula.

As changes occur, PNMR services will update the manual and processes with the necessary changes. It is important to understand that process changes will not affect the cost assignment methodology, but merely how it is applied.

The remainder of the manual discusses the assignment method, the criteria for selections, and the calculation process.

**DEFINITION OF PNMR SERVICES COSTS TO BE ASSIGNED**

The combined PNMR Services Company is staffed with certain centralized functions operating in support of more than one of its business units. These functions are required to comply with external government and regulatory requirements or driven by valid business needs. Through centralization, duplication of staff and resources is minimized. It is these common centralized functions, which are not otherwise supporting a single business unit, that are considered “PNMR Services costs.”

Assigned corporate costs do not include billings from one business unit to another for services, which reside outside of the corporate center nor does it include direct charges which are specific charges incurred directly in support of a business unit and billed directly to that business unit.

## **BASIS OF ASSIGNMENT OF PNMR SERVICES COSTS**

In order to obtain a reasonable cost assignment method, the Company adhered to the following criteria:

### **Cost-causative--**

The distribution method should represent the relationship between the cause for the expense being incurred and the effect that the activity (and its associated cost) has on the operations of the benefiting business unit.

### **Measurable--**

The distribution method should be derived from operational or financial data, which is subject to internal accounting controls and independently auditable.

### **Objective--**

The ability to influence the outcome of the distribution of any costs that cannot be directly linked to a specific business unit must be avoided. The method should reflect the causative nature of the incurred costs, with no intrinsic bias towards any business unit.

### **Stable/Predictable--**

The distribution method should not produce inherent variations in the distribution of costs, which are not related to fundamental changes in the service level provided.

### **Consistently applicable--**

The amounts distributed to any one business unit should be no higher than those charged to any other business unit on a per-unit of usage basis. Basically, the cost per unit should be the same for all users of that particular service.

## **METHODOLOGY OF ASSIGNMENT OF COSTS**

### **Steps for Assignment of Costs:**

1. Identify all costs within PNMR Services.
2. Identify direct charge specific support.
3. Identify transaction charge specific support.
4. Identify general charge specific support.
5. Classify remaining support.
  - A. Internal
  - B. External
  - C. Composite of Internal & External support

## **ORGANIZATIONAL STRUCTURE**

To provide effective management of the various business lines, TXNM Energy, Inc. has adopted an organizational structure that allows for the assessment of each individual operating unit subsidiary and the consolidated whole. This is made possible by an account segment structure that allows for the use of different Operating Units that correspond with the various business lines within TXNM. An organizational chart and descriptions of affiliates are included in Exhibit I.

## **PNM / TXNM Energy TAX ALLOCATION POLICY**

### **NMPRC directives regarding tax allocation**

The Case 3137 Order Approving Formation of Holding Company included the following directives:

“PNM’s plan is to file consolidated tax returns under a tax sharing arrangement, substantially the same as the current arrangement among PNM and its subsidiaries. ... PNM states that computation of its taxes for ratemaking purposes will continue to be made on a stand-alone basis and will not be affected by the formation of PNMR Resources. ... This approach is consistent with the practice of other utilities in New Mexico according to PNM. The Commission accepts PNM’s rationale and will examine these issues in an appropriate ratemaking setting. The Commission reserves the authority to determine the appropriate method for calculating income tax liability in rate related proceedings.” Recommended Decision, p. 48.

“PNM’s payment to the holding company for income taxes shall be limited to PNM’s share of the current tax liability of the consolidated corporation.” (Recommended Decision, p. 60, term 15(h)).

Consistent with PNM’s past practice and the above Commission directives, the consolidated income tax liability of TXNM Energy, Inc., and subsidiaries (including PNM) must be allocated in such a manner that no member of the consolidated group is subsidizing any other member of the group with respect to income taxes. Once the tax liability has been computed, TXNM Energy settles (pays to or receives from) with the IRS for the consolidated group and each subsidiary settles with TXNM Energy for its individual portion.

### **TXNM Energy inter-company income tax allocation**

The filing of a consolidated income tax return by TXNM Energy and its subsidiaries requires certain policies or agreements be established setting forth how and by whom the consolidated tax liability should be borne. Due to the constantly changing environment of income tax law, establishing specific procedures to accomplish the goals of such policies or agreements is a difficult task. The procedures outlined below are not expected to be all-inclusive nor are they

expected to provide exact processes to be followed. Instead, they are general in nature and will serve only as guidelines in producing an inter-company income tax allocation.

## **Objectives**

Each member of the consolidated group joining in the filing of a consolidated income tax return should bear their allocable portion of the consolidated income tax liability. Key to this objective is the determination of each company's "allocable portion" of the income taxes. The establishment of corporate procedures and the implementation of an inter-company income tax allocation method provide a framework by which the consolidated income tax liability will be shared equitably by the members of the group on a basis consistent with each member's contribution to such liability. More simply stated, the consolidated income tax liability is the sum of the tax liabilities of the members of the group computed on a stand-alone separate company basis with adjustments for certain items which are affected by consolidation. Some of these adjustments will be specifically addressed herein. Others, infrequent in occurrence, will have to be dealt with as they arise in the consolidated tax return. The allocation of such adjustments should be consistent with the concepts developed in this section. The consolidated income tax liability, and the allocable member liabilities, will be determined in accordance with generally accepted accounting principles, industry practices, income tax laws and regulation, and regulatory requirements.

## **Procedures**

### **General Allocations**

As previously stated, the consolidated income tax liability should be the sum of the separate company liabilities with "certain adjustments." Therefore, the starting place for the allocation must be the computation of separate company liabilities. The stand-alone separate income tax liability for each company is computed within the framework of the applicable generally accepted accounting principles, industry practices, regulatory requirements, income tax laws, and principles of consolidation (both accounting and income tax). The last two areas are where adjustments arise. Some of the adjustments are created by provision of income tax law, while others are created by the process of combining the taxable incomes of the members of the group filing a consolidated return. A distinction must be made between the two types of exceptions because the allocation of

each type is different. The two types, examples of each, and the procedures to be used in allocation are discussed below.

### Adjustments Required by Law

In the filing of a consolidated return, particular provisions of the income tax law place certain limitations on, or provide certain benefits to, the consolidated group rather than to the separate companies. An example is the graduated corporate income tax rates. For this and similar items, the benefit or cost of the items is specifically allocated to the parent company as a benefit or cost resulting from the decision to have subsidiaries and file a consolidated return.

### Adjustments Required by Consolidation

In the filing of a consolidated return, items of income, expense, credits, tax preferences, etc., must be combined to determine the consolidated tax liability. In combining such items, their treatment in the consolidated return may vary from their treatment on a stand-alone separate company basis. Examples of these types of items are:

- Alternative Minimum Tax (AMT) – In computing AMT, it is not practical to perform separate company computations because AMT is not applicable to the consolidated group every year. If each company computes AMT on a separate basis, there are times when one or more companies would record a liability for AMT when no AMT is due for the consolidated group.

AMT should only be addressed in years in which it is applicable on a consolidated basis. It is allocated only to members having positive minimum tax preference items. The total AMT due on the consolidated return is allocated to such members based on the ratio of their positive tax preference items over the total stand-alone positive tax preference items.

- Charitable Contribution Limitation – The deduction for charitable contributions is limited to 10 percent of taxable income (with certain adjustments). Situations arise where a limitation is warranted on a consolidated basis when none arises on a stand-alone basis. When such a limitation arises, the limitation is allocated to members with charitable contributions, based on the ratio of their contributions over the total contributions.

For years in which there is a contribution carryover, that carryover will be used only after utilization of the current year's contributions. If the carryover is attributable to more than one company, the utilization will be on a pro rata basis.

- Capital Loss Limitation – In filing a consolidated return, all the members' gains and losses are netted in determining the net long or short-term capital gain or loss for the consolidated group. When such netting results in an overall loss, usage of the loss against ordinary income is subject to limitation. The amount of the limitation is allocated only to those members with capital losses, based on a ratio of their loss over the total stand-alone losses.

#### Satisfaction of Inter-company Income Tax Allocations

As stated above, TXNM Energy makes all income tax payments relating to the consolidated group's tax liabilities. This involves making quarterly estimated payments towards the federal and state liability and paying any balance due with the tax returns. Thus, satisfaction of inter-company income tax allocations will be on a quarterly basis (more specifically on the estimated payment due dates) for federal and state purposes.

In making quarterly estimated payments for the consolidated group, the objective is to compute the estimated tax in a manner providing the lowest amount of tax on a consolidated basis and still avoid any underpayment penalties. The amount of tax allocable to each company on a quarterly basis will be based on the information used for the particular company in computing the estimate and not what is accrued on the company's books for that period. Thus, it may be required that the subsidiaries provide additional information requested by the PNMR Services Tax Department.

The information used in computing the quarterly estimate should contain accurate projections of the separate companies anticipated taxable incomes for the year. Should the consolidated group

end up in an underpayment situation subject to penalties and interest on the underpayment, the penalties and interest will be charged the company, or companies, causing the underpayment. Thus, it is imperative that accurate projections of book income be provided by the subsidiaries to the PNMR Services Tax Department.

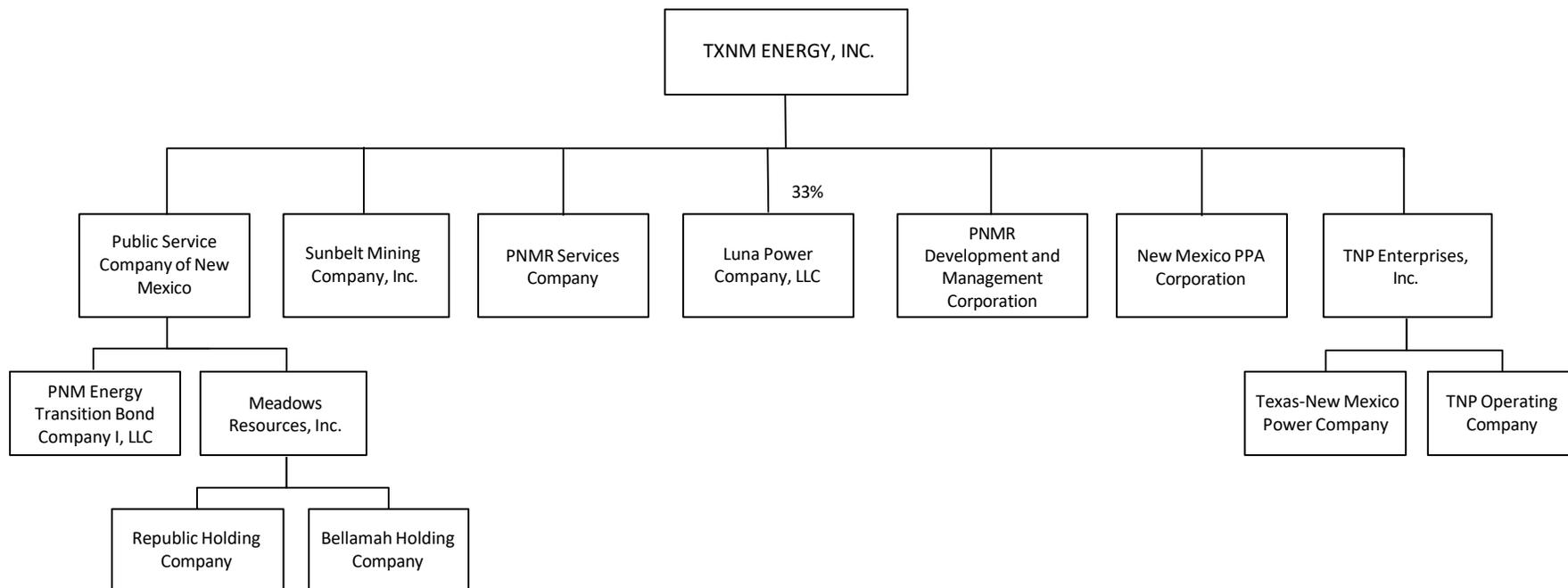
The final allocation of the consolidated income tax liability is the allocation of the amounts reported on the federal and state corporate income tax returns. Differences usually exist between the liability per the returns and the computations of amounts accrued on the year-end financial statements. These differences will be reconciled by the PNMR Services Tax Department and the necessary adjustments booked to the respective companies upon the filing of the returns.

Once the tax return is filed, reconciliations of year-end tax accruals to the tax return will be performed in addition to the actual income tax allocations. The reconciliations will provide the information necessary to adjust each company's tax liability, deferred taxes, and tax expense to actuals. After the allocations are completed, satisfaction of differences between the allocation of the tax liability and the amounts paid with the quarterly estimates will take place.

#### Penalties and Interest on Under Payments

To the extent the underpayment can be specifically attributable to certain members, the penalties and interest will be allocated to those members. The penalties and interest allocated are the actual amounts due to the IRS or the state. In no case will the sum of these allocations exceed the amount due. There will be no inter-company charges for interest or income tax allocations.

### TXNM Energy, Inc. Organizational Chart



(Last Updated August 5, 2024)

- 1.1 Public Service Company of New Mexico (“PNM”)  
A New Mexico corporation and wholly owned subsidiary of TXNM Energy, Inc. (“TXNM”). Upon the completion of a one-for-one share exchange between PNM and TXNM on December 31, 2001, TXNM became the parent company of PNM. PNM is an electric utility that provides electric generation, transmission, and distribution service to its rate-regulated customers. PNM was incorporated in the State of New Mexico in 1917. PNM’s retail electric service territory covers a large area of north-central New Mexico, including the cities of Albuquerque, Rio Rancho, and Santa Fe, and certain areas of southern New Mexico. Service to retail electric customers is subject to the jurisdiction of the NMPRC. Other services provided by PNM include wholesale transmission services to third parties. PNM owns transmission lines that are interconnected with other utilities in New Mexico, Texas, Arizona, Colorado, and Utah.
- 1.1.2 Meadows Resources, Inc. (“MRI”)  
MRI is a wholly-owned subsidiary of PNM which formerly developed and conducted activities unrelated to utility operations. As of December 31, 2014, MRI's subsidiaries are: Bellamah Holding Company; Republic Holding Company.
- MRI and its subsidiaries and affiliates are inactive. Please see PNM's Supplemental Report filed by letter dated December 30, 1994 in NMPSA Case Nos. 2326 and 2429 for a detailed discussion of these companies.
- 1.1.2.1 Republic Holding Company (“RHC”)  
A Delaware corporation and subsidiary of MRI. RHC was a savings and loan holding company and is currently inactive.
- 1.1.2.2 Bellamah Holding Company (“BHC”)  
A New Mexico corporation and subsidiary of MRI. BHC is inactive.
- 1.1.3 PNM Energy Transition Bond Company I, LLC (“PNM ETA”)  
A Delaware limited liability company and a subsidiary of PNM. PNM ETA was formed to facilitate the issuance of energy transition bonds related the retirement of San Juan Generating Station.
- 1.3 Sunbelt Mining Company, Inc. (“SMC”)  
A New Mexico corporation and wholly owned subsidiary of TXNM. SMC, among other things, acquired, developed, and marketed coal. SMC is inactive.
- 1.4 PNMR Services Company – (“PNMR Services”)  
A New Mexico corporation and wholly owned subsidiary of TXNM established to provide managerial and administrative support services to TXNM and its subsidiaries.
- 1.5 Luna Power Company, LLC (“Luna Power”)  
A Delaware limited liability company in which TXNM owns a one-third interest. Luna Power holds various easements related to the 570-megawatt Luna generating facility.
- 1.6 New Mexico PPA Corporation (NMPPA)  
A Delaware corporation and wholly owned subsidiary of TXNM Energy, Inc., currently holds industrial revenue bonds issued by Bernalillo County related to the acquisition of

an office building by PNMR Services Company. NMPPA has been granted market-based rate authority by FERC.

- 1.7 TNP Enterprises, Inc. (“TNPE”)  
A Texas corporation and wholly owned subsidiary of TXNM. TNPE is the holding company for an electric utility company and energy related subsidiaries.
- 1.7.1 Texas-New Mexico Power Company (“TNMP”)  
A Texas corporation and subsidiary of TNPE. TNMP is a regulated utility providing transmission and distribution services in Texas.
- 1.7.2 TNP Operating Company  
A Texas corporation and subsidiary of TNPE. TNP Operating Company was established for real property acquisition in Texas and New Mexico and is currently inactive.
- 1.8 PNMR Development and Management Corporation (“PNMR-D”)  
A New Mexico corporation and wholly owned subsidiary of TXNM. PNMR-D is currently inactive.
- 1.9 TXNM Energy, Inc. (“TXNM”)  
A New Mexico corporation and an investor owned holding company.

Exhibit II

**Company 7 – PNMR Services Allocations**

**Direct Charge Allocations:**

There are various employees of PNMR Services Company who work on projects that benefit only one operating unit. To provide the ability to direct charge time spent on such projects, the company has devised allocators that move 100% of charges recorded with these allocators directly to the operating unit benefiting from their work. All are part of the PNMR Services Allocation. The following Locations provide for 100% allocation:

<u>Location</u>	<u>Allocates to Company</u>
917	9 PNMR DM
942	1 PNM Electric Services
946	3 PNM Bulk Power Marketing
947	2 PNM Electric Transmission Services
953	12 TNMP – Texas
999	8 TXNM Energy

**Allocation Code 999 – TXNM Energy**

Location 999 is part of the PNMR Services Allocation. 100% of costs charged to this location are allocated to Company 8 – TXNM Energy, Inc. This method of allocation provides a direct charge from PNMR Services Company to TXNM Energy while still capturing the appropriate corporate home center that incurred those costs. It is used primarily for items that should be recorded at the Holding Company level.

Exhibit II

**Allocation Code 911 – Financial Systems**

Allocation Code 911 – Financial Systems is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

The transaction rate based on volume produced will be used for the distribution of costs to business units. The allocation rate is based on the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

The Financial Systems allocator is primarily used for expenses incurred in finance support groups as well as maintenance of the general ledger systems.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	
Number of Transactions	813,256	56,319	103,652	568,481	0	<b>1,541,708</b>
San Juan Transactions	0	10,206	0	0	0	<b>10,206</b>
Total GL Transactions	813,256	66,525	103,652	568,481	0	<b>1,551,914</b>
Co. 006 Allocated	6,782	0	2,414	0	0	<b>9,196</b>
Co. 007 Allocated	21,897	12,200	6,273	15,560	0	<b>55,930</b>
Total Allocated	28,679	12,200	8,687	15,560	0	<b>65,126</b>
Total Transactions*	<b>841,935</b>	<b>78,725</b>	<b>112,339</b>	<b>584,041</b>	<b>0</b>	<b>1,617,040</b>
Percent to be applied**	<b>52.06%</b>	<b>4.87%</b>	<b>6.95%</b>	<b>36.12%</b>	<b>0.00%</b>	<b>100.00%</b>

\* = 813,256 + 28,679 = 841,935

\*\* = 841,935 / 1,617,040 = 52.06%

Exhibit II

**Allocation Code 912 - Accounts Payable**

Allocation Code 912 – Accounts Payable is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

The transaction rate based on volume produced will be used for the distribution of costs to business units. The allocation rate is based on the number of invoices. The total is composed of the general ledger transactions related to accounts payable and is allocated proportionally based on the number of invoices processed for each company.

The Accounts Payable allocator is primarily used for expenses incurred in processing vendor payments.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	<b>TOTAL</b>
Number of AP Transactions	7,757	1,971	1,511	10,361	0	<b>21,600</b>
San Juan	0	391	0	0	0	<b>391</b>
Total AP Transactions	7,757	2,362	1,511	10,361	0	<b>21,991</b>
Co. 006 Allocated	1,218	0	578	0	0	<b>1,796</b>
Co. 007 Allocated	1,378	533	438	922	0	<b>3,271</b>
Total Allocated	2,596	533	1,016	922	0	<b>5,068</b>
Total*	<b>10,353</b>	<b>2,895</b>	<b>2,527</b>	<b>11,283</b>	<b>0</b>	<b>27,059</b>
Percent to be applied**	<b>38.26%</b>	<b>10.70%</b>	<b>9.34%</b>	<b>41.70%</b>	<b>0.00%</b>	<b>100.00%</b>

\* = 7,757 + 2,596 = 10,353

\*\* = 10,353 / 27,059 = 38.26%

Exhibit II

**Allocation Code 914 - Asset Management**

Allocation Code 914 – Asset Management is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

The transaction rate based on volume produced will be used for the distribution of costs to business units. The allocation rate is based on the total of depreciable assets and is allocated proportionately based on the number of depreciable assets on record for each company.

The Asset Management allocator is primarily used for general functions related to the management of assets including depreciation, asset retirement, clearing completed construction projects to plant and for general maintenance of the fixed asset software system.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	
Number of Assets	86,050	7,354	15,918	74,541	0	<b>183,863</b>
Co. 006 Allocated	20	0	10	0	0	<b>30</b>
Total	<b>86,070</b>	<b>7,354</b>	<b>15,928</b>	<b>74,541</b>	<b>0</b>	<b>183,893</b>
Percent to be applied*	<b>46.80%</b>	<b>4.00%</b>	<b>8.66%</b>	<b>40.54%</b>	<b>0.00%</b>	<b>100.00%</b>

\* = 86,070 / 183,893 = 46.80%

Exhibit II

**Allocation Code 941 – Direct-PNMR Utility**

Allocation Code 941 – Direct- PNMR Utility is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units (companies 1, 2, 3, and 12).

Allocation rates are based on the Massachusetts Method, which incorporates employee headcount, gross margin and net utility plant amounts and calculates a composite average of all three.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	
Margin	267,109,029	275,220,332	150,720,004	418,441,930	0	<b>1,111,491,295</b>
Percent Calculation*	<b>24.03%</b>	<b>24.76%</b>	<b>13.56%</b>	<b>37.65%</b>	<b>0.00%</b>	<b>100.00%</b>
Net Utility Plant	1,709,814,394	1,373,891,294	1,756,899,030	2,878,915,929	0	<b>7,719,520,647</b>
Co 006 Allocated	517,100	0	546,501	0	0	<b>1,063,601</b>
Total Utility Plant	1,710,331,494	1,373,891,294	1,757,445,531	2,878,915,929	0	<b>7,720,584,248</b>
Percent Calculation**	<b>22.15%</b>	<b>17.80%</b>	<b>22.76%</b>	<b>37.29%</b>	<b>0.00%</b>	<b>100.00%</b>
Number of Employees	630	113	49	398	0	<b>1,190</b>
Co 006 Allocated	44	0	19	0	0	<b>63</b>
Total Number of Employees	674	113	68	398	0	<b>1,253</b>
Percent Calculation***	<b>53.79%</b>	<b>9.02%</b>	<b>5.43%</b>	<b>31.76%</b>	<b>0.00%</b>	<b>100.00%</b>
Total	<b>99.98%</b>	<b>51.57%</b>	<b>41.75%</b>	<b>106.70%</b>	<b>0.00%</b>	<b>300.00%</b>
Percent to be applied****	<b>33.33%</b>	<b>17.19%</b>	<b>13.92%</b>	<b>35.56%</b>	<b>0.00%</b>	<b>100.00%</b>

\* = \$267,109,029 / \$1,111,491,295 = 24.03%

\*\* = \$1,710,331,494 / \$7,720,584,248 = 22.15%

\*\*\* = 674 / 1,253 = 53.79%

\*\*\*\* = (24.03% + 22.15% + 53.79% = 99.98%) / 3 = 33.33%

Exhibit II

**Allocation Code 948 - Co 6 Utility General**

Allocation Code 948 – Co 6 Utility General is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to PNM's operating units (companies 1 and 2).

Allocation rates are based on the Massachusetts Method, which incorporates employee headcount, gross margin and net utility plant amounts and calculates a composite average of all three.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	
Margin	267,109,029		150,720,004		<b>417,829,033</b>
Percent Calculation*	<b>63.93%</b>		<b>36.07%</b>		<b>100.00%</b>
Net Utility Plant	1,709,814,394		1,756,899,030		<b>3,466,713,424</b>
Co 006 Allocated	517,100		546,501		<b>1,063,601</b>
Total Utility Plant	1,710,331,494		1,757,445,531		<b>3,467,777,025</b>
Percent Calculation**	<b>49.32%</b>		<b>50.68%</b>		<b>100.00%</b>
Number of Employees	630		49		<b>679</b>
Co 006 Allocated	44		19		<b>63</b>
Total Number of Employees	674		68		<b>742</b>
Percent Calculation***	<b>90.84%</b>		<b>9.16%</b>		<b>100.00%</b>
Total	<b>204.08%</b>		<b>95.92%</b>		<b>300.00%</b>
Percent to be applied****	<b>68.03%</b>		<b>31.97%</b>		<b>100.00%</b>

\* =  $\$267,109,029 / \$417,829,033 = 63.93\%$

\*\* =  $\$1,710,331,494 / \$3,467,777,025 = 49.32\%$

\*\*\* =  $674 / 742 = 90.84\%$

\*\*\*\* =  $(63.93\% + 49.32\% + 90.84\% = 204.08\%) / 3 = 68.03\%$

Exhibit II

**Allocation Code 951 – Direct-PNM Utility**

Allocation Code 951 – Direct-PNM Utility is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to PNM’s operating units (companies 1, 2, and 3).

Allocation rates are based on the Massachusetts Method, which incorporates employee headcount, gross margin and net utility plant amounts and calculates a composite average of all three.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	
Margin	267,109,029	275,220,332	150,720,004		<b>693,049,365</b>
Percent Calculation*	<b>38.54%</b>	<b>39.71%</b>	<b>21.75%</b>		<b>100.00%</b>
Net Utility Plant	1,709,814,394	1,373,891,294	1,756,899,030		<b>4,840,604,718</b>
Co 006 Allocated	517,100	0	546,501		<b>1,063,601</b>
Total Utility Plant	1,710,331,494	1,373,891,294	1,757,445,531		<b>4,841,668,319</b>
Percent Calculation**	<b>35.33%</b>	<b>28.38%</b>	<b>36.30%</b>		<b>100.00%</b>
Number of Employees	630	113	49		<b>792</b>
Co 006 Allocated	44	0	19		<b>63</b>
Total Number of Employees	674	113	68		<b>855</b>
Percent Calculation***	<b>78.83%</b>	<b>13.22%</b>	<b>7.95%</b>		<b>100.00%</b>
Total	<b>152.70%</b>	<b>81.30%</b>	<b>66.00%</b>		<b>300.00%</b>
Percent to be applied****	<b>50.90%</b>	<b>27.10%</b>	<b>22.00%</b>		<b>100.00%</b>

\* =  $\$267,109,029 / \$693,049,365 = 38.54\%$

\*\* =  $\$1,710,331,494 / \$4,841,668,319 = 35.33\%$

\*\*\* =  $674 / 855 = 78.83\%$

\*\*\*\* =  $(38.54\% + 35.33\% + 78.83\% = 152.70\%) / 3 = 50.90\%$

Exhibit II

**Allocation Code 968 - IT Infrastructure**

Allocation Code 968 – IT Infrastructure is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

The transaction rate based on volume will be used for the distribution of costs to business units. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of employee Network ID's belonging to each company.

The IT Infrastructure allocator is used for expenses incurred in maintaining information technology that cannot be traced to an individual operating unit used by the Company.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	
Number of NT Ids	1,374	224	74	571	0	<b>2,243</b>
Co. 006 Allocated	66	0	31	0	0	<b>97</b>
Co. 007 Allocated	486	142	135	292	0	<b>1,055</b>
Total	<b>1,926</b>	<b>366</b>	<b>240</b>	<b>863</b>	<b>0</b>	<b>3,395</b>
Percent to be applied*	<b>56.71%</b>	<b>10.78%</b>	<b>7.09%</b>	<b>25.42%</b>	<b>0.00%</b>	<b>100.00%</b>

\* = 1,926/3,395 = 56.71%

Exhibit II

**Allocation Code 972 – Masthead Building**

Allocation Code 972 – Building-Masthead is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional allocation based on square footage will be used for the distribution of costs to business units. The allocation rate is based on the total square footage and occupancy of Masthead Building and is allocated proportionately based on building square footage and department’s occupancy per company.

The Masthead Building allocator is used to allocate expenses among the operating units supported by shared services occupying space at Masthead.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	
Direct	0	0	0	0	0	<b>0</b>
Corporate Allocated <sup>1</sup>	5,551	0	393	0	0	<b>5,944</b>
Total	<b>5,551</b>	<b>0</b>	<b>393</b>	<b>0</b>	<b>0</b>	<b>5,944</b>
Percent to be applied*	<b>93.39%</b>	<b>0%</b>	<b>6.61%</b>	<b>0%</b>	<b>0.00%</b>	<b>100.00%</b>

\* = 5,551 / 5,944 = 93.39%

<sup>1</sup>Note: Certain Corporate services are housed in the Masthead building

Exhibit II

**Allocation Code 974 – TNMP-Intercompany Leases**

Allocation Code 974 – TNMP-Intercompany Building Leases is a part of the PNMR Services Allocation where the occupancy of TNMP buildings by shared service employees is based on the market rate for the square footage used by shared service employees and is equitably allocated to the operating units.

Transactional allocation based on square footage used by employees multiplied by the market rate will be used for the distribution of costs to business units. The allocation rate is based on the square footage for shared service employees, in the TNMP buildings multiplied by the market rate and is allocated proportionately to the operating units based on the shared service employees and departments which occupy the TNMP Facilities.

The TNMP-Intercompany Leases allocator is used to allocate lease expenses among the operating units based on the departments occupying space in TNMP Facilities.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	
Alvin System Operations Center**	3,445	1,834	1,489	3,384	0	<b>10,152</b>
Clifton Office	5,131	755	567	1,646	0	<b>8,099</b>
Gulf Coast Region Office	5,038	1,468	1,020	3,274	0	<b>10,800</b>
Lewisville Buildings	18,540	4,621	3,221	11,418	0	<b>37,800</b>
Total	<b>32,154</b>	<b>8,678</b>	<b>6,297</b>	<b>19,722</b>	<b>0</b>	<b>66,851</b>
Percent to be applied*	<b>48.10%</b>	<b>12.98%</b>	<b>9.42%</b>	<b>29.50%</b>	<b>0.00%</b>	<b>100.00%</b>

\* = 32,154 / 66,851 =  
48.10%

\*\*= 28.20market rate\*240sqft\*.509allocator% = 3,445

Exhibit II

**Allocation Code 977 – Downtown Albuquerque Buildings**

Allocation Code 977 – Downtown Albuquerque Buildings is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional allocation based on square footage will be used for the distribution of costs to business units. The allocation rate is based on the total square footage and occupancy of Downtown Albuquerque Buildings and is allocated proportionately based on building square footage and department’s occupancy per company.

The Downtown Albuquerque Buildings allocator is primarily used to allocate costs associated with the maintenance of these facilities.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>PNMR DM</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>009</b>	
Direct	0	0	0	0	0	<b>0</b>
Corporate Allocated <sup>1</sup>	61,314	16,969	13,691	39,604	0	<b>131,578</b>
Total	<b>61,314</b>	<b>16,969</b>	<b>13,691</b>	<b>39,604</b>	<b>0</b>	<b>131,578</b>
Percent to be applied*	<b>46.59%</b>	<b>12.90%</b>	<b>10.41%</b>	<b>30.10%</b>	<b>0.00%</b>	<b>100.00%</b>

\* = 61,314 / 131,578 =  
46.59%

<sup>1</sup>Note: Certain Services Company areas are housed in the Albuquerque downtown building.

Exhibit II

**Allocation Code 980 - Aztec Building**

Allocation Code 980 – Aztec Building is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional allocation based on square footage will be used for the distribution of costs to business units. The allocation rate is based on the total square footage and occupancy of Aztec Building and is allocated proportionately based on building square footage and department’s occupancy per company.

The Aztec Building allocator is primarily used to allocate costs associated with the maintenance of the Aztec Facility.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	
Direct	0	40,639	0	0	<b>40,639</b>
Corporate Allocated <sup>1</sup>	12,236	1,655	5,582	3,425	<b>22,898</b>
Total	<b>12,236</b>	<b>42,294</b>	<b>5,582</b>	<b>3,425</b>	<b>63,537</b>
Percent to be applied*	<b>19.26%</b>	<b>66.57%</b>	<b>8.79%</b>	<b>5.38%</b>	<b>100.00%</b>

\* = 12,236 / 63,537 =  
19.26%

<sup>1</sup>Note: Certain Services Company areas are housed in the Albuquerque Aztec building.

Exhibit II

**Allocation Code 986 – Maximo (PNMR)**

Allocation Code 986 – Maximo is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional allocation based on the Maximo transaction count. The total is composed of all Maximo transactions posted to the financials and is allocated proportionately based on the number of transactions posted by each company.

The Maximo allocator reflects products and services designed to impact or benefit all PNMR. This basis of assignment is described for each Area in Exhibit IV. Maximo transaction count is primarily used to allocate costs associated with managing the Maximo work management system.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	<b>TOTAL</b>
Number of Maximo	25,823	3,153	4,120	21,982	<b>55,078</b>
San Juan	0	369	0	0	<b>369</b>
Total Maximo Transactions	25,823	3,522	4,120	21,982	<b>55,447</b>
Co. 006 Allocated	838	0	398	0	<b>1,236</b>
Co. 007 Allocated	586	99	145	439	<b>1,269</b>
Total Allocated	1,424	99	543	439	<b>2,505</b>
Total*	<b>27,247</b>	<b>3,621</b>	<b>4,663</b>	<b>22,421</b>	<b>57,952</b>
Percent to be applied**	<b>47.01%</b>	<b>6.25%</b>	<b>8.05%</b>	<b>38.69%</b>	<b>100.00%</b>

\* = 25,823 + 1,424 =  
27,247

\*\* = 27,247 / 57,952 =  
47.01%

Exhibit II

**Allocation Code 993 - Employee Headcount (PNMR)**

Allocation Code 993 – Employee Headcount is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional allocation based on the employee headcount. The total is composed of all PNMR employees and is allocated proportionately based on the number of employees in each company.

The Employee Headcount allocator reflects products and services designed to impact or benefit all PNMR employees. This basis of assignment is described for each Area in Exhibit IV. Employee Headcount is primarily used to allocate costs associated with Benefits, Ethics and Governance, Payroll, People Services, Communications, and related technology utilized by these areas.

	<b>PNM ELEC</b>	<b>PNM BULK</b>	<b>PNM TRANS</b>	<b>TNMP</b>	<b>TOTAL</b>
	<b>001</b>	<b>003</b>	<b>002</b>	<b>012</b>	
Number of Employees	630	113	49	398	<b>1,190</b>
Co. 006 Allocated	44	0	19	0	<b>63</b>
Co. 007 Allocated	174	116	40	114	<b>444</b>
Total	<b>848</b>	<b>229</b>	<b>108</b>	<b>512</b>	<b>1,697</b>
Percent to be applied*	<b>49.97%</b>	<b>13.50%</b>	<b>6.36%</b>	<b>30.17%</b>	<b>100.00%</b>

\* = 848 / 1,697 = 49.97%

Exhibit III

**Company 6 – PNM General Utility Allocations**

**Direct Charge Allocations:**

There are various employees of the general PNM Utility who work on projects for TNMP Texas. Such services are described in the Services Agreement between PNM and TNMP filed as a Class I transaction on October 9, 2006. To provide the ability to direct charge time spent on such activities, the company has devised allocators that move 100% of charges recorded with these allocators directly to the operating unit benefiting from their work.

The following Locations provide for 100% allocation:

- Location 192 – TNMP-Texas

**Allocation Code 192 – TNMP-Texas**

Location 192 is a part of the Services Agreement Allocation between PNM and TNMP. 100% of the costs charged to this location are allocated from PNM to TNMP Texas. This method of allocation allows us to provide a direct charge from the corporate level to TNMP Texas while still capturing the appropriate corporate home center that incurred those costs.

Exhibit III

**Allocation Code 174 - Massachusetts Method (Companies 1, 2, 34, 35)**

Allocation Code 174 – Massachusetts Method (Companies 1, 2) is a part of the PNM Common Utility Allocation where expenses incurred by the general PNM Utility (Company 6) are equitably allocated to the operating units (Company 1 – PNM Electric, Company 2 – PNM Transmission)

Allocation rates are based on the Massachusetts Method. This method incorporates employee head count, gross margin (revenues less operating expenses), and net utility plant (plant in service less depreciation) amounts and calculates a composite average of all three.

The costs allocated to PNM Electric Distribution and Transmission, based on the Massachusetts Method, are related to engineering and technology support provided for safe transmission and distribution operations.

	PNM ELEC		PNM TRANS	TNMP	
	001		002	012	TOTAL
Net Utility Balance*	1,489,900,935		1,574,617,249		3,064,518,184
	48.62%		51.38%		100.00%
Margin**	267,109,029		150,720,004		417,829,033
	63.93%		36.07%		100.00%
Number of Employees***	674		68		742
	90.84%		9.16%		100.00%
Percent to be applied****	67.79%		32.21%		100.00%

\* =  $\$1,489,900,935 / \$3,064,518,184 = 48.62\%$

\*\* =  $\$267,109,029 / \$417,829,033 = 63.93\%$

\*\*\* =  $674 / 742 = 90.84\%$

\*\*\*\* =  $(48.62\% + 63.93\% + 90.84\%) / 3 = 67.79\%$

**TXNM Energy, Inc  
Shared Services  
2025 Cost Allocation Manual Detail**

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**CEO, PRESIDENT, & SENIOR VICE PRESIDENTS**

7011 – Chief Executive Officer  
7020 – President & Chief Operating Officer  
7022 – General Counsel & Secretary  
7067 – SVP, Chief Financial Officer & Treasurer

**CEO, President and Senior Vice Presidents**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to CEO**

- Provide enterprise-wide leadership, translating company vision and values into actions
- Develop and assure execution of strategy to achieve high level company objectives
- Understand customer, employee and community needs and impact to company
- Evaluate industry issues and associated opportunities for the company
- Establish policies to assure a safe, reliable and environmentally sustainable system

**Processes and Activities Specific to President & COO, CFO & Treasurer, General Counsel & Secretary**

- Oversee, provide support and guidance across the organization and within respective areas
- Develop and direct policies and procedures per their respective areas consistent with company goals
- Develop and direct strategy, and assure performance to plan for their respective areas
- Ensure timely analysis and reporting
- Identify and mitigate risks
- Develop and manage for workforce excellence

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for TXNM Energy, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

Exhibit IV  
PNMR Services Company Departments

**Basis of assignment:**

- Leadership support, financial compilation, reviews, planning and management functions are performed by this group. Specific initiatives are charged directly to the benefiting company. Remaining costs incurred in leading these activities benefit the corporation as a whole and are therefore allocated proportionately based on the Massachusetts Method.

**VICE PRESIDENTS**

7045 – VP, Chief Sustainability Officer  
7106 – VP, Regulatory  
7111 – VP, Chief Information Officer  
7179 – VP, Chief Customer Officer  
7206 – VP, Corporate Controller  
7557 – VP, Human Resources

**Vice Presidents**

**Major activities/Home Center Overview:**

- Works with executive and senior management, and business leadership
- Evaluate industry issues and associated opportunities for the company
- Establish policies to assure a safe, reliable and environmentally sustainable system
- Oversee, provide support and guidance across the organization and within respective areas
- Develop and direct policies and procedures per their respective areas consistent with company goals
- Develop and direct strategy and assure performance to plan for their respective areas
- Understand and manage organizational objectives and impact to company
- Ensure timely analysis and reporting
- Identify and mitigate risks
- Develop and manage for workforce excellence

Exhibit IV  
PNMR Services Company Departments

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done relating to financial compilation, reviews, and management activities. The allocation is based on the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.
- The transactional rate based on volume produced will be used for the distribution of work done relating to customer service and related management activities. The allocation percentage is based on the number of distribution utility customers for each company.
- The transactional rate based on volume produced will be used for the distribution of work done relating to information management activities. The allocation percentage is based on the number of IT users for each company.
- A general allocation will be used for the distribution of work done for TXNM Energy, Inc., or PNM Utility organizations. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- Leadership support, financial compilation, reviews, planning and management functions are performed by this group. Financial, compilations, reviews, and planning and management functions incurred in leading these activities benefit the corporation as a whole and are therefore costs are allocated proportionately based on the number of financial transactions in each company.
- Planning and management of areas supporting customer service benefit the distribution services and therefore are allocated proportionally based on the number of utility customers.
- Planning and management of the organization's technology services benefit the corporation as a whole and therefore are allocated proportionally based on the number of IT users.
- General activities in leadership support, planning and management functions activities benefit the corporation as a whole and are therefore assigned based on the Massachusetts Method

**ACCOUNTING SERVICES**

7028 – Accounts Payable  
7076 – Construction, Plant & Asset Accounting  
7200 – SEC Reporting & GAAP Analysis  
7202 – Director, Shared Services  
7208 – TNMP Texas Accounting  
7229 – Energy Utility Accounting  
7231 – Fuels–Operations Accounting  
7240 – General Accounting  
7242 – Corporate Accounting  
7245 – Managerial Accounting–GL Admin  
7260 – Payroll  
7273 – Division Accounting

**Accounts Payable  
Home Center 7028**

**Major activities/Home Center Overview:**

- Process invoices for payments to vendors via paper, EDI, online processing or interfaces.
- Set up new vendors for payments and makes changes to existing vendors
- Address vendor inquiries
- Process positive pay and ACH files to banks
- Process pay cycles to pay vendors
- Process annual 1099's including TIN Matching
- Maintain disbursement authorization rules
- Issue manual checks as needed
- Reconcile and report on outstanding accounts payable balances
- Accounting support for financial transactions
- Monthly journal entries to capture AP related accruals and corrections
- Maintaining System Configuration as required
- System testing for either new implementation or production fixes

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of invoices. The total is composed of the general ledger transactions related to accounts

Exhibit IV  
PNMR Services Company Departments

payable and is allocated proportionally based on the number of financial transactions recorded in the accounts payable table by each company.

**Basis of assignment:**

- Costs to process and remit payment on invoices to procure goods and services for companies are allocated based on the number of invoices processed for each company.

**Construction, Plant and Asset Accounting  
Home Center 7076**

**Major activities/Home Center Overview:**

- Manage capital project work orders
- Prepare depreciation analysis and journal entries
- Depreciation studies
- Prepare data on construction projects for management reporting
- Prepare asset retirement obligation (ARO) analysis, accounting and reporting
- Accounting support for financing transactions
- Accounting support for rate cases
- Perform depreciation analysis for annual and long-range plan budget
- Clear CWIP and RWIP to Plant in Service
- Manage Capital Policy
- Reconcile CWIP & RWIP accounts
- Reconcile depreciation/amortization accounts
- Reconcile plant and service accounts
- Manage the interface between Maximo and PowerPlan for: 1) workorder header, CU estimate, CU As-Built and Transactions to CR

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the total of depreciable assets and is allocated proportionately based on number of depreciable assets on record for each company.

**Basis of assignment:**

- Accounting services create and maintain pertinent financial records related to fixed assets. As these services are an element of creating financial records and reports related to fixed assets, costs are allocated proportionately based on the number of depreciable assets on record for each company.

**SEC Reporting & GAAP Analysis  
Home Center 7200**

**Major activities/Home Center Overview:**

**Processes and Activities Common to Internal/External Reporting**

- External SEC reporting (10K, 10Q, 8K, etc.)
- FERC reporting (Form 1, Form 3Q)
- PUCT reporting (FERC-style Form 1)
- Annual Report to shareholders
- Support for annual proxy
- Employee Benefit Plan financial reporting
- Support for rate filings
- Accounting support for financing transactions
- Support external audit & review functions

**Processes and Activities Specific to Consolidations**

- Prepare monthly GAAP financial statements for internal review
- Prepare average number of shares for earnings per share computation
- Prepare FERC financial statements for FERC filings

**Processes and Activities Specific to Accounting Analysis (GAAP analysis)**

- Provide accounting interpretations for decision making
- Analyze accounting treatment of proposed and effective transactions or contracts
- Analyze proposed revisions to accounting standards and provide comments to standard setters, as appropriate
- Analyze impacts of newly promulgated accounting standards
- Coordinate and review annual impairment analysis
- Support for accounting processes, such as derivatives, pensions and other postretirement benefits, and stock-based compensation

**Processes and Activities Specific to Acquisition/Divestiture Accounting**

- Participate in due diligence analysis
- Review valuation preparations and model runs
- Prepare documentation on accounting approach

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of financial transactions. The total is composed of all general ledger transactions and is

Exhibit IV  
PNMR Services Company Departments

allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

**Basis of assignment:**

- Accounting services relate to internal and external reporting, financial analysis for proper accounting treatment and compliance with regulatory reporting requirements. As these services are an element of creating financial records and reports, costs are allocated proportionately based on the number of financial transactions in each company.

**Shared Services Accounting  
Home Center 7202**

**Major activities/Home Center Overview:**

Oversee, provide support and guidance to shared services accounting areas, including SEC Reporting/GAAP Analysis

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

**Basis of assignment:**

- General accounting functions are performed primarily to prepare and analyze financial records and reports, therefore are allocated proportionately based on the number of financial transactions in each company.

**TNMP Texas Accounting  
Home Center 7208**

**Major activities/Home Center Overview:**

- Prepare analysis on transactions
- Prepare accounting entries
- Prepare financial statement variance analysis for management reporting
- Prepare internal management and Board reports
- Prepare regulatory reports to submit to PUCT
- Accounting support for financing transactions
- Account reconciliations
- PTXB daily processing

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.

**Basis of assignment:**

- The functions described above are an element of creating financial records and reports directly for the benefiting company.

**Energy Utility Accounting  
Home Center 7229**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Management**

- Oversee PNM and TNMP utility accounting groups
- Oversee Internal Reporting for the company

**Processes and Activities Specific to Accounting Support**

- Sox process accounting (including audit support) for all functions
- FAS 133 Accounting
- Fuel clause preparation and analysis
- Banner reconciliation to general ledger
- Variance Analysis and Financial Reporting
- Prepare monthly account reconciliations, analysis, and journal entries
- Wholesale Power Marketing deal analysis
- Posting of wholesale and transmission (margin) revenues and expenses
- Monitor compliance with business unit and corporate risk policies/limits
- Monitor regulations related to Dodd Frank and ensure compliance with applicable regulations
- Comply with SOX 404 testing related to transaction and valuation controls
- Provide support and analysis for potential hedging and trading strategies
- Daily validation of pricing data used for official company price curves
- Management and review of counterparty credit exposure and margin calls
- Perform counterparty credit analysis, provide recommendations for counterparty credit limits, and manage collateral posting requirements
- Provide transaction review for nonstandard transactions
- Review and update disclosures in SEC filings related to risk management activities for commodity risk exposures
- Review risk policy and propose amendments where appropriate for RMC approval

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies and specific generation plants as appropriate.
- A transactional allocation will be used for the distribution of work relating to customer service. The transactional allocation percentage is based on the number of electric utility customers for each company.
- A general allocation will be used for the distribution of work done for PNM utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

Exhibit IV  
PNMR Services Company Departments

**Basis of assignment:**

- The activities relating to creating financial records and reports for PNM Utility relating to customer service are allocated proportionately based on the number of utility customers.
- The functions described above are an element of creating financial records and reports for PNM Utility and TNMP; costs are allocated proportionately based on the modified Massachusetts Method for Each TXNM Energy operating unit. Specific initiatives are charged directly to the benefiting company.

**Fuels - Operations Accounting  
Home Center 7231**

**Major activities/Home Center Overview:**

- Joint Projects Accounting
- Fuels Accounting
- Variance Analysis and Financial Reporting
- SJGS Financial Services – Participant accounting
- Prepare account reconciliations and journal entries

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies and specific generation plants as appropriate.

**Basis of assignment:**

- The functions described above are an element of creating financial records and reports for PNM Utility; costs are charged directly to the benefiting company.

**General Accounting  
Home Centers: 7240**

**Major activities/Home Center Overview:**

**Processes and Activities specific to General Accounting**

- Oversee and provide support and guidance to SEC accounting, corporate accounting, managerial accounting and general ledger administration, payroll, fleet, and accounts payable areas
- Coordinate monthly, quarterly, and annual general ledger close processes
- Oversee corporate variance and corporate allocation variance analysis for all financial statements
- Support external audit and review
- Financial system functional and technical support
- Accounting support for rate cases
- Accounting support for mergers and acquisitions, and divestitures
- Support SEC and FERC filings, as necessary
- Support software implementation projects pertaining to above responsibilities
- Support the Political Action Committee filings and accounting
- Support the Alteryx implementation with demonstrations of its capabilities to various departments

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

**Basis of assignment:**

- General accounting functions are performed primarily to prepare and analyze financial records and reports, therefore are allocated proportionately based on the number of financial transactions in each company.

**Corporate Accounting**  
**Home Centers: 7242**

**Processes and Activities specific to Corporate Accounting**

- Oversee, provide support and guidance to corporate accounting areas
- Perform and coordinate monthly general ledger close process
- Prepare various income statement and balance sheet variance analysis
- Record and reconcile cash transactions
- Consolidation accounting and analysis, including eliminations for intercompany receivables/payables, intercompany debt, and all Equity accounts
- Perform monthly lease updates in the lease module and account for all lease transactions for all business units
- Account for all fleet activity including labor, maintenance, and parts expense allocations
- Accounting for equity transactions impacting Common Stock, APIC, Retained earnings including dividends and accumulated other comprehensive income related activity
- Accounting for retention and bonus compensation plans, including both cash and equity-based plans
- Accounting support for the Treasury group through posting entries for new debt financing issuances and payoffs, interest expense and accruals, related Revolver and Swing lines fees and other debt transactions
- Calculate the monthly AFUDC and Capitalized interest rates for use by the Plant group in their monthly processes
- Provide the SEC group with the balances in the CWIP in A/P accounts for use in the monthly Cash Flow statements
- Reconcile all Debt accounts including principal and interest accounts
- Accounting support for the Human Resources group through posting entries for pension, retiree medical, active medical, and Executive Savings plans
- Accounting for corporate investments for NDT, San Juan, and Four Corners trust accounts
- Accounting for general shared services & corporate activities, including all insurance related activity, BTS, Legal, and HR
- Accounting for joint venture activities
- Accounting for prepaid accounts
- Accounting for intercompany transaction including intercompany loans and share services management allocations
- Reconcile all Cash accounts monthly
- Support external audit and review
- Support internal audit by providing SOX control documentation
- Financial system functional support
- Accounting support for rate cases
- Accounting support for Mergers, Acquisitions, and Disposition
- Create the Footnotes for leases, pension, intercompany and equity investments

Exhibit IV  
PNMR Services Company Departments

- Support the Tax group by posting non-recurring transactions and tax impacts
- Perform the Roll and Close process
- Support the political action committee state and federal filings and accounting.  
Reconcile the bank accounts monthly and create a Treasury report to support PAC meetings as necessary

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

**Basis of assignment:**

- General accounting functions are performed primarily to prepare and analyze financial records and reports, therefore are allocated proportionately based on the number financial transactions in each company.

**Managerial Accounting – GL Administration  
Home Center 7245**

**Major activities/Home Center Overview:**

- Perform and coordinate monthly general ledger close process
- Support external audit and review
- Financial Reporting support and development
- Budgeting variance reporting support and development
- Accounts Receivable system functional and technical support
- Billing system functional and technical support
- Financial system functional and technical support
- General Ledger system maintenance and updates
- Ad Hoc queries and support for reporting requirements
- Design, perform and review all system generated allocation/load transactions
- Annual review related to development of all allocation rates
- Review and evaluation of Shared Service cost tracking to ensure correct use
- PowerPlan alert process creation, tracking and support

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

**Basis of assignment:**

- General accounting functions are performed primarily to prepare and analyze financial records and reports, therefore are allocated proportionately based on the number financial transactions in each company. Accounting services related to managerial accounting and provide information support to managers for use in planning and controlling operations and decision-making. As these services are an element of creating financial records and reports, costs are allocated proportionately based on the number of financial transactions in each company.

**Payroll  
Home Center 7260**

**Major activities/Home Center Overview:**

- Prepare periodic payroll
- Prepare annual W-2 filings
- Implement tax law changes
- Maintain bonus plan payments
- Create payments to various vendors (401K, taxing authorities, garnishments)
- Maintain Time and Attendance system
- Prepare adhoc labor reports as required
- Reconcile payroll charges to general ledger
- Accounting support for financing transactions
- Test payroll for all acquisitions
- Prepare all payroll tax filings
- Test Payroll and Time & Labor modules for any upgrades, fixes or patches
- Process Restricted Stock vesting (tax withholding to calculate net shares)

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on the number of units involved will be used for the distribution of work done. The allocation rate is based on the employee headcount. The total is composed of all TXNM employees and is allocated proportionately based on the number of employees in each company.

**Basis of assignment:**

- All costs associated with assuring employees and related taxes and benefits are appropriately calculated and paid are in this area. The related costs incurred in leading these activities benefit all TXNM employees; therefore, the costs are allocated proportionately based on the number of employees.

**Division Accounting  
Home Center 7273**

**Major activities/Home Center Overview:**

- Customer Misc. Accounts Receivable and bad debt analysis
- Record payments (check and ACH/Wire) from customers for BU 6, 7, 12
- Prepare Transmission (construction, study, and TNMP) billing
- Support field offices in Albuquerque, northern NM, southern NM, and Texas
- Prepare all Joint Use billings (yearly, monthly and quarterly)
- Prepare all Damage Claim billing requests (third party & municipalities) Review and research
- Prepare any other billings needed (Construction & Misc.)
- Prepare and record accounting journal entries
- Prepare monthly account analysis and reconciliations
- Prepare and complete all large project Network upgrade and TPIF billings

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional allocation will be used for the distribution of work performed that benefits PNM Utility Distribution. The allocation percentage is based on the number of utility customers.
- A general allocation will be used for the distribution of work done for the PNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- The activities relating to creating financial records and reports relating to customer service benefits PNM Distribution; therefore, costs are allocated proportionately based on the number of utility customers.
- The functions described above are an element of creating financial records and reports related to TXNM; costs are allocated proportionately based on the appropriate applicable Massachusetts Method for Each TXNM Energy operating unit. Specific initiatives are charged directly to the benefiting company.

## **TAX SERVICES**

7922 – Tax Compliance  
7923 – Income Tax Expense

### **Tax Services Home Centers: 7922, 7923**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to Federal, State, and Foreign Tax Compliance and Reporting**

- Compile and gather relevant tax information
- Monitor the adherence to company, regulatory tax and SOX guidelines
- Design tax plans, modeling, budget and variance reporting
- Prepare supporting schedules for tax returns, file returns and make all payments
- Manage tax exams, audits and negotiate settlements
- Maintain tax ledger data
- Prepare monthly tax accounting entries, prepare financial statement information
- Provide tax expertise related to potential acquisitions, dispositions or mergers
- Create and produce tax reports for management
- Manage regulatory relationship as needed (prepare testimony and schedules and provide tax witness)
- Legislative review, provide analysis to management of potential impacts
- Contract review, to ensure the tax language is correct
- Manage outside consultants

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for TXNM Energy, or other operating units. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients.
  - The allocation rate based on the number of financial transactions for activities relating to financial records and reports. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

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- The allocation rate is based on the employee headcount for activities relating to payroll taxes. The total is composed of all TXNM employees and is allocated proportionately based on the number of employees in each company.
- The allocation rate based on square footage of the Albuquerque headquarters and Aztec facilities for activities relating to property taxes for these facilities. The allocation rate is based on the total square footage and occupancy and is allocated based on applicable square footage and occupancy per each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- The functions described above are an element of creating financial records and reports relating to PNM Utility; costs are allocated proportionately based on the modified Massachusetts Method for PNM Utility for each company.
- Compliance with federal, state and local tax filing requirements as well as analysis, planning and providing supporting documentation cuts across all companies. These costs are assigned based on the number of financial transactions recorded or employee headcount or building occupancy numbers.

## **AUDIT SERVICES**

7023 - Audit Services

### **Audit and SOX Compliance Home Center 7023**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to Audit Services**

- Develop annual Audit Plan, and plan, perform, and report on regular audits
- Assist in improving business processes (continuous improvement)
- Monitor activities of non-compliance with company policy, laws and regulations
- Assess risks and controls related to Operations, Financial Reporting, and Information Technology
- Consult on systems design and development
- Evaluate the soundness of the company's accounting records
- Report on findings of non-compliance and compliance fraud, major defects in controls to management and the board of directors
- Conduct, administer, and summarize results of annual IT and fraud risk assessments

##### **Processes and Activities Specific to SOX Compliance**

- Develop/update, maintain and continually enhance SOX internal control documentation
- Work proactively to identify key controls
- Work proactively with process owners and auditors to achieve automation of control activities
- Work to ensure effective but efficient testing approaches are in use
- Perform testing of control activities to support management's assessment of internal controls over financial reporting
- Analyze potential control deficiencies to determine their significance and impact
- Assist with control remediation activities including active monitoring of such activities
- Provide periodic SOX related training to ensure company-wide knowledge and skills exist for effective SOX compliance
- Complete annual significant account analysis for use in scoping key processes and control activities

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to work related to financial information. The allocation rate is based on

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the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

- A general allocation will be used for the distribution of work done for TXNM Energy, Inc. or other operating units. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- The Corporation is required to perform internal controls review under the Sarbanes-Oxley Act, these compliance processes are an element of creating financial records and reports, and costs are allocated proportionately based on the number of financial transactions in each company.
- Services represent a review function to independently examine, evaluate and report upon the activities of business operations for the benefit of the Board of Directors and the corporation as a whole, therefore, the costs are generally assigned based on the Massachusetts Method.

## **COST OF SERVICE**

7077 – Cost of Service

### **Cost of Service Home Center 7077**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to Cost of Service**

- Provide analysis for historical and forecasted revenue requirements for the regulatory jurisdictions of TXNM Energy, Inc.
- Development and filing of cost of service schedules for the jurisdictions of TXNM Energy, Inc.
- Financial support for all regulatory filings.

##### **Processes and Activities Specific to Regulatory Filings**

- Determine, potentially compile and file necessary monthly, quarterly, and annual filings at the either a state or federal regulatory agency in response to specific request, rate/tariff change or Commission inquiry
- Adhoc regulatory filings

##### **Processes and Activities Specific to Regulatory Case Filings**

- Conduct research related to regulatory changes for rulemakings or cost of service
- Provide analysis and support for filings and management decision making
- Determine, potentially compare and file necessary pleadings, testimony and exhibits at either state or federal regulatory agency

##### **Processes and Activities Specific to General Rate Case**

- Prepare Electric Rate Case and justification at appropriate regulatory body
- Provide responses to Commission Inquiry, Notice of Rule-making and other regulatory requirements
- Provide analysis to cost of service revenue requirement, regulatory support and justification in testimony, analysis and recommendations
- Provide ongoing cost of service revenue requirement analysis for historical and future test periods

##### **Processes and Activities Specific to Due Diligence**

- Conduct research of regulatory filings and documents for potential M&A
- Analyze regulatory filings and documents for potential M&A
- Summarize regulatory filings and documents for potential M&A
- Research in regulatory arena

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**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The general allocation rate will be used for distribution of work done for PNM Utility. The general allocation percentage is based on the General Utility Mass Method, which allocates cost based on the composite rate comprised of Net Plant Utility, Margin, and Number of Employees in each company.

**Basis of assignment:**

- Services related to preparation, compilation, and analysis of revenue, cost of service and regulatory filings are performed for PNM Utility therefore costs will be allocated based on a general allocation method.

## **TREASURY & RISK MANAGEMENT**

7068 – Trust and Corporate Investments  
7069 – Assistant Treasurer  
7771 – Bank Fees-Services Company

### **Trust and Corporate Investments Home Center 7068**

#### **Major activities/Home Center Overview:**

- Oversee investment of all corporate, foundation, and trust funds
- Serve as staff to investment committee
- Manage the relationship with the investment consultant
- Manage relationship with the money managers
- Manage the actuarial interface for the benefit plans
- Interface with PVNGS Termination Funding Committee
- Act as the primary witness on investment related matters
- Advise on new investment strategies
- Recommend the addition or deletion of money managers
- Prepares investment policies
- Oversee the administrative functions of investments
- Manage the relationship of custody bank
- Oversee pension and OPEB accounting, SOX controls and procedures
- Oversee development of actuarial valuation reports
- Maintain investment database
- Make trust payments to vendors
- Oversee compliance activities related to investment and bank agreements

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Energy Inc. and other operating units. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of financial transactions. The total is composed of all the general ledger transactions and is

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allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- The functions described above related to an element of creating financial records and reports for all companies are therefore assigned based on financial transactions.
- Treasury functions that benefit TXNM Energy entities as a whole are allocated proportionately based on the modified Massachusetts Method for each TXNM Energy operating unit.

**Assistant Treasurer  
Home Center 7069**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Financing**

- Manage bank relations
- Execution and administration of credit facilities
- Amendments and Approvals of credit agreements
- Manage long-term financing
- Issuance of long-term debt
- Redemption of long-term debt
- Refinancing of long-term debt
- Manage equity issuance programs
- Manage due diligence process with debt or equity issuance
- Manage rating agency relations
- Manage capital structure of the company
- Manage cost of debt
- Make rating agency presentations of forecasted financials in collaboration with modeling group
- Compliance of Indenture/debt agreements
- Manage lease purchase analysis
- Manage M/A financing
- Manage independent power project financing
- Implement derivatives strategies
- Manage dividend payment activities
- Administration of credit facility
- Write testimony to NMPRC body for all issuance of security
- Testify to NMPRC
- Report filing to NMPRC to satisfy previous case orders.
- Reporting to other regulatory entities (FERC/ PUTC)

**Processes and Activities Specific to Cash Management**

- Manage cash position
- Manage bank accounts and services
- Manage short-term debt & investments
- Manage third party payment processes & providers
- Administer access to bank portal

**Processes and Activities Specific to Enterprise Risk Management**

- Manage annual Enterprise Risk Management program, including:
  - Establish annual risk list
  - Collaborate with company leaders to develop mitigation plans

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- Monitor and report on risks to senior management and the Board of Directors
- Advance the Company's risk-aware culture
- Contribute to selected projects designed to mitigate strategic and high-impact risks
- Continuously improve and advance the Enterprise Risk Management program

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to financial activities. The allocation rate is based on the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.
- The general rate based on Massachusetts Method will be used for the remainder of work that is not related to financial transactions. The composite rate is comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Monitoring and management of the company's debt facilities involve financial information, inclusive of compliance review that benefits the corporation therefore; the costs are assigned based on financial transactions. New debt and equity issuances are identified and direct charged if specific to a company.
- Costs and activities that benefit PNM Utility will be assigned based on the Massachusetts Method.

**Bank Fees Services Company**  
**Home Center: 7771**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Cash Management**

- Manage cash position
- Manage bank accounts and services
- Manage short-term debt & investment
- Manage Treasury Workstation system
- Manage third party payment processes & providers
- Manage Payment systems' risk

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to financial activity. The allocation rate is based on the number of financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.
- A general allocation will be used for the distribution of work done for the TXNM Energy, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- Monitoring and managing the company's financial information involving daily liquidity position by using short-term debt and investments, maximizing payment collection applications, performing payment processing, fulfillment and related ancillary services.
- Costs associated with services that benefit TXNM Energy Inc, the corporation as a whole, are assigned to companies based on the Massachusetts Method.

## **FINANCIAL PLANNING**

7074 – Insurance  
7182 – Utility Margin  
7270 – Corporate Budget  
7285 – Financial Planning  
7924 – Insurance and Claims - Corp

### **Insurance Home Center 7074**

#### **Major activities/Home Center Overview:**

Major activities include all administration of all insurance services for PNM, PNMR Services, and TNMP. Insurance services include procuring all insurance policies, risk assessments, loss control claims handling and contract risk reviews.

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Energy, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

#### **Basis of assignment:**

- Market risk management and reporting of each company's energy trading and marketing operations are segregated and directly charged. Risk control is centrally managed to mitigate risks to the financial position of the enterprise. Costs associated with these centralized services benefit the corporation as a whole and are therefore assigned to companies based on the Massachusetts Method. Specific initiatives are charged directly to the benefiting company.

**Utility Margin  
Home Center 7182**

**Major activities/Home Center Overview:**

- Oversee the process and activities relating to margin and reforecasts.
- Provide expert testimony for PNM related to fuel.
- Development of margin for the AOP, LRP, and quarterly forecasts for all utility margins.
- Analysis of costs and revenues in margin forecasts.
- Develop and file annual and quarterly Fuel Clause reset filing.

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Energy, Inc. The general allocation percentage is based on the General Utility Massachusetts Method, which allocates cost based on the composite rate comprised of Net Plant Utility, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are directly charged to the company receiving the benefit.
- Developing, overseeing activities related to margin and reforecasts are an element of creating financial records and reports, costs are allocated proportionately based on the appropriate general allocator for regulated entities.

**Corporate Budget  
Home Center 7270**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Senior Management**

- Lead corporate-wide 5-year Capital & Operating Expense budgeting and consolidation of budgeted income statements
- Provide analysis and make recommendations on financial outlook
- Identify Issues and Provide Analysis and Make Recommendations on Capital Expenditures and Operating Expenses

**Processes and Activities Specific to Cost of Service**

- Support development and filing of cost-of-service schedules for the jurisdictions of TXNM Energy
- Provide financial support for regulatory filings.

**Processes and Activities Specific to Regulatory Case Filings**

- Conduct research related to regulatory changes for rulemaking
- Provide analysis and support for filings and management decision making
- Support and file necessary pleadings, testimony and exhibits at either state or federal regulatory agency

**Processes and Activities Specific to General Rate Case**

- Support Electric Rate Case and justification at appropriate regulatory body
- Provide responses to Commission Inquiry, Notice of Rulemaking and other regulatory requirements
- Provide analysis to support cost of service revenue requirement, regulatory support and justification in testimony, analysis and recommendations
- Support ongoing cost of service revenue requirement analysis for historical and future test periods

**Processes and Activities Common to Corporate Budget**

- Development of Annual Operating Plan
- Development of Quarterly Reforecasting
- Prepare detailed O&M and Capital budgeting
- Consolidate 5-year budgeted income statements
- Participate in Budget to Actual variance analysis
- Coordinate, review and consolidate budget documentation for internal financial management and rate case support to include, assumptions, drivers and variance explanations
- Prepare detailed Management Reports on Business Unit costs
- Lead the Capital Allocation and Capital Approval processes
- Maintain Budgeting and Capital Allocation system and provide user support

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- Accounting support
- Support rate case filings (e.g., testimony and interrogatories)

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The general allocation rate will be used for distribution of work done for PNM Utility. The general allocation percentage is based on the General Utility Mass Method, which allocates cost based on the composite rate comprised of Net Plant Utility, Margin, and Number of Employees in each company.

**Basis of assignment:**

- Preparation, compilation, review, and distribution of organizational budgets, forecasts, company plans, and other materials allow management and Board of Directors to monitor overall corporate performance. Cost of forecasts and additional analysis performed exclusively for a company is tracked by project and the cost is charged to the benefiting company.
- Costs and activities related to TXNM Energy operating units will be allocated based on the appropriate applicable general allocator.

**Financial Planning and Risk Management  
Home Center: 7285**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Senior Management**

- Identify issues and provide analysis
- Make recommendations on financial matters

**Processes and Activities Common to Financial Planning**

- Prepare Annual Budgets with quarterly updates
- Prepare Long-Range Financial plans
- Participate in Budget to Actual variance analysis
- Prepare Cash Flow and Balance Sheet forecasts
- Maintain Planning and Forecasting systems and provide user support

**Processes and Activities Specific to Regulated Business Support**

- Filings
- Rate Cases
- Integrated Resource Plan

**Processes and Activities Specific to Accounting Support**

- Asset impairment
- Goodwill impairment

**Processes and Activities Specific to Load Forecasting**

- Develops periodic energy sales and demand forecasts for both PNM and TNMP
- Provides regulatory support for any filings requiring load or demand information
- Provides analytics for actual energy and demand levels in support of Accounting and IR departments and their various external communications

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Energy, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company/companies.
- Financial planning includes economic modeling, load forecasting and other analysis to optimize the cash flows and financial position of the company. Cost of analysis performed exclusively for a company is tracked by project and the cost is charged to the benefiting company. Remaining costs incurred in leading these activities benefit the corporation as a whole; therefore, the costs are assigned based on the Massachusetts Method.

**Financial Planning  
Home Center: 7287**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Senior Management**

- Identify issues and provide analysis
- Make recommendations on financial matters

**Processes and Activities Common to Financial Planning**

- Prepare Annual Budgets with quarterly updates
- Prepare Long-Range Financial plans
- Participate in Budget to Actual variance analysis
- Prepare Cash Flow and Balance Sheet forecasts
- Maintain Planning and Forecasting systems and provide user support

**Processes and Activities Specific to Regulated Business Support**

- Filings
- Rate Cases

**Processes and Activities Specific to Accounting Support**

- Asset impairment
- Goodwill impairment

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Energy, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

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**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company/companies.
- Financial planning includes economic modeling, load forecasting and other analysis to optimize the cash flows and financial position of the company. Cost of analysis performed exclusively for a company is tracked by project and the cost is charged to the benefiting company. Remaining costs incurred in leading these activities benefit the corporation as a whole; therefore, the costs are assigned based on the Massachusetts Method.

## **INVESTOR RELATIONS**

7008 - Investor Relations & Shareholder Services

### **Investor Relations Home Center 7008**

#### **Major activities/Home Center Overview:**

- Respond to inquiries from buy- and sell-side analysts and institutional investors
- Direct investor targeting
- Gather market intelligence and develop communication strategies
- Manage relationship with stock exchanges, specialists, analysts and institutional investors
- Coordinate analyst/investor meetings
- Coordinate, develop and publish the company's annual report
- Draft and finalize news releases for distribution through appropriate channels
- Draft and finalize presentations in support of investor meetings, conference calls, major announcements and executive management meetings with investors and analysts
- Support treasury functions related to debt and equity issuances

#### **Processes and Activities Specific to Shareholder Services**

- Manage shareholder relations
- Manage activities related to proxy solicitation, proxy material, and annual meeting
- Monitor proxy voting
- Coordinate and monitor activities with transfer agent
- Maintain shareholder reports and Employee Stock Purchase Plan (ESPP) history statements
- Coordinate activities related to updating plan prospectus and updates to internet
- Manage dividend payments and dividend declarations
- Manage shares outstanding tracking and reporting
- Track Retirement Savings Plan shares
- Review transfer agent's SSAE 16 report

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Energy, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

Exhibit IV  
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**Basis of assignment:**

- Statistical and stock market analysis, financial planning management, supply of financial and strategic information to external entities, and senior management decision making support benefit the corporation as a whole, therefore, the costs are assigned based on the Massachusetts Method.

**GENERAL COUNSEL**

7021 – Law Department  
7060 – Ethics and Governance  
7081 – Corporate BOD Expenses  
7622 – Legal-NERC Compliance  
7625 – Legal-Environmental Services  
7626 – Legal-PNM Operations  
7627 – Legal-External Affairs and Customer Service  
7629 – Legal-Wholesale Power Marketing  
7630 – Legal-Land Services  
7931 – Legal-CFO  
7932 – Legal-Governmental Affairs  
7933 – Legal-CAO  
7934 – Legal-General Counsel  
7935 – Legal-BTS  
7936 – Legal-Treasury  
7937 – Legal-Corporate Controller  
7938 – Legal-Supply Chain  
7939 – Legal-Regulatory Policy  
7944 – TNMP Affiliate Legal Expenses

**Legal Support  
Home Centers: 7021**

**Major activities/Home Center Overview:**

**Processes and Activities Common to All Legal Groups/Areas**

- Provide effective, high quality, creative and efficient legal services in a candid, ethical, and socially and financially responsible manner to assist the Company in achieving its goals and to support business unit needs.
- Responsible for providing legal services through Law Department lawyers and staff including in the areas of regulatory filings, compliance and other matters; SEC reporting and compliance; and major transactions.
- Manage and supervise outside counsel regularly retained to provide legal services for the Company and its business units. The need for outside counsel is driven by the needs of the Company and its business units. The services typically provided by outside counsel include employee relations, Human Resources, and labor relations; litigation (excluding litigation related to regulatory matters); non-major contracts; and creditors' rights and privacy.  
Responsible for administering department budget, monitoring outside counsel services budgets in support of business unit needs and managing general administrative activities for Law Department.

Exhibit IV  
PNMR Services Company Departments

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for TXNM Energy, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives benefiting only one company are directly charged.
- Legal support services described above are available to all companies. Generally, the cost of services is tracked by project and the hourly rate is charged to the benefiting company. Remaining costs benefiting the corporation as a whole are assigned to companies based on the Massachusetts Method.

**Ethics and Governance**  
**Home Centers: 7060, 7081**

**Major activities/Home Center Overview:**

Primary responsibility is to provide corporate secretary and governance support to the CEO, Board of Directors, and the Officers. The Department is also responsible for managing the Company's Ethics and Compliance Program.

Responsibilities include:

- Create, maintain, and oversee the retention of official corporate records
- Assist with development and production of the Company's annual Proxy Statement
- Coordinate board meetings and the annual shareholder meeting
- Maintain Indemnity Agreements
- Administer annual D&O and Conflict of Interest process
- Facilitate NYSE annual and interim affirmations and compliance
- Provide governance support to all TXNM subsidiary companies
- Research governance and compliance needs through analysis of business processes
- Administer the corporate ethics program, including the Integrity Line employee help line
- Administer the Ethics and Compliance Affirmation processes
- Manage the process for disclosure and resolution of any conflicts of interest
- Education and awareness efforts related to ethics and compliance program

Processes/Activities performed for the Board of Directors:

- Benchmark and recommend governance policy and best practices to the Board
- Coordinate Board of Directors/Committee meetings and minutes of the meetings
- Coordinate subsidiary company board meetings and minutes of the meetings
- Serve as a focal point and information gatekeeper for Board communications
- Facilitate governance compliance requirements
- Administer Board compensation
- Administer and maintain Board websites

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies
- A general allocation will be used for the distribution of work done for TXNM Energy, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.
- A transactional allocation will be used for the distribution of work relating to employees. This allocation percentage is based on Number of Employees for each Company.

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**Basis of assignment:**

- Supports and interfaces with the Board of Directors and company leadership to assure compliance with standards of a SEC and NYSE company. A general allocation will be used for the distribution of work done for TXNM Energy, Inc. The general allocation percentage is based on the Massachusetts Method.
- Administration of programs relating to employee compliance such as for ethics and conflicts of interest are allocated to the companies based on the Number of Employees.

## **BENEFITS**

7552 – Company Benefit Costs

### **Benefits Home Center 7552**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Common to All Areas within Benefits**

- Respond to retiree and employee questions and issues
- Prepare and update benefits policies
- Prepare and distribute summary plan descriptions and subsequent material modifications
- Maintain intranet benefits data
- Oversee preparation and distribution of annual total compensation/benefits statement
- Prepare federally required annual reports
- Prepare and distribute any legally required or company required employee communication regarding benefit plans
- Audit and process monthly benefit vendor invoices - weekly and monthly
- Process and transmit weekly interface files to vendors
- Prepare annual plan renewals and rates
- Daily administration of the following benefit plans: STI, LTD, medical, dental, vision, life insurance, 401(k), pension, FSA's, COBRA, PTO, executive benefits for all employees and retirees
- Set up benefit plan tables, rules, events and eligibility in PeopleSoft
- Ongoing maintenance of benefits data in PeopleSoft
- Process Qualified Domestic Relations Orders and Qualified Medical Support Orders for qualified and non-qualified benefit plans
- Maintain all employee and retiree benefit files (hard copy)
- Prepare financial statements and audits for benefit plans

##### **Processes and Activities Specific to Retirement**

- Write and maintain retirement benefit plan documents & amendments
- Perform cafeteria plan and retirement plan discrimination testing
- Prepare, set-up and distribute pension disbursements
- Prepare pension valuations, as requested

##### **Processes and Activities Specific to Insurance Benefits**

- Prepare and process annual open enrollments
- Oversee enrollment in group insurance benefits

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**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on number of units involved will be used for the distribution of work done. The allocation rate is based on the employee headcount. The total is composed of all TXNM employees and is allocated proportionately based on the number of employees in each company.

**Basis of assignment:**

- The benefits, people services and developmental programs vary by company; however, the approach and related costs incurred in leading these activities benefit all TXNM employees and are therefore allocated proportionately based on the number of employees in each company.

## **PEOPLE SERVICES**

7304 – Learning & Development  
7547 – Workforce Planning Recruiting & Benefits  
7548 – Benefits Administration  
7549 – Labor Relations  
7554 – HR Services-Compliance  
7555 – Director, Compensation and Benefits  
7558 – Staffing & Workforce Planning

### **HR Compliance Home Center 7304**

#### **Major activities/Home Center Overview:**

- Provide HR services for NM and TX business areas.
- Works with all levels of management and non-management employees to help meet company goals and objectives.
- Designs and implements services, programs, and procedures to help achieve corporate goals.
- Monitor corporate-wide HR-related Compliance activities.
- Responsible for HR Policy administration
- Affirmative Action plan administration, compliance, reviews and audits.
- Provide corporate oversight for employee terminations and disciplinary actions
- Respond to unemployment claims, and coordinate HR response to external agency complaints or inquiries (e.g., EEOC, NMHRD, DOL oversee data and reports, etc.).
- Represent the Company and serve as expert witness at unemployment hearings, court proceedings, lawsuits, depositions, arbitration, etc.
- Interface with Corporate Integrity Line process and HR investigations of personnel matters
- Review company reorganizations to ensure legal and policy compliance and produce disparate impact statistical analysis.
- Oversee maintenance and retention of all applicable personnel and employee records.
- NERC CIP 004-R3 compliance (Personnel Risk Assessments).
- Separation interview process.
- Drug and alcohol program administration, including pre-employment, random, post-accident, reasonable suspicion, return-to-duty, and follow-up testing, the D&A testing contractor administration, D&A issues management and resolution with management in coordination with HR business partners, and coordination with EAP Substance Abuse Professionals for D&A positives.
- DOT and non-DOT driver status and drug testing pool assignment.
- Annual and new-hire DOT CDL driver qualifications.

Exhibit IV  
PNMR Services Company Departments

- Lead company's Diversity, Equity, and Inclusion efforts.

Fleet driver safety activities to monitor driver records and coordinate issue management with Staffing, Supervisors, HR Consultants, and EAP Substance Abuse Professional assessments of drivers with DWI's on record when applicable.

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies
- A transactional allocation will be used for the distribution of work done for the TXNM Energy, Inc. The transactional allocation percentage is based on the Number of Employees, which allocates cost based on the Number of Employees for each company.

**Basis of assignment:**

- Employee learning and development for enhanced strategic planning, leadership effectiveness and workforce enhancements are available and benefit TXNM employees. Costs are allocated proportionately based on the number of employees for each company.

**Employee Relations  
Home Center 7547**

**Major activities/Home Center Overview:**

- Workplace issues and concerns
- Employee corrective actions
- Investigations
- Terminations
- Strategic advice on organizational initiatives and structure

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies
- A transactional allocation will be used for the distribution of work done for the TXNM Energy, Inc. The transactional allocation percentage is based on the Number of Employees, which allocates cost based on the Number of Employees for each company.

**Basis of assignment:**

- Recruiting and planning personnel for workforce is performed for TXNM Energy, Inc. entities. Costs are allocated proportionately based on the number of employees for each company.

**Benefits Administration  
Home Center 7548**

**Major activities/Home Center Overview:**

The department provides services to all TXNM entities that have medical, dental, vision insurance, participate in financial 401(k) deductions, savings and/or loan processing, and company wellness programs for active employees. Others in this department are responsible for disability management, life insurance, change in status orders and retirement eligibility and pension payments.

- Benefits Administration for medical, dental and vision coverage for all active employees and retirees
- Benefits Administration for 401(k) contributions, matches, gifts, loans.
- Benefits Administration for Executive non-qualified contributions, matches, gifts
- Disability Management Administration - FLMA, Short-Term and Long-Term Disability monitor, track and interface
- Pension Plan Administration - Track, monitor and initiate for completion of employee work cycle
- Change in Benefits Status Administration - Benefits Help line - Q&A, QDRO's  
Executive Spending Administration
- Life Insurance – basic, supplemental, AD&D, and executive
- Benefit Plans Administration
- Wellness Program Administration
- New Hire Employee On-Boarding Benefits Administration
- IRS / DOL Compliance Administration
- Post 65 Retiree Eligibility Administration

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional allocation rate will be used for distribution of work done for TXNM entities. The transactional allocation percentage is based on the Number of Employees each company.

**Basis of assignment:**

- Employee information relating to benefits is maintained by this department. A transactional allocation will be used for the distribution of work done for the TXNM entities. The transactional allocation percentage is based on the number of employees for each company. Specific initiatives benefiting only one company are directly charged.

**Labor Relations**  
**Home Centers: 7549**

**Major activities/Home Center Overview:**

- Provide LR services and consulting for NM and Texas business areas
- Supports one or more business segments of the company. Provides strategic LR consultation to business unit VPs to help achieve operational excellence.
- Works with all levels of management and non-management employees to help meet company goals and objectives.
- Designs and implements services, programs, and procedures to help achieve corporate goals.
- Represent the Company and serve as expert witness at court proceedings, lawsuits, depositions, arbitration, etc.
- Labor contract negotiations
- Grievance management and arbitration process
- Building strategic labor-management relationships, NLRB issues
- On-going contract consultations

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The general allocation rate will be used for distribution of work done for PNM Utility. The general allocation percentage is based on the General Utility Mass Method, which allocates cost based on the composite of Net Plant Utility, Margin, and Number of Employees each company.

**Basis of assignment:**

- Work performed based on employees and union relations benefit the utility. A general allocation will be used for the distribution of work done for the PNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company. Specific initiatives that benefit only one company are directly charged.

**HR Compliance, Labor Relations, Employee Relations and Staffing  
Home Centers: 7554**

**Major activities/Home Center Overview:**

**HR Compliance**

- \* Provide HR services for NM and TX business areas.
- \* Works with all levels of management and non-management employees to help meet company goals and objectives.
- \* Designs and implements services, programs, and procedures to help achieve corporate goals
- \* Monitor corporate-wide HR-related Compliance activities.
- \* Responsible for HR Policy administration
- \* Affirmative Action plan administration, compliance, reviews and audits.
- \* Provide corporate oversight for employee terminations and disciplinary actions.
- \* Respond to unemployment claims, and coordinate HR response to external agency complaints or inquiries (e.g., EEOC, NMHRD, DOL oversee data and reports, etc.).
- \* Represent the Company and serve as expert witness at unemployment hearings, court proceedings, lawsuits, depositions, arbitration, etc.
- \* Interface with Corporate Integrity Line process and HR investigations of personnel matters.
- \* Review company reorganizations to ensure legal and policy compliance and produce disparate impact statistical analysis.
- \* Oversee maintenance and retention of all applicable personnel and employee records.
- \* NERC CIP 004-R3 compliance (Personnel Risk Assessments).
- \* Separation interview process.
- \* Drug and alcohol program administration, including pre-employment, random, post-accident, reasonable suspicion, return-to-duty, and follow-up testing, the D&A testing contractor administration, D&A issues management and resolution with management in coordination with HR business partners, and coordination with EAP Substance Abuse Professionals for D&A positives.
- \* DOT and non-DOT driver status and drug testing pool assignment.
- \* Annual and new-hire DOT CDL driver qualifications.
- \* Lead company's Diversity, Equity, and Inclusion efforts.
- \* Fleet driver safety activities, monitor driver records and coordinate issue management with Staffing, Supervisors, HR Consultants, and EAP Substance Abuse Professional assessments of drivers with DWI's on record when applicable.

**Employee Relations and Staffing**

- \* Workplace issues and concerns
- \* Employee corrective actions
- \* Investigations
- \* Terminations
- \* Strategic advice on organizational initiatives and structure

Exhibit IV  
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- \* Provide Recruitment and Talent Acquisition services
- \* Provide full background check for new hires
- \* Coordinating new hire on-boarding processes (pre-employment)
- \* Coordinating contingent worker acquisition (temporary worker services)
- \* Responsible for Relocation Policy and services
- \* Responsible for all staffing and employment policies

**Labor Relations**

- \* Provide LR services and consulting for NM and Texas business areas
- \* Supports one or more business segments of the company. Provides strategic LR consultation to business unit VPs to help achieve operational excellence.
- \* Works with all levels of management and non-management employees to help meet company goals and objectives.
- \* Designs and implements services, programs, and procedures to help achieve corporate goals.
- \* Represent the Company and serve as expert witness at court proceedings, lawsuits, depositions, arbitration, etc.
- \* Labor contract negotiations
- \* Grievance management and arbitration process
- \* Building strategic labor-management relationships, NLRB issues
- \* On-going contract consultations

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The general allocation rate will be used for distribution of work done for PNM Utility. The general allocation percentage is based on the General Utility Mass Method, which allocates cost based on the composite of Net Plant Utility, Margin, and Number of Employees each company.

**Basis of assignment:**

- Work performed based on employees and union relations benefit the utility. A general allocation will be used for the distribution of work done for the PNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company. Specific initiatives that benefit only one company are directly charged.

**Compensation  
Home Center 7555**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Incentive Plans**

- Develop and administer all incentive plans
- Calculate and coordinate all incentive payouts
- Develop and administer all long-term incentive plans
- Administer all stock option, restricted stock grants and performance shares
- Administer equity ownership guidelines

**Processes and Activities Specific to Compensation**

- Develop Executive Comp Proxy Report, Tables, and Tally Sheets
- Develop and administer all Executive Compensation programs
- Develop and administer compensation policies, procedures and guidelines
- Consult line managers, employees, and other HR areas on salary administration issues
- Review and approve compensation-related transactions via PeopleSoft
- Review and approve entrance/promotional salaries for external and internal candidates
- Coordinate and administer annual enterprise-wide merit award process
- Coordinate and administer Business Unit Group Incentive Program
- Develop and administer compensation program training and brochures

**Processes and Activities Specific to Job Research**

- Conduct job analysis and market pricing for all new and existing job classifications
- Develop and maintain all job descriptions
- Classify all jobs (title, grade, FLSA status, EEO class)
- Create and maintain job records in PeopleSoft

**Processes and Activities Common to All Areas within Compensation**

- Conduct all major classification and market studies
- Conduct compensation-related due diligence for all M&A activity
- Develop and maintain all salary structures
- Prepare Board materials
- Make presentations to Compensation & Human Resources Committee, TXNM Energy Board of Directors and Executive Policy Committee
- Calculate all severance and change-in-control amounts
- Develop rate case testimony and respond to interrogatories
- Conduct compensation training and orientations for staff and managers
- Conduct Annual Executive Compensation Market Review and make recommendations to Board
- Conduct and participate in salary surveys

Exhibit IV  
PNMR Services Company Departments

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on number of units involved will be used for the distribution of work done. The allocation rate is based on the employee headcount. The total is composed of all TXNM employees and is allocated proportionately based on the number of employees in each company.

**Basis of assignment:**

- While the total rewards including base pay, bonus programs and incentive pay varies by company, the related costs incurred in leading these activities benefit all TXNM employees and are therefore allocated proportionately based on the number of employees in each company.

**Staffing & Workforce Planning  
Home Center 7558**

**Major activities/Home Center Overview:**

- Provide Recruitment and Talent Acquisition services
- Provide full background check for new hires
- Coordinating new hire on-boarding processes (pre-employment)
- Coordinating contingent worker acquisition (temporary worker services)
- Responsible for Relocation Policy and services
- Responsible for all staffing and employment policies

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on number of units involved will be used for the distribution of work done. The allocation rate is based on the employee headcount. The total is composed of all TXNM employees and is allocated proportionately based on the number of employees in each company.

**Basis of assignment:**

- Staffing and recruiting services are centrally managed and controlled. Specific initiatives are charged directly to the benefiting company. Remaining costs incurred in leading these activities benefit all TXNM employees and are therefore allocated proportionately based on the number of employees in each company.

**RECORDS INFORMATION MANAGEMENT SERVICES**

7064 - Records Information Management Services

**RIMS  
Home Center 7064**

**Major activities/Home Center Overview:**

RIMS maintains a decentralized records and information management program consisting of records in physical form, such as documents that are located throughout the organization and electronic records residing within applications/systems. Records can be found in end users' offices, workstations, electronic applications, enterprise-wide systems, on shared storage locations or other workroom space. A decentralized location is controlled by the end user who creates the file. End users have access to their files at all times and are responsible for maintaining accuracy with assistance from RIMS.

RIMS also develops, implements, and enforces policies on records and information management and ensures procedures are in place for appropriate document control and compliance. Further, RIMS seeks to ensure safe and secure record keeping while reducing expense and storage space. RIMS maintains relationships with document management and off-site storage facilities, vendors, and contractors, and maintains awareness of most current practices and regulations to prevent and/or support litigation and to mitigate TXNM exposure. Services include:

- **Records Management**
- **Program Strategy (including electronic records)**
- **Preservation of records and information**
- **Off-Site Commercial Repository Liaison**
- **Training**
- **Disposition/Destruction**
- **Project Support and Management**
- **Consultation**

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Energy, Inc. The general allocation percentage is based on the Massachusetts Method, which

Exhibit IV  
PNMR Services Company Departments

allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Records and information management support includes document and record management consulting, historical placement, liaison and vital records programs, and management of on and offsite commercial repositories and recycling services. The related costs benefit the corporation as a whole and are primarily assigned based on the Massachusetts Method. Specific initiatives are directly charged to the benefiting company.

## **GENERAL SERVICES**

7054 – Building Maintenance  
7065 – General Services  
7087 – General Services - Security  
7089 – Graphics & Office Services

### **Property Management Home Centers: 7054, 7065**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to Facility and Property Management**

Oversees the day- to -day activities associated with owning, leasing, purchasing and disposal of properties including:

- Lease Management
- Space Planning and Design
- Building Acquisition and Sales
- Parking Management
- Facility Portfolio Information Management
- Centralized Work Order Processing
- Move Planning and Support
- Key Management
- Selects and manages janitorial contractors
- Project management/coordination for new construction and remodels

##### **Processes and Activities Specific to Building Maintenance**

- Responsible for activities required to keep building environments and supporting infrastructure in a condition to support corporate requirements.
- Activities include construction, improvements, preventative and predictive maintenance and corrective repair. Services are performed by a combination of employee and contractor labor.
- Services include:
  - Heating, Ventilation, and Air Conditioning Systems
  - Plumbing
  - Fire Systems
  - Electrical Systems
  - Lighting Systems
  - Parking Structure Maintenance
  - Building Structure and Exteriors
  - Construction/Remodel Project Management

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- Painting
- Utility Systems
- Parking Lot Maintenance
- Road Maintenance
- Grounds Maintenance
- Employee Initiated Requests

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A transactional allocation based on square footage will be used for the distribution of work done. The allocation rate is based on the total square footage and occupancy and is allocated proportionately based on applicable building square footage and occupancy per each company.

**Basis of assignment:**

- Corporate facility management includes space planning, lease administration, security and partaking services, janitorial services, building and grounds maintenance, and construction project management. Specific initiatives are charged directly to the benefiting company. Remaining costs are allocated proportionally based on the applicable square footage and occupancy by each company.

**Graphics**  
**Home Centers: 7065, 7089**

**Major activities/Home Center Overview:**

Provides consultation, contract administration, mail distribution, shipping and receiving, and production support services to all business entities. Specific services are:

- Reproduction and Electronic Imaging
- Inserting/Mass Mail Applications
- Forms Management
- Office Equipment Assessment, Procurement, and Management
- Print Consultation and Outsource Management
- Art Services
- Company Store
- Mailroom
- Shipping and Receiving
- Branding Consultation
- Signage

Exhibit IV  
PNMR Services Company Departments

- USPS Compliance
- Recycle Support
- Wide Format Printing
- Contract Office Supplies and Liaison Support

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Energy, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.
- A transactional allocation based on square footage will be used for the distribution of work done. The allocation rate is based on the total square footage and occupancy and is allocated proportionately based on applicable building square footage and occupancy per each company.

**Basis of assignment:**

- Digital copy and print service development, production and procurement, acquisition and contract management for office equipment, art design & production, mailroom services, forms management and stockless inventory operations, and development are centrally managed. Costs are directly charged at the point of purchase as specified by the user. Remaining costs, while minimal are generally allocated based on the Massachusetts Method.
- Services provided to occupants of the various buildings are distributed based on square footage and occupancy method. Costs are allocated proportionally based on the applicable square footage and occupancy by each company. Specific initiatives are charged directly to the benefiting company.

**SECURITY**

**Corporate Security  
Home Centers: 7087**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Security**

Responsible for Physical Security operations for the Corporation. Activities include protection for employees, customers, and assets. Provides protection via a contracted security force, advanced security equipment/systems, access control, and security services including:

- NERC-CIP Compliance Standards
- CIP 003-Cyber Security – Physical Security Controls

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PNMR Services Company Departments

- CIP 006-5 Physical Security for BES Cyber Systems
- CIP 014-1 Physical Security
- Business Continuity and Emergency Planning Related to Security Incidents
- Workplace Continuance Planning
- Physical Security Program
- Security Policies and Procedures
- Workplace Violence Program Policy, Preparation, & Administration
- Investigations as Requested by Other Business Units
- Threat Scenario Planning and Training
- Access Control Systems
- Video Management Systems
- Employee ID Program
- Security Incident Investigations
- Security Assessments
- Contracted Security Personnel
- Security Operations Center (SOC)
- Enterprise Risk Management
- Executive Protection
- International Travel Security

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for TXNM Energy, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.
- A transactional allocation based on square footage will be used for the distribution of work done. The allocation rate is based on the total square footage and occupancy and is allocated proportionately based on applicable building square footage and occupancy per each company.

**Basis of assignment:**

- Corporate facility management includes space planning, lease administration, security and partaking services, janitorial services, building and grounds maintenance, and construction project management. Specific initiatives are charged directly to the benefiting company. Remaining costs are allocated proportionally based on the applicable square footage and occupancy by each company.
- The costs related to providing general security for items such as emergency, investigative, government related coordination, benefit the corporation as a whole and are primarily assigned based on the Massachusetts Method. Specific initiatives are directly charged to the benefiting company.

Exhibit IV  
PNMR Services Company Departments

**BUSINESS TECHNOLOGY SERVICES**

7098 – Joint Use  
7118 – Information Security  
7122 – Hardware/Software Maintenance  
7124 – Crisis Management & Resilience  
7126 – Power Operations IT Support  
7130 – Quality Assurance  
7131 – Enterprise Architecture  
7132 – BTS Project Management & Quality  
7133 – BTS Telecom  
7136 – Customer Service Applications  
7139 – BTS PPMO  
7141 – Utility Applications  
7142 – Advanced Technology  
7143 – Director-Technology & Security  
7144 – Drafting & Geographic Info Systems  
7146 – PPMO  
7147 – NM Ops Software and Hardware  
7148 – OT & PNM Capital Management  
7154 – OT NERC CIP Compliance  
7178 – Utility Ops Training  
7188 – Enterprise Applications  
7191 – Operations Technology  
7559 – Infrastructure Administration  
7560 – Corporate Systems

**Joint Use  
Home Center 7098**

**Major activities/Home Center Overview:**

Processes and Activities Specific to PNM, SNM, and TNMP

- Negotiate and manage "Master License Agreements" with cable television, telecommunications carriers, fiber companies and other third parties to attachments on distribution and transmission facilities and other real property
- Negotiate and manage "IRU's" (Indefeasible Right to Use) in conjunction with Telecom Department to exchange excess fiber bandwidth for telecommunication services
- Establish yearly revenue targets and grow revenues
- Manage Joint Use administration and support
- Provide Joint Use contract administration and support

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- Create and maintain processes and procedures for day-to-day joint use operations
- Support Operations (e.g. training, communication) to ensure compliance of the FCC's Telecommunications Act of 1996 and all subsequent orders such as FCC18-111.
- Prepare invoice documentation and monitor receivables for all joint use contracts
- Project manage joint use attachment audits, document and record licensee attachments
- Reconcile after-the-fact work orders for Albuquerque metro operations relating to third party damages and equipment failure.

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.

Technical support comprised of information security management, cyber security, and security remediation activities. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of Network IDs in each company.

**Information Security  
Home Center 7118**

**Major activities/Home Center Overview:**

Responsible for enterprise Information Security operations and the minimization of cybersecurity risk through effective implementation, administration, and use of logical and technical security controls. Specific responsibilities include:

- Security Risk Management
- Internal and third-party vulnerability assessments
- Security Architecture
- Security Training and Awareness
- Project Support

Exhibit IV  
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- Security Policy Administration
- Electronic Access Provisioning and Management
- Security Governance
- Cybersecurity Incident Response & Investigation
- Cybersecurity Technical Controls
- Information Security Compliance
- NERC CIP Compliance
- TX AMS Security
- SOX Compliance

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- Technical support comprised of information security management, cyber security, and security remediation activities. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of Network IDs in each company.

**Crisis Management / Resilience  
Home Center 7124**

**Major activities/Home Center Overview:**

This home center provides structure, governance, oversight, and support to enhance crisis management, oversight, and support to enhance crisis management, incident response, business continuity, emergency management/operations, and disaster recovery capabilities necessary to develop and maintain a high level of resiliency against potential strategic, financial, operational, and reputational impacts faced by the organization.

- Leads and delivers the organizational function for enterprise-wide crisis management and resilience for all areas in New Mexico and Texas.
- Responds to crisis incidents to expeditiously contain, mitigate, eradicate, and recover from cyber security and physical security threats.
- Researches, consumes, analyzes, and communicates threat intelligence.

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- Creates and leads realistic crisis management table-top and field training exercises with appropriate internal Business Units and external partners.
- Leads the enterprise-wide Business Continuity program by reviewing all Business Continuity Plans, coordinating with all stakeholders, and ensuring viability of all plans.
- Conducts extensive liaison with local, state, tribal, and federal emergency management teams, first responders, law enforcement, and military personnel and engages in cross-training opportunities to prepare for real-world crisis.

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- Technical support comprised of information security management, cyber security, and security remediation activities. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of Network IDs in each company.

**Hardware / Software Maintenance  
Home Center 7122 / 7147**

**Major activities/Home Center Overview:**

This home center is a consolidation of all enterprise hardware (HW) and software (SW) maintenance and support contracts, expenses, and Tower Leases. It does not include any internal labor and/or material.

- Review annual hardware software maintenance and support agreements to ensure contracts are renewed or terminated before expiration date
- Maintain individual line by line items for HW and SW maintenance support agreements
- Track and manage maintenance support variance requests for planned and unplanned services
- Request maintenance and support renewal quotes from contract owners and vendors
- Create purchase requisitions to process annual renewal agreements
- Process maintenance and support invoices before maintenance support expires
- Co-term and consolidate contracts in order to save money and for ease of processing where possible
- Track unplanned maintenance and support items
- Make sure all items are valid HW and SW maintenance and support not products or Subscriptions

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The applicable transactional rate based on volume will be used for the distribution of work done based on departments/areas supported:
  - The allocation rate is based on the total number of general ledger transactions and is allocated proportionately based on number of general ledger transactions in each company.
  - The allocation rate is based on the total number of utility customers and is allocated proportionately based on number of utility customers in each company.
  - The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.
  - The allocation rate based on the total number of employees is allocated proportionately based on number of employees in each company.
- A general allocation will be used for the distribution of work done for PNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

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**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- General IT maintenance supporting systems that benefit PNM Utility and are general in nature are allocated based on the appropriate applicable Massachusetts Method.
- Technical support comprised of non-standard and standard desktop hardware/software, server hardware/software, telecom hardware/software and hardware/software ordering, asset tracking, and maintenance. The related costs incurred in leading these activities are based on applicable systems being utilized:
  - Maintenance relating to financial systems is allocated proportionately based on the number of general ledger transactions of each company.
  - Maintenance services relating to customer services systems benefit PNM Utility companies; therefore, these costs are allocated based on the number of utility customers of each company.
  - General IT maintenance services that benefit all entities are allocated proportionately based on the number of Network IDs in each company.
  - Services relating to human resources area benefit all entities; therefore, these costs are allocated based on the number of employees of each company.

**Operations – IT Support  
Home Center 7126**

**Major activities/Home Center Overview:**

Responsibilities for Operations Technology are to provide system, application, network and NERC CIP compliance support for PNM control centers and remote access sub-station systems. Including NERC CIP access control, provisioning, and revocations for PNM control centers and remote access sub-station systems.

***Processes Specific to Generation and Transmission***

- Performance management administration
- NERC CIP Compliance activities as SME for Power Operations
- Work assignments and workload balancing
- Managing budgeting and contracts
- Liaison to Power Operations and Wholesale Power Marketing management
- Maintain and support Energy Management Systems
- Maintain system administration and network
- End user support
- Power Operations and Wholesale Power Marketing Application support
- Physical Access Control System support

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.

**Basis of assignment:**

- Technical support to San Juan Generation station and Transmission services. The related costs incurred in these activities benefit all Generation and Transmission therefore all costs are directly charged to benefiting companies.

**Quality Assurance  
Home Center 7130**

**Major activities/Home Center Overview:**

Provide software quality assurance function in support of information technology systems.  
Specific responsibilities include:

- Implement and monitor development standards for RPA bot development.
- Design, develop, and deploy new RPA bots.
- KPI/IT Performance metrics collection & reporting.
- Manage testing across major IT systems and projects.
- Software quality assurance test planning & execution.
- Test library management.
- Manage the BTS technology change management process.
- Manage the NERC-CIP technology change management process.
- Design and implementation of software configuration management solutions.
- Software migrations and builds for production computing systems.
- Manage the Automation Anywhere robotic process automation (RPA) platform for high reliability.

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Technical support with an emphasis on test planning, execution, and validation. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.

**Architecture  
Home Center 7131**

**Major activities/Home Center Overview:**

Provides technology solution architecture services and technology investment oversight including governance, risk management and compliance.

**Enterprise Architecture**

- Solutions, standards and IT Investment oversight via Enterprise Architecture Solutions Board (EASB)
- Technology investment oversight
- Technology lifecycle management
- Technology risk and impact
- Assess and recommend IT solutions (includes Project support)
- Manage solution and capability roadmaps
- Develop target architecture
- Maintain architecture artifacts
- Maintain architecture repository
- Emerging Technologies and New Technology Innovation

**Cloud Computing**

- Initial Cloud Authorization and On-Boarding
- Recurring Annual Cloud Service Review, Change Management, and Support / Maintenance
- Represents Enterprise Architecture on teams responsible for developing strategic cloud guidance, architecture, governance, and planning for cloud delivery models such as SaaS, PaaS, and IaaS, and help to coordinate adoption for same
- Generates cloud migration roadmaps and driving buy-in across the organization
- Crafts reference architecture for multi-cloud across TXNM strategic cloud platforms
- Analyzes application and infrastructure portfolios, identifying dependencies & common platform components, and assessing migration feasibility
- Performs cost/benefit modeling and creates compelling business cases for migration
- Architects hybrid cloud and on-premise solutions for technology clusters and patterns
- Drives hybrid solution architecture, strengthening our capabilities and services in the orchestration, automation and targeted service layers
- Implements cost optimized solutions (based on usage, business requirements and budget)
- Leads application migration projects including optimizing technical reliability and improving application performance
- Adopts cloud integration patterns with on-premise applications, cloud providers or other platforms
- Understands and champions cloud lifecycle management, help evolve the business to expand this footprint

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- Collaborates with consulting and managed services partners to build and execute migration plans
- Articulates advantages, disadvantages and extent of differentiation and risk across TXNM's cloud platform options
- Builds, migrates, and test cloud environments and integration with other providers
- Pursues innovation and improvement across the cloud service portfolio

**Software Asset Management**

- Licensing and Maintenance contract management
- Acquires desktop hardware and software for the Company in cost effective manners and ensures standards and justifications are followed accordingly
- Leads documentation efforts to ensure accurate inventory is maintained, from purchase to disposal
- Identifies asset discrepancies and manages resolution processes
- Leads and manages BTS license tracking
- Analyzes software usage and reconciles usage and license counts
- Reports cost avoidance through software harvesting and utilizing all equipment
- Administers hardware and software contracts as well as relative true up buckets
- Recommends changes in procedures as appropriate

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support with an emphasis on development, assessment, validation, management, and maintenance of architecture functionality. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.

**BTS Project Management Office  
Home Center 7132**

**Major activities/Home Center Overview:**

The BTS Project Management Office (PMO) is responsible for defining and maintaining standards for project management within our organization, and strives to standardize and introduce economies of repetition in the business analysis, planning and execution of projects. The PMO is also the source of documentation, guidance and metrics on the practice of project management and execution.

- IT program and project gathering and ranking
- Perform benefits realization, business analysis and project management support throughout the entire project life cycle (initiation, planning, execution, monitoring/control and close out) for managed IT-specific projects facilitate benefits realization sessions and business case development for capital projects
- Develop business requirements for capital projects
- Develop and administer standardized project management workflows, processes and documentation.
- Train project team members on project management processes, guidelines and documentation
- Conduct project performance metrics collection & report tracking on schedules, budgets and planned objectives/deliverables
- Conduct monthly project status reviews with BTS senior management
- Conduct 5-year portfolio development in accordance with annual Budget group guidelines
- Assist in preparing supplemental narrative and budget information for PNM rate case filings

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support related to IT department expansion through business plan development, analysis, implementation, and review. The related costs incurred in leading

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these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.

**Telecom  
Home Center 7133**

**Major activities/Home Center Overview:**

Overall responsibility for the enterprise data, voice, and transport networks throughout New Mexico and Texas territories. Specific responsibilities include:

**Processes and Activities Specific to Data**

- Install Data Network Infrastructure
- Maintain Data Network Infrastructure
- Document/process Telecom Billings/Service Reviews
- Telecom Infrastructure Planning/Architecture and Strategy
- Provide Proof of Concept studies
- Manage data LAN/WAN connection including IMAC
- LAN/WAN connection break/fix support

**Processes and Activities Specific to Voice**

- Install PBX Systems
- Maintain PBX Infrastructure
- Initial phone installations
- Set-up voicemail
- Phone break/fix support
- Relocate phones
- Remove phones
- Evaluate new systems for form, fit & function
- Participate in technical/requirement reviews
- Conduct hardware and software enhancements
- Collect and provide performance metrics
- Project support

**Processes and Activities Specific to Transport**

- Relationship and contract management for reciprocal fiber/circuit agreements
- Install Transport Infrastructure
- Maintain Transport Infrastructure
- Document Provisioning Information/CAD Drawings
- Engineering Services for developing Work / Costs Estimates
- Engineering Services for Design and Validation of solutions
- Engineering Services for implementation of solutions

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**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for PNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of phones and is allocated proportionately based on number of phones in each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Costs related to services for utility entities are allocated based on the appropriate applicable Massachusetts Method to the benefiting companies.
- Technical support related to telecommunications design and operations with an emphasis on telecom infrastructure installation and maintenance. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of phones per company.

**Customer Service Applications  
Home Center 7136**

**Major activities/Home Center Overview:**

- Aid in the development of policy, strategic, and tactical planning
- Monitor and track Technology capital budget
- Establish and monitor IT performance measures
- Implement IT process improvements
- Mergers, Acquisitions, and divestiture IT program management
- IT requisitions, invoicing, accruals, amortizations
- IT Program Management

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support with an emphasis on account management functionality for establishing and monitoring IT performance measures and as a liaison with companies for all IT support. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.

**Software Applications**  
**Customer Service Applications, BTS Market Ops-Texas, Corporate Systems**  
**Home Centers: 7136, 7188, 7560**

**Major activities/Home Center Overview:**

**Processes and Activities applied Company-wide**

- Application break/fix/enhancement support
- Application development
- System Reports Set-up and Administration
- Ad-hoc Reporting
- Assess software to ensure it aligns with defined architecture
- Liaison with business units for all IT support
- Manage service levels and constraints
- Manage account plans
- Manage account communications
- Aid in the development of policy, strategic, and tactical planning
- Application Architecture Review
- Collect and provide performance metrics
- New Application Installation
- SOX Application Compliance
- Change Management Compliance
- Audit Compliance
- Critical Application On-Call Support
- Application Security Administration
- Application and Platform Retirement
- Data Migration, Cleansing, Maintenance
- Application Performance Monitoring
- Application Documentation Compliance

**7136 – Customer Service Applications**

- Applications and business liaison support on all Customer Service Applications such as Banner, IVR, PNM.com, and Service Suite.

**7188 – Enterprise Applications**

- Application integration and analytics for the enterprise
- Energy Trading and Risk Management
- TNMP Application Support

**7560 – Corporate Systems**

- Application and business liaison support on enterprise corporate applications such as: PeopleSoft, PowerPlant, Hyperion, Legal

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for TXNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.
- The transactional rate based on volume will be used for the distribution of work associated with BTS clients.
  - The allocation rate based on the total number of utility customers and is allocated proportionately based on number of utility customers in each applicable utility company.
  - The transactional rate based on volume will be used for the distribution of work associated with financial systems. The allocation rate is based on the total number of general ledger transactions and is allocated proportionately based on number of general ledger transactions in each applicable utility company.
  - The transactional rate based on volume will be used for the distribution of work performed relating to general IT activities. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Technical support related to software applications with an emphasis in installation, maintenance, and compliance. Specific initiatives are charged directly to the benefiting companies.
- Costs related to systems supporting general activities relating to utility companies are allocated based on the applicable Massachusetts Method to the benefiting companies.
- Costs related to systems supporting applications relating to utility customers are allocated based on utility customer count,
- Costs related to systems support relating to financial systems is allocated based on the general ledger transactions.
- Remaining costs incurred in supporting BTS clients benefit all companies and are therefore allocated proportionately based on the number of network ID's per each company.

**BTS PPMO  
Home Center 7139**

**Major activities/Home Center Overview:**

Financial Analysis and tracking for Business Technology Services and General Services.

- Monitor and track Technology & General service operating budget
- Creation of capital funding accounts and work orders for technology
- IT requisitions, invoicing, accruals, amortizations
- Administer iCAT

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work associated with BTS clients.
  - The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.
  - A general allocation will be used for the distribution of work done for PNM Utility for work that is general in nature. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- General IT maintenance supporting systems that benefit PNM Utility and are general in nature are allocated based on the appropriate applicable Massachusetts Method.
- Technical support with an emphasis on account management functionality for establishing and monitoring IT performance measures and as a liaison with companies for all IT support. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.

**Utility Applications  
Home Centers: 7141**

**Major activities/Home Center Overview:**

Provisioning of new applications, upgrades to existing applications to keep technology current, providing application break/fix/enhancement support and monitoring enterprise applications on a daily basis to assure smooth operations for NM & TNMP Transmission and Distribution,

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Generation, and Corporate. We provide Operational Data to business on-demand, perform System Administration on applications; resolve trouble calls from customers and provide support for Lifecycle Management and issues with technology-based products such as ORACLE, SQL, MSAccess, Visual Basic, Linux and Windows, .Net and several others. We work closely with Infrastructure, Architecture, Security, Audit, SOx, Business Analysts and the Project Management Office to assure set policies and procedures are closely followed to assure the highest level of success in all we do. We provide monthly Microsoft Patching and on demand Cyber Security Patching on all applications as required to eliminate Cyber Exposure. We provide 7x24x365 On-Call support to several applications to assure high availability. Specific responsibilities include:

- Application break/fix/enhancement support
- Application development
- System Reports Set-up and Administration
- Ad-hoc Reporting
- Enhancement design and implementation
- Lifecycle Management
- Assess software to ensure it aligns with defined architecture
- Liaison with business units for all IT support
- Manage service levels and constraints
- Manage account plans
- Manage account communications
- Aid in the development of policy, strategic, and tactical planning
- Application Architecture Review
- Collect and provide performance metrics
- New Application Installation
- SOX Application Compliance
- Change Management Compliance
- Audit Compliance
- Critical Application On-Call Support
- Application Security Administration
- Application and Platform Retirement
- Data Migration, Cleansing, Maintenance
- Application Performance Monitoring
- Application Documentation Compliance
- Develop Business Continuity Plans

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for TXNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

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- The transactional rate based on volume will be used for the distribution of work associated with BTS clients.
  - The transactional rate based on volume will be used for the distribution of work associated with financial systems. The allocation rate is based on the total number of general ledger transactions and is allocated proportionately based on number of general ledger transactions in each applicable utility company.
  - The transactional rate based on volume will be used for the distribution of work performed relating to general IT activities. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- Technical support related to software applications with an emphasis in installation, maintenance, and compliance. Specific initiatives are charged directly to the benefiting companies.
- Costs related to systems supporting general activities relating to utility companies are allocated based on the applicable Massachusetts Method to the benefiting companies.
- Costs related to systems support relating to financial systems is allocated based on the general ledger transactions.
- Remaining costs incurred in supporting BTS clients benefit all companies and are therefore allocated proportionately based on the number of network ID's per each company.

**BTS – Advanced Technology  
Home Center 7142**

**Major activities/Home Center Overview:**

Advanced Technology and Strategy is responsible for providing research and development of new technologies and the proposal of possible business applications of emerging technologies to support TXNM Energy strategic objectives.

Specific responsibilities include:

- The team directs the tracking and reporting of business and industry trends and visioning of new technologies supporting TXNM's understanding of applications and results of emerging electric utility industry technologies. (*examples – attending industry conferences and meetings; interactions with industry groups such as EPRI, EEI, Department of Energy, etc.; providing support to TXNM's corporate strategy and risk; provide support for PNM Governmental Affairs and PNM Economic Development and with respect to customers and constituents desiring advanced energy needs*)
- The team partners across the enterprise and with external stakeholders to formalize application plans and oversee the successful delivery of related projects supporting integration and evaluation of emerging electric utility industry technologies. (*Examples –*

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*DOE Battery Storage project; PNM substation security project; advanced modeling project converting GIS to OpenDSS and supporting analysis using the tool (renewable integration and electric vehicle penetration analysis), and collaboration with national laboratories on project development plans and hypothesis for advanced technology proposals)*

- The team leads, directs, and oversees the research and development of new technologies, monitoring technology trends of vendors, and related industries with respect to the distribution, transmission, and generation system including, but not limited to: “Smart Grid” technologies such as advanced meters, advanced distribution automation, Plug-in-Hybrid Electric Vehicles (PHEVs), energy storage, distributed generation resources and the integration of distributed generation and storage into the distribution system. This work supports operational, regulatory, policy, and strategy understanding of how new technologies can support and/or improve operations and/or what steps must be taken to prepare for these new technologies. *(Examples – Prosperity Energy Storage; PNM Substation Security technology evaluation; investigation of AMI applications; investigation of Conservation Voltage Reduction applications; support to PNM Regulatory and Policy groups on renewable integration, electric vehicles, interrogatories; AMI business case development; management of the EPRI contract for TXNM; NEDO (Japanese Government organization) research and development in New Mexico including NEDO building microgrid project at Mesa del Sol; Internal R&D Tax Credit Reporting)*
- Participates and/or coordinates company participation with standards development, technical and other industry organizations including but not limited to EPRI, WEI, EEI, IEEE, and NIST to guide industry standards development, technical advancement of system design, construction, advanced technologies, systems interoperability, and business processes supporting TXNM’s industry coordination and collaboration. *(Examples – Management of EPRI contract; Participation in EPRI Programs (Information and Communications, Cyber Security, Integration of Distributed Renewables, Energy Storage Working Group); TXNM’s representative on EPRI’s Research Advisory Committee (, participation with EEI; support of Department of Energy on energy storage as part of Prosperity Project and microgrid research; Sandia National Laboratory Grand Challenge Board of Advisors for advanced PV research; NEDO microgrid and renewable energy development and research in New Mexico; State of New Mexico Energy Storage working group; coordination with University of New Mexico on DOE project as well as subsequent advanced modeling research including a graduate level course in advanced modeling)*

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done.
  - The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.
  - A general allocation will be used for the distribution of work done for PNM Utility for work that is general in nature. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite

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rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support related to IT department expansion through business plan development, analysis, implementation, and review. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.
- General IT maintenance supporting systems that benefit PNM Utility and are general in nature are allocated based on the appropriate applicable Massachusetts Method.

**GIS & Mapping  
Home Center 7144**

**Major activities/Home Center Overview:**

- PNM Drafting/CAD Support
- Maintain Vault for drawing centralization for PNM/TNMP/Generation
- Construction Documents and as-builts data for stations, T-lines, Protection/Controls/Relay, and Generation Facilities
- Maintain/Create standards for Enterprise GIS system
- Distribution and Transmission mapping support maintaining/establishing data management for TXNM, PNM & TNMP
- Visualization of information in a geographic context
- Creation of Web GIS maps/apps for NMOps & TNMP Ops
- Geographic Data analysis and reporting for TXNM, PNM & TNMP
- Providing spatial analysis services to include data management, mapping and visualization, and analysis capabilities—from the simple to the complex.
- Enabling Field based GIS data management; Create, edit, and share data, make it available to any device, anywhere, at any time
- Maintain and support GIS Enterprise, Portal for ArcGIS, ArcGIS Server, ArcGIS Data Store and ArcGIS Web Adaptor.
- Support Engineering Management Program – Viewport for T&D Construction documents
- Support Fiber Manager
- Maintain/Support PLS-Grid for TNMP Ops
- Replacement of LandWorks – nothing has been decided at this point

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.

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- The transactional rate based on volume will be used for the distribution of work done.
  - The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.
  - A general allocation will be used for the distribution of work done for PNM Utility for work that is general in nature. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support related to IT department expansion through business plan development, analysis, implementation, and review. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.
- General IT maintenance supporting systems that benefit PNM Utility and are general in nature are allocated based on the appropriate applicable Massachusetts Method.

**PPMO  
Home Center 7146**

**Major activities/Home Center Overview:**

The Enterprise Portfolio and Program Management office (EPMO) provides leadership for implementing large construction projects for PNM and information and operations technology programs and projects for the company.

- Aid in the development of policy, strategic, and tactical planning
- Accountable for PNM Operations & Technology capital budgets
- EPMO governance, project manager training, capital allocation teams (iCAT and eCAT)
- Construction Management Policy
- Organizational Change Management
- Resource Management
- Mergers, Acquisitions, and divestiture program management

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done.
  - The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

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- A general allocation will be used for the distribution of work done for PNM Utility for work that is general in nature. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support related to IT department expansion through business plan development, analysis, implementation, and review. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.
- General IT maintenance supporting systems that benefit PNM Utility and are general in nature are allocated based on the appropriate applicable Massachusetts Method.

**OT & PNM Capital Management  
Home Center 7148**

**Major activities/Home Center Overview:**

Oversees Operational Technology (OT) in the operational areas for both PNM and TNMP. The department establishes the strategic direction of the PNM utility operations capital portfolio, supports the integrated resources plan, and meets reliability and environmental objectives.

**Key Activities**

**Operations Technology Management**

- Oversee the implementation and maintenance of OT applications.
- Own all aspects of OT infrastructure, from design and implementation to security and maintenance.
- Develop strategies for the effective use of OT in operational functions.
- Coordinate with the IT department to integrate OT with IT policies and procedures.
- Stay updated with the latest trends in OT.

**Utility Application Oversight**

- Oversee the implementation and management of key utility applications like IBM Maximo for asset management
- Ensure utility applications are properly integrated with operational systems and business processes.
- Leverage utility application's capabilities for work order management, compatible unit estimating, regulatory compliance, and mobile workforce enablement.
- Drive the adoption of best practices in utility operations management through effective use of software applications.

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**Generation Engineering**

- Oversee all engineering functions in power generation, including gas generation, wind, solar, and storage on the bulk electric system.
- Ensure the integration of new technologies into existing systems while maintaining the integrity of the design basis.
- Develop and implement reliability engineering strategies that align with the design basis of generation assets.
- Plan for the acquisition or building of additional generation capacity, ensuring new assets are designed and built according to the established design basis.
- Develop and manage the decommissioning plans of retiring power stations, ensuring adherence to sound engineering practice and applicable regulations.

**Capital Management**

- Create, monitor, and control the capital budget for PNM utility operations, ensuring alignment with the utility's financial goals and operational needs.
- Monitor the execution of capital projects within budget and timeline, ensuring they deliver value and meet strategic objectives.
- Evaluate the financial feasibility of potential projects, considering factors such as return on investment, risk, and strategic fit.
- Implement cost-saving measures and efficiency improvements in capital management processes.

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done.
  - The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.
  - A general allocation will be used for the distribution of work done for PNM Utility for work that is general in nature. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support related to IT department expansion through business plan development, analysis, implementation, and review. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.

General IT maintenance supporting systems that benefit PNM Utility and are general in nature are allocated based on the appropriate applicable Massachusetts Method.

**OT Compliance  
Home Center 7154**

**Major activities/Home Center Overview:**

Responsibilities for Operations Technology NERC/CIP Compliance are to provide NERC CIP compliance support to TXNM, and TNMP Operations Technology groups as well as NMOPS.

- Performance management administration
- NERC CIP Compliance activities as SME for Power Operations
- NERC CIP Compliance activities as SME for TNMP
- NERC CIP Compliance activities as SME for NMOPS
- PNM Test lab maintenance and support
- Work assignments and workload balancing
- Liaison to NRG

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done.
  - The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.
  - A general allocation will be used for the distribution of work done for PNM Utility for work that is general in nature. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support related to IT department expansion through business plan development, analysis, implementation, and review. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.

General IT maintenance supporting systems that benefit PNM Utility and are general in nature are allocated based on the appropriate applicable Massachusetts Method.

**Utility Ops Training  
Home Center 7178**

**Major activities/Home Center Overview:**

- This department's work effort is to standardize system operator training across PNM and TNMP under a program which would adhere to a systematic approach to training, ensure effective training, and comply with NERC training-related standards.
- This group oversees system operator training and other training needs indicated in NERC and regional standards.
- Responsible for addressing system operator NERC required training program needs at PNM Power Operations and the TNMP Alvin Systems Operations Center.
- Manages programs designed to provide initial and ongoing training to system operators assigned duties associated with PNM participation in the Energy Imbalance Market.
- Oversees the enterprise CIP Access Training Program.
- Master administrative support for Enterprise Learning Management system (ELM).
- Supports training development and management needs across multiple areas of the company.
- Supports Safety group and business units across the enterprise by creating and/or coordinating the access and delivery of job-specific training identified by the Safety group as required for individual job descriptions. Training delivered via ELM (web-based) or in-person.
- Provides administrative support for multiple Department of Labor registered apprenticeship programs implemented at PNM and TNMP facilities.
- Provides training development, delivery, and evaluation support for other PNM/TNMP business units as requested and as resources allow.

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done.
  - The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.
  - A general allocation will be used for the distribution of work done for PNM Utility for work that is general in nature. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.
- Technical support related to IT department expansion through business plan development, analysis, implementation, and review. The related costs incurred in leading

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these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.  
General IT maintenance supporting systems that benefit PNM Utility and are general in nature are allocated based on the appropriate applicable Massachusetts Method.

**Operations Technology  
Home Center 7191**

**Major activities/Home Center Overview:**

Responsible for increasing electric grid reliability, by reducing cybersecurity risks while simultaneously maintaining regulatory compliance. Operations Technology supports and protects critical grid infrastructure through services including:

- NERC CIP Compliance activities for LIBCS, MIBCS and HIBCS
- Managing budgeting and contracts
- Maintain and support OT networks and associated equipment
- Maintain and support OT systems and applications
- Application break/fix/enhancement support
- Ad-hoc Reporting
- End user support
- Security Risk Management
- Third party vulnerability assessments for OT networks, systems and applications
- OT/SCADA Security Architecture
- OT/SCADA Security Policy Administration
- OT/SCADA Security Governance
- OT/SCADA Cyber Security
- OT/SCADA On-Call Support

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done.
  - The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.
  - A general allocation will be used for the distribution of work done for PNM Utility for work that is general in nature. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting companies.

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- Technical support related to IT department expansion through business plan development, analysis, implementation, and review. The related costs incurred in leading these activities benefit all companies and are therefore allocated proportionately based on the number of network ID's per company.
- General IT maintenance supporting systems that benefit PNM Utility and are general in nature are allocated based on the appropriate applicable Massachusetts Method.

**Infrastructure Admin  
Home Center 7559**

**Major activities/Home Center Overview:**

Central home center for Infrastructure Services including:

**Processes and Activities Specific to Data Center Services**

- Data Center facilities management
- Data Center Network and Server Services
- Disaster Recovery Services
- Consulting Services and Temp labor for Infrastructure and Architecture
- Data Center supplies

**Processes and Activities Specific to Service Desk (Help Desk)**

- 24 x 7 IT critical problem reporting/resolution support
- Incident management
- Tier 1 phone support
- Project support
- Collect and provide performance metrics and reports
- Audit support
- Application Administration (Banner, Oracle, Lodestar)
- Family First Disaster Support (24 x 7 support)
- Administer Hardware Loaner Requests (laptop, phones, LCD panels)
- PBX Operator
- Knowledge tree updates

**Processes and Activities Specific to Desktop Services**

- Client Hardware Adds, Moves Changes
- Client Hardware Refresh Process & Functions
- Desktop Break/Fix/Enhancement Support (Maintenance)
- Software Adds, Moves, Changes
- Maintenance Performance (Metrics/Statistics)
- Client Information Systems Development / Maintenance
- Project Management Function

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- Problem Management Workaround/Solution Process
- Project Support Functions
- Packaged Application Management and Support
- Corporate Image Management and Support
- Patch Management Services (OS, Kernel Applications)
- Research Technology Evaluation / Testing
- Video Conferencing setup and technical support

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume will be used for the distribution of work done. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.
- The transactional rate based on volume will be used for the distribution of work done relating to desktop support. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of Network ID's in each company.

**Basis of assignment:**

- Technical support and relate to security administration and strategic planning for network and applications. The related costs incurred in leading these activities benefit all TXNM employees and the corporation as a whole and are therefore allocated proportionately based on the number of network ID's in each company.
- Activities relating to BTS support of desktop and data services benefit the entire organization and are therefore allocated proportionately based on the number of computers in each company.

## **COMMUNITY RELATIONS & STAKEHOLDER ENGAGEMENT**

7100 – Community Relations & Stakeholder Engagement

### **Community Relations & Stakeholder Engagement Home Center 7100**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to Companywide Volunteerism**

- Develop and implement community engagement opportunities for employees
- Track employee volunteer hours and advocacy relationships with organizations and local nonprofits
- Provide contributions to nonprofits where employees in Texas and New Mexico and qualified retirees volunteer (includes Volunteer Grants, Matching Grants and Community Crew)

##### **Processes and Activities Specific to Community Outreach**

- Advance the company's mission, vision and goodwill by providing constituents with information on company business and soliciting stakeholder input and support
- Enhance shareholder value and create opportunities for the future for both TXNM and our customers.

##### **Processes and Activities Specific to Corporate Contributions**

- Advance the company's goodwill and community perception as a trusted corporate citizen by investing in our communities (includes corporate giving and a charitable foundation)
- Invest in issues-based sponsorships in the following focus areas: Education, Economic Development, Low Income customers, and the Environment.
- Geographical and event sponsorships/partnerships are focused in the same four major issue-areas. Employee-driven programs augment the sustainable development goals and serve employee nonprofit interest-areas not covered by Corporate Giving.
- Diversity Equity and Inclusion is a focus of processes and activities

##### **Processes and Activities Specific to Low Income Outreach**

- Develop partnerships with community partners to serve the needs of our low-income customers

##### **Processes and Activities Specific to Environmental Outreach**

- Advance the company's environmental strategies and policies
- Promote internal awareness of company environmental issues

Exhibit IV  
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- Share environmental information with customers and key stakeholders and create partnerships to demonstrate the company's environmental commitment

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional allocations will be used for the distribution of work done relating to PNM Utility community outreach. The transactional allocation percentage is based on the number of electric utility customers.
- A general allocation will be used for the distribution of work done for the TXNM Energy, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.

**Basis of assignment:**

- Services relating to Low Income outreach are associated with utility distribution services therefore costs are assigned based on the number of utility customers.
- External communications and event sponsorship with customers, media, financial audiences, non-profit organizations and the community represent TXNM's corporate citizenship, which is embodied in its people. Costs associated with these activities benefit the corporation as a whole and are assigned based on the Massachusetts Method. Specific initiatives are charged directly to the benefiting company.

## **PROCESS MANAGEMENT**

7306 –Enterprise Process Management

### **Enterprise Process Management Home Center 7306**

#### **Major activities/Home Center Overview:**

- Corporate Benchmarking
- Business Process Improvement
- Skill development and training around Continuous Improvement
- Project Management leadership and coordination
- Root Cause Analysis (RCA) governance and execution
- Corporate Policy Management
- Annual Incentive Plan scorecard management

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Energy, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and Number of Employees for each company.
- A transactional allocation will be used for the distribution of work done for TXNM Energy that are related to employees. The transactional allocation percentage is based on the number of employees for each company.

#### **Basis of assignment:**

- Designing and managing business processes is performed across the entire enterprise and benefits all TXNM companies. As process management is centrally managed, standardizing the approach provides benefit to the corporation as a whole therefore; the costs are assigned based on the Massachusetts Method. Specific initiatives are charged directly to the benefiting companies.
- Processes performed relating to employee's benefits all TXNM companies. These costs are allocated proportionately based on the number of employees for each company.

## **TRIBAL GOVERNMENT & CUSTOMER ENGAGEMENT**

7032 – Tribal Government & Customer Engagement

### **Tribal Government Home Center 7032**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to New Mexico**

- Tribal Government and Customer Engagement develops, fosters and maintains critical relationships with the 23 New Mexico Tribes, businesses, entities, stakeholders and key opinion leaders on major policy issues encompassing diverse energy issues and projects.
- Work in collaboration with the Lands and Environmental Services Departments to negotiate balanced outcomes to acquire Rights of Way (ROW) for PNM facilities located on Tribal land in compliance with federal government relations.
- Develop, foster and maintain relationships with Tribal Governments and policy organizations:
  - Analyze legislation and resolutions
  - Prepare testimony and resolutions
  - Present, testify before councils and committees
  - Monitor legislation
- Oversee and manage Tribal Customer segment including associated government, tribal gaming and resorts, associated tribal businesses and residential. We serve as a trusted advisor to all tribal customer segment representatives (residential, small power, general power, large power) and is the liaison between assigned accounts and PNM cross-functional organizations.
- Work with several cross-functional teams within PNM including serving as liaisons to the tribal segment:
  - Account Management
  - Industry
  - Outages
  - Billing issues
  - Energy Efficiency projects
  - Low-income assistance
  - Meter Reading
  - Solar Development
  - Generation
  - Rights-of-Ways
  - Environmental
  - Regulatory
  - Communications & Marketing
  - New Service Delivery
  - Service Line Agreements

Exhibit IV  
PNMR Services Company Departments

- Vegetation Management
- Taxation
- Project Engineer support
- Operations and Reliability
- Transmission
- Tribal Land Access
- 

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the Utility companies. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Legislative advocacy with local and federal governments in areas in which the Corporation conducts business is directly charged to companies benefiting from such advocacy. General analysis, strategy and related functions benefit the corporation as a whole. Costs primarily are assigned based on the appropriate applicable Massachusetts Method.

## **GOVERNMENTAL RELATIONS**

7042 – Governmental Affairs

### **Government Affairs Home Center 7042**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to Lobbying in New Mexico and Washington, DC**

- Develop, foster and maintain relationships with Federal, State, and local officials and key opinion leaders
- Analyze legislation
- Prepare testimony
- Monitor legislation
- Proactively work to pass or defeat legislation
- Administer employee Political Action Committee (PAC)

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the Utility companies. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

#### **Basis of assignment:**

- Legislative advocacy with local and federal governments in areas in which the Corporation conducts business is directly charged to companies benefiting from such advocacy. General analysis, strategy and related functions benefit the corporation as a whole. Costs primarily are assigned based on the appropriate applicable Massachusetts Method.

## **COMMUNICATIONS**

7034 – Corporate Communications  
7179 – Marketing & Communications

### **Communications Home Centers: 7034**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to Intranet Website Development and Maintenance**

- Provide access for employees to essential information such as accounting and human resources systems and services
- Separate intranet sites, which can be developed and maintained for business units. (Does not include any IT costs such as building phone directories, hardware, software required).

##### **Processes and Activities Specific to Internet Website**

- Develop/maintain Internet website as needed for business units.
- Content management

##### **Processes and Activities Common to Public Relations**

- Press release preparation
- Respond to media inquiries
- Development of media backgrounds
- Public Relations advice
- Event coordination
- Media relations advice and deployment
- Internal communication about advertising and branding
- Development and maintenance of social media channels

##### **Processes and Activities Specific to Workforce Communications**

- Raise employees' awareness on topics such as HR changes, Code of Conduct
- Engage TXNM employees into community activities
- Encourage commitment to TXNM and subsidiary goals
- Event coordination
- Electronic and print newsletters
- Executive communications
- Webcasting and video development and production

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**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for TXNM Energy, Inc. associated with corporate communications and customer communications that benefit the entire organization. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.
- A general allocation will be used for the distribution of work done for TXNM Utility companies associated with Customer communications. The general allocation percentage is based on the customer count, which allocates cost based on the Number of utility customers for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- Communications directed to employees and related costs incurred in leading these activities benefit the TXNM Utility companies and are therefore allocated proportionately based on the Massachusetts Method.
- Communications directed to external customers and related costs incurred in leading these activities benefit the distribution companies; therefore assigned based on the Number of Utility Customers.

**Customer Service Operations  
Home Center 7179**

**Major activities/Home Center Overview:**

**Processes and Activities Management**

- Oversight of Customer Service Operations
- Meter Reading
- Contact Center
- Billing
- Credit
- Collections
- Payment Centers
- Solar applications
- Management Systems

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for TXNM Energy, Inc. that benefits the entire organization. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Specific initiatives are charged directly to the benefiting company.
- Costs related to marketing activities benefit all TXNM companies and are therefore allocated proportionately based on the Massachusetts Method.

## **ENVIRONMENTAL SERVICES**

7045 – Environmental Services  
7163 – Wildfire and Vegetation Management  
7164 – Resource Management  
7420 – Land Services

### **Environmental Services Home Center 7045**

#### **Major activities/Home Center Overview:**

- Provides technical guidance and support to TXNM, PNM and TNMP (“the Company”) in environmental policy and compliance.
- Ensures the Company maintains compliance with applicable environmental laws, regulations, and rules across all business units
- Assists with the development of the Company’s overall sustainability goals and tracks and reports on environmental sustainability goals.
- Manages environmental issues, impacts and mitigation related to the Company’s operations in the areas of construction, operations and maintenance, including but not limited to air and water quality, waste management and disposal, and biological and cultural resource issues
- In conjunction with Public, Governmental, and Regulatory Affairs & Executive Management, develops and implements environmental regulatory policy for the company
- Develops and implements environmental strategy and initiatives
- Conducts compliance monitoring, verification and reporting for all facilities as required by environmental regulations
- Develops, implements, and documents the Company’s Environmental Management System Performance and overall program performance
- Performs EMS audits and assists Audit Services with environmental compliance audits. Assists or oversees requisite corrective actions.
- Responds to spills and environmental-related incidents
- Leads Team Green voluntary employee group focused on waste recycling, reuse and diversion and completion of the annual waste goal
- Conducts regulatory and policy tracking, interpretation, and analysis
- Conducts stakeholder outreach and in conjunction with Corporate Communications, responds to media inquiries
- Reports on company performance/liabilities to internal and external stakeholders

#### **Assignment method:**

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- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Environmental functions generally benefit the TXNM Utility companies as a whole, and therefore, the costs are assigned based on the appropriate Massachusetts Method. Specific initiatives are charged directly to the benefiting company.

**Wildfire and Vegetation Management  
Home Center 7163**

**Major activities/Home Center Overview:**

- Leads wildfire risk assessment and mitigation activities
- Leads the process to identify and document risk, assess the impacts, explore & evaluate mitigation alternatives, develop risk scoring and mitigation prioritization approaches
- Works with internal and external stakeholders to maintain geospatial Hazardous Fire Areas (HFAs) and identify opportunities to apply the HFAs to various operations and wildfire mitigation initiatives.
- Develops and maintains effective relationships across the Enterprise to understand the interdependencies between risks and identify mutually beneficial mitigation strategies
- Influences investment planning to include programs to enhance system safety.
- Partners with corporate risk staff to ensure Wildfire Risk practices are developed and consistent across the Enterprise.
- Recognizes internal and external developments that may impact wildfire risks within our service territories
- Manage and lead the development of risk/spend efficiency analysis including any new risk reporting requirements for the annual plan
- Facilitate the thorough documentation of risk/spend efficiency analysis to ensure transparency, repeatability, and auditability of the work
- Develop and/or update processes as needed to streamline ongoing development of risk and/or spend efficiencies

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- Build and enhance internal alliances with key operating leadership and subject experts to utilize appropriate metrics and analytics to support wildfire mitigation plan proposals
- Lead and manage team to ensure resources are optimized in support of strategic initiatives and activities
- Prioritize workload based on resources, while promoting employee development
- Develop and deliver dashboards, reports and presentations on regulatory wildfire risk analytics topics
- Represent the Company in community, industry, and regulatory forums to educate and build partnerships around wildfire safety and related activities (e.g., Fire Safe Councils, wildland management agency meetings, wildfire conferences, etc.)
- Build and foster external alliances to maintain up to date knowledge of industry-related issues in wildfire risk reporting
- Serve key strategic and advocacy role for information systems that support wildfire modeling efforts, providing common platform for wildfire risk analytics that drives consistency and repeatability
- Maintains industry contacts for benchmarking and sharing information.
- Manage and lead the vegetation management risk analysis including development of spending requests and reporting.
- Responsible for supporting regulatory communications
- Support external audit and review
- Budgeting variance review and reporting

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Environmental functions generally benefit the TXNM Utility companies as a whole, and therefore, the costs are assigned based on the appropriate Massachusetts Method. Specific initiatives are charged directly to the benefiting company.

**Change and Resource Management  
Home Center 7164**

**Major activities/Home Center Overview:**

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- Creates and implements change management strategies and plans that maximize employee adoption and usage of IT systems and business processes while minimizing resistance, while utilizing a structured change management methodology
- Works with project managers on projects to drive faster adoption, higher ultimate utilization and greater proficiency of the changes that impact employees in the organization to increase benefit realization, value creation, ROI and the achievement of results and outcomes
- Supports project teams in integrating change management activities into their project plans and with communication efforts
- Effectively and efficiently communicates change impact assessment and plan to business and IT stakeholders Acts as a coach for leaders in helping them fulfill the role of change sponsor
- Provides direct support and coaching to front-line managers and supervisors as they help their direct reports through transitions Supports training efforts through working with stakeholders on training needs by role and developing training documentation, job aids and user guides
- Works with Delivery Directors and Managers to identify external resource needs by skill set, identifying longer term steady state demand and rolling short (45 day) to mid-term (180 day) variable demand to respond to fluctuations in project demand
- Works with the PMO and Managed Delivery Service providers to obtain a cost-effective fixed core resource pool to meet longer term steady state demand and a dynamic and flexible resource pool to meet short to mid-term fluctuations in demand
- Balances external resource allocations across a portfolio of projects and/or operational activities
- Reviews financial and resource metrics, escalate exceptions as required and provide ongoing financial and resource demand, allocation and utilization management reporting
- Reviews and manages the workforce outsourcing strategy as appropriate, creating plans and processes to manage resource allocations and vendor relationships

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Environmental functions generally benefit the TXNM Utility companies as a whole, and therefore, the costs are assigned based on the appropriate Massachusetts Method. Specific initiatives are charged directly to the benefiting company.

**Land Services  
Home Center 7420**

**Major activities/Home Center Overview:**

- Acquisition of real property rights for major transmission, solar, generation, substation, distribution, switchyard and power plant for the company.
- Conduct cadastral surveys and prepare legal descriptions and exhibits for the acquisition of property rights. File the executed documents in the appropriate county office.
- Oversee contracts for acquisition, title, survey and appraisal work as relates to the above projects. Work closely with in-house and contract attorneys to settle property owner disputes up to and including condemnation. Also, work with in-house and contract attorneys in developing real property contracts for the department.
- Review appraisals for internal work as well as external.
- Provide land acquisition estimates for major transmission, substation and generation and interconnection projects as they relate to real property rights for the project.
- Participate in site and alignment/planning meetings for major projects.
- Work with environmental specialists when needed for various studies and environmental due diligence of proposed land acquisition leases and property disposals.
- Acquire permits, license agreements and rights of way from various agencies including the New Mexico Department of Transportation, New Mexico State Land Office, Carson, Santa Fe, Cibola and Lincoln National Forests, the Bureau of Land Management, the Middle Rio Grande Conservancy District, the Albuquerque Metropolitan Area Flood Control Authority, and the Sandoval County Arroyo and Flood Control Authority. Tract and renew all leases, licenses and permits for these agencies.
- Negotiate and acquire rights of way from various Native American tribes in compliance with Government Regulations 25 CFR Part 169, for electric facilities. Renew existing rights of way from Native American interests.
- Review plans on behalf of the company for potential conflicts with PNM's existing infrastructure. Approve plats upon completion of review
- Prepare project files for project closeout and archive in PNM's Document Management System.
- Store and maintain files of all perpetual land rights acquired by the company in both hard and digital format.
- Support property tax accounting department in the company's annual real property rendition to the State Taxation and Revenue Department.

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates

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cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Environmental functions generally benefit the TXNM Utility companies as a whole, and therefore, the costs are assigned based on the appropriate Massachusetts Method. Specific initiatives are charged directly to the benefiting company.

## **SAFETY**

7553 – Safety

### **Safety Home Center 7553**

#### **Major activities/Home Center Overview:**

The Safety Department provides the following support and resources to all of the business units:

- Be a technical/informational resource supporting the companies' occupational health and safety program.
  - Develop and administer safety management system
- Evaluate, develop, and recommend health and safety programs and initiatives to eliminate, reduce, or manage risks, improve health, and prevent injuries and illnesses.
- Monitor existing TXNM Energy safety programs to ensure they are current, implemented, compliant, and effective. When appropriate, make changes in coordination with leadership and the appropriate Safety Committee(s) to the safety programs to help ensure a consistent approach throughout TXNM Energy.
- Provide guidance, assistance, and coordination of performing hazard analysis and risk assessments. Serve as a technical resource and advisor on issues of occupational health and safety, industrial hygiene, OSHA compliance, and risk management throughout TXNM Energy.
- Serve as a point of contact with regulatory agencies, trade associations, and outside groups on matters of occupational health and safety. Using the TXNM Energy Safety Committees, and others who are involved with safety, ensure that TXNM Energy is represented in the community and industry groups that focus on occupational health and safety.
- Review and provide feedback on all Incident Investigations to help ensure all root cause and correctable opportunities have been identified.
- Work in collaboration with leadership and the appropriate safety committees to evaluate and analyze injury and near-miss trends and develop initiatives and action plans to address all identified correctable opportunities.
- Coordinate and administer TXNM Energy safety audits, where applicable
- Act as a resource, and support as necessary, all Safety Committees throughout TXNM Energy and assist in ensuring Safety Committees are an effective part of our safety improvement process.
- Manage TXNM Energy and each respective business unit safety performance data.

#### **Major Programs and Initiatives**

Health and Safety Program Development; examples –

- Safety Management System

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- LOTO
- Corporate safety policies and procedures
- Respiratory Protection
- Job Safety Planning
- Safety Audit protocols
- Hearing conservation
- Confined Space
- Safety Training
- Industrial Hygiene
- Safety Leadership training and development
- National Safety Council Defensive Driving Program

Smith Driving program

The development, implementation, and execution of the health and safety programs, policies, and procedures are a key element for the corporation to achieve its safety goals and targets, as well as each business unit achieving its safety goals.

Example safety goal categories:

- DART- days away, restrictions, job transfers
- OSHA recordable injury rate
- Severity/Lost time injury rate
- Safety training
- OSHA compliance
- Safety audit/assessment to TXNM's Safety Management System
- Safety Walks/Inspections
- PVA – preventable vehicle accident

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Energy, Inc. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Services provided in this area are primarily direct charged to the company receiving the benefit. A portion of the services provides functions generally benefit the corporation as a whole, and therefore, the costs are assigned based on the Massachusetts Method. Specific initiatives are charged directly to the benefiting company.

**SUPPLY CHAIN**

7078 – Supply Chain  
7092 – Sourcing  
7093 – Chain Fleet  
7094 – Chain Warehouse

**Supply Chain  
Home Center 7078**

**Major activities/Home Center Overview:**

- Initiate, manage, and direct all Supply Chain and General Services initiatives.
- Support operations, materials management, facilities, real estate and purchasing requirements.
- General administration for Supply Chain and General Services areas.

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of invoices. The total is composed of the general ledger transactions related to accounts payable and is allocated proportionally based on the number of financial transactions recorded in the accounts payable by each company.

**Basis of assignment:**

- Supply chain policies and procedures development, contract negotiation, training, process improvement, communication and managing the supplier diversity program are centrally managed and as such benefit the corporation as a whole. Costs to process and remit payment on invoices to procure goods and services for companies are allocated based on the number of invoices processed for each company.

**Sourcing  
Home Center 7092**

**Major activities/Home Center Overview:**

**Processes and Activities Common to Resources Purchasing and Indirect Purchasing**

- Locating sources of supply
- Placing purchase orders
- Expediting material
- Resolving quality, delivery, pricing or related issues with suppliers

**Processes and Activities Common to Contract Administration and Project Contract**

- Administering Requests for Information, Quote, and Proposals
- Negotiating contracts
- Issuing authorization for work against a master contract
- Resolving quality or delivery issues and contract discrepancies with contractors
- Contract Standardization and Review

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional rate based on volume produced will be used for the distribution of work done attributable to the remaining clients. The allocation rate is based on the number of invoices. The total is composed of the general ledger transactions related to accounts payable and is allocated proportionally based on the number of financial transactions recorded in the accounts payable table by each company.

**Basis of assignment:**

- Costs to process and remit payment on invoices to procure goods and services for companies are allocated based on the number of invoices processed for each company. Specific initiatives are charged directly to the benefiting company.

**Fleet Management  
Home Center 7093**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Fleet Equipment and Vehicles**

- Buy / lease activities
- Disposal activities
- Maintenance and service activities

**Processes and Activities Common to Fleet Management**

- Development of replenishment schedule
- Development of maintenance and service plans
- Budget coordination
- Fleet Policies & Procedures
- Fuel program Retail fuel purchases and bulk fuel programs (if appropriate)
- Fuel agreements
- Lease agreements
- Insurance requirements
- Prepare vehicle & equipment specifications
- Align pricing discounts from major manufacturers

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Utility. The general allocation percentage is based on the Massachusetts Method, which allocates cost based on the composite rate comprised of Net Utility Plant, Margin, and number of employees for each company.

**Basis of assignment:**

- Fleet services as described above are centrally controlled and managed. Direct charges are made for equipment used, however the associated management cost related to fleet policy development, standardization of equipment, and strategic sourcing of services and equipment and therefore, the costs are assigned based on the Massachusetts Method. Specific initiatives are charged directly to the benefiting company.

**Warehouse and Distribution  
Home Center 7094**

**Major activities/Home Center Overview:**

**Processes and Activities Specific to Inventory Management and Control**

- Min/Max management
- Materials Procurement – Placing purchase orders
- Expediting material
- Resolving quality, delivery, pricing or related issues with suppliers

**Processes and Activities Common to Warehouse and Distribution**

- Asset Management
- Cost containment
- Vendor management service
- Forecasting
- Capacity Planning
- Variance Analysis
- Quality Control
- Warehouse optimization
- Kitting/Staging/Delivery
- Cost discounts
- SOX Compliance
- Performance Reporting
- Metric Reporting
- Maximo App Mgmt Inv.
- Maximo App Mgmt Purch.

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- Costs are assigned to regulated entities through the use of stores expense and purchase clearing accounts. The costs are allocated based on volume of stores expense or purchase account activity by each company.

**Basis of assignment:**

- Managing, directing, and coordinating all warehouse activities is performed enterprise wide and benefit the utility entities. Costs are assigned to the benefiting companies through Stores expense and Purchase clearing accounts. Specific initiatives are charged directly to the benefiting company.

## **GENERATION OPERATIONS**

7360 – Strategic Energy Planning & Development

### **New Generation Development Home Center 7360**

#### **Major activities/Home Center Overview:**

##### **Processes Specific to Generation**

- Provides support for capacity and renewable resource RFPs, including but not limited to RFP development and input, bidder review, short list development, and selection of the successful bidder. The group then has direct control over all contract negotiations and final construction. It is the process owner for the development of new renewable energy construction which includes all aspects of plant development including but not limited to strategy, site selection, stakeholder analysis, RFP development and support, regulatory planning, contract negotiations and development, and actual construction of the facility. Additionally, the group provides direct support of the regulatory approval process and oversees construction and maintenance of generation projects for renewable projects (wind, solar, bio-mass, geo-thermal, and other renewable alternatives).
- Manages the Joint Venture (JV) with American Electric Power (AEP) known as NMRD. NMRD has 135MW of solar completed. NMRD has 50MW under construction and has development sites and potential contracts for an additional 440MW. The asset base is approximately \$200M. Provides management for all aspects of the JV and reports directly to the NMRD Board of Directors.
- Is responsible for the ongoing support of new utility renewable generation facilities including operations and maintenance and manages all aspects of the existing contracts including warranty issues, disputes, production targets and performance, environmental compliance, and other general plant maintenance. Responsibilities also include file submissions to the Western Renewable Energy Information System for renewable credits for regulatory compliance.
- Negotiates and manages renewable PPA contracts to include ensuring milestones and other contract deliverables are met and negotiates mitigation strategies if they are not met.
- Participates in economic modeling and pricing evaluations for potential renewable projects, both owned and contracted.
- Manages other corporate functions including those in PNMR Development and Management Corp.
- Works across all functional areas including regulatory, finance, system engineering, distribution construction, land services, and sourcing.
  - Manages the O&M for the existing solar plants.
    - 291 MW capacity

Exhibit IV  
PNMR Services Company Departments

- Ensure efficient system performance and production
- Current contracts with O&M suppliers for plant support
- Contracts with other providers for site support
- Solar Build Programs
  - Manage all aspects of development and administration (site selection, budget, tax benefits, communications, operations, community affairs, environmental, etc.)
  - Sites prepared including G&D, security fencing and interconnections
  - Manage sub-contractors
  - Plant clearings
- Solar Development for Facebook
  - Develop sites
  - Develop cost estimates
  - Provide information
  - Develop PPA pricing
  - Construct plants
- Renewable Plans
  - Site identification, design, permitting, zoning, etc.
  - Site development (G&D, fencing, etc.)
  - Interconnection
  - Regulatory support.
  - All aspects of project management once it is approved
- Liaison with PNM on FB PPAs and other renewable contracts
  - Contract management support
  - Regulatory support
  - Provide monthly and quarterly data
- Develop additional renewable projects for new customers.
  - Site identification, design, permitting, zoning, etc.
  - Cost estimates
  - Pricing structure development
  - Site development (G&D, fencing, etc)
  - Interconnection
  - Regulatory support.
  - All aspects of project management once it is approved
- Special projects
  - Community Solar
  - Economic Development

Exhibit IV  
PNMR Services Company Departments

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.

**Basis of assignment:**

- Specific initiatives are directly charged to the company receiving the benefit.

## **REGULATORY**

7184 – Pricing  
7189 – NERC Compliance

### **Pricing & Regulatory Services Home Center 7184**

#### **Major activities/Home Center Overview:**

##### **Processes and Activities Specific to Pricing**

- Provide analysis for historical and forecasted revenue requirements for PNM retail jurisdiction
- Provide pricing and tariff analysis for specific retail customer classes and wholesale customer contracts
- Provide load research for retail customer classes in PNM retail jurisdiction
- Provide analysis to cost of service revenue requirement, regulatory support and justification in testimony, analysis and recommendations in regulatory filings
- Provide customer bill impact by changing customer load profiles in response to tariff changes, technology and use changes
- Provide load research analysis for customer usage patterns and cost allocation in regulatory filings
- Provide pricing analysis for prospective customers
- Provide price and load analysis for customer and utility owned alternative sources of generation

#### **Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- The transactional allocation will be used for the distribution of work done for PNM Utility attributable to customer service information. The allocation rate is based on the number of electric utility customers.
- A general allocation will be used for the distribution of work done for the TXNM Energy, Inc. The general allocation percentage is based on the General Utility Massachusetts Method, which allocates cost based on the composite rate comprised of Net Plant Utility, Margin, and Number of Employees for each company.

#### **Basis of assignment:**

- Specific initiatives are directly charged to the company receiving the benefit.

Exhibit IV  
PNMR Services Company Departments

- Services performed that relate to PNM Utility customer service information are allocated proportionately based on the number of utility customers.
- Developing, managing, and implementing strategy for activities, communication, and pricing related to meeting company and regulatory objectives. Services directly relate to analysis and application of pricing and associated regulatory rulings are an element of creating financial records and reports, costs are allocated proportionately based on the appropriate general allocator for regulated entities.

**NERC Compliance  
Home Center 7189**

**Major activities/Home Center Overview:**

**The primary purpose of the NERC Compliance group is for:**

- Development, maintenance, and implementation of the NERC Compliance Program
- Development and implementation of Reliability Standards compliance controls for governance
- Management of Reliability Standards compliance enforcement process
- Facilitate and file required materials associated with enforcement actions such as self-reports, mitigation plans, root cause analysis, and violation disposition agreements associated with NERC reliability standards
- Coordination preparation and manage on-site (or off-site) audits related to reliability requirements
- Manage oversight of NERC Alerts and the Electric Information Sharing and Analysis Center (E-ISAC) alert process, including communication, mitigation coordination, and document filings
- Manage company participation in NERC standards drafting and balloting activities
- Ongoing data collection and issue resolution
- Coordinate annual and as-requested compliance self-certifications for FERC, NERC and regional entity audits associated with Reliability Standards.
- Evaluate and provide assistance to accountable business areas in development of reliability compliance policies, processes, and procedures
- Review Reliability Standards Audit Worksheets and supporting compliance documentation
- Manage Reliability Compliance related projects
- Manage NERC reliability standards violation penalty reserves
- Track, manage, and regularly report NERC Key Performance Indicators to the NERC Executive Steering Committee

**Assignment method:**

- All labor and corresponding non-labor direct charges are billed directly to companies.
- A general allocation will be used for the distribution of work done for the TXNM Energy, Inc. The general allocation percentage is based on the General Utility Massachusetts Method, which allocates cost based on the composite rate comprised of Net Plant Utility, Margin, and Number of Employees for each company.

**Basis of assignment:**

Exhibit IV  
PNMR Services Company Departments

- Specific initiatives are directly charged to the company receiving the benefit.
- Services relate to managing and administration of objectives related to federal regulatory compliance. Costs are allocated proportionately based on the appropriate general allocator for regulated entities.

**Public Service Company of New Mexico  
PNM General Utility  
2025 Cost Allocation Manual Detail**

**Table of Contents:**

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AREAS REPORTING TO SUPPLY CHAIN.....10

## **VICE PRESIDENT**

### **6009 – VP, PNM NM Operations**

#### *Homecenter Overview:*

- Works with executive and senior management, and business leadership
- Evaluate industry issues and associated opportunities for the company
- Establish policies to assure a safe, reliable and environmentally sustainable system
- Oversee, provide support and guidance across the organization and within respective areas
- Develop and direct policies and procedures per their respective areas consistent with company goals
- Develop and direct strategy and assure performance to plan for their respective areas
- Understand and manage organizational objectives and impact to company
- Ensure timely analysis and reporting
- Identify and mitigate risks
- Develop and manage for workforce excellence

#### **Allocation Method**

- Costs directly related to specific entities are direct charged to the benefiting companies.
- General services benefiting Distribution and Transmission utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission.

**AREAS REPORTING TO ELECTRIC UTILITY OPERATIONS**

- 6420 – NM Operations Training & Administrative**
- 6421 – NM Operations Training**
- 6422 – Work Management & Distribution Standards**
- 6552 – Benefit Costs – Utility Common**
- 6923 – Taxes – Utility Common**
- 6924 – Insurance Claims – Utility Common**

**6420 – NM Operations Training & Administrative**

Administrative and expediter support to PNM NM T&D Operations

**Allocation Method**

- Costs directly related to specific entities are direct charged to the benefiting companies.
- General services benefiting Distribution and Transmission utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission.

**6421 – NM Operations Training**

This department's work effort relates to consolidated management and funding of training activities under direct leadership oversight from a senior manager/director. This department facilitates Utility Ops employee access to training required to meet compliance and development needs, leveraging available resources to optimize quality, timeliness, effectiveness, and efficiency of training while maximizing the utilization of dedicated funds in the most cost-effective manner possible.

The department is responsible for monitoring, identifying, coordinating, funding, and tracking training requirements and activities for all home centers within Utility Operations.

**Allocation Method**

- Costs directly related to specific entities are charged directly to the benefiting companies.
- General services benefiting Distribution and Transmission utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission.

### **6422 – Work Management & Distribution Standards**

- Coordinate development of construction standards for the Distribution System for PNM and assist TNMP.
- Coordinate material and equipment standards for PNM and TNMP.
- Coordinate compatible unit creation (bill of materials) in Maximo and ArcFM for PNM.
- Create construction standards for the Distribution System for PNM and assist TNMP (as needed).
- Create material and equipment standards for PNM and TNMP (as needed).
- Support Operations (e.g., training, communication) at PNM and TNMP, for new materials and construction methods.
- Maintain Maximo and ArcFM compatible units' catalogs and material catalogs.
- Support PNM Transmission with material catalog management in Maximo.
- Streetlight Administration to assist with customer complaints, municipality support, billing support, etc.
- Coordinate LED conversions process with Project Management team as needed.

#### **Allocation Method**

- Costs directly related to specific entities are charged directly to the benefiting companies.
- General services benefiting Distribution and Transmission utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission.

### **6552 - Benefit Cost – PNM Utility Common**

Healthcare benefit costs for PNM Utility Common employees.

- Medical and dental benefits
- 401K benefit costs

#### **Allocation Method**

- Costs relating to PNM Utility Common employees benefit Electric Distribution and Transmission services utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission

**6923 - Taxes - Utility Common**

Expenses related to PNM payroll taxes for Common Utility employees.

**Allocation Method**

Departments supporting the PNM utility business make up the common utility organization. Payroll taxes relating to the Common Utility areas utilize allocation code 174 which allocates based on the Massachusetts Method between PNM Electric and PNM Transmission.

**6924 - Insurance Claims Util Common**

Expenses related to liability insurance or claims against PNM.

**Allocation Method**

General services benefiting Distribution and Transmission utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission

## **AREAS REPORTING TO CHIEF FINANCIAL OFFICER**

### **TREASURY SERVICES**

#### **6771 – Bank Fees – Utility Common**

##### **6771 – Bank Fees - Utility Common**

Bank fees expenses related to banking activity for PNM Utility.

##### **Allocation Method**

General services benefiting Electric Distribution and Transmission services utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission

## **AREAS REPORTING TO SUPPLY CHAIN**

#### **6413 – Fleet Operations**

#### **6416 – Investment Recovery Warehouse**

##### **6413 – Fleet Operations**

Fleet mechanics responsible for: performing maintenance on fleet equipment to ensure all equipment is safe for operations, for parts and oil product inventory levels, for all environmental concerns such as making sure all reclaimable products are tracked and disposed of correctly, and for performing monthly inspections of shop facilities.

##### **Allocation Method**

- Costs directly related to specific entities are charged directly to the benefiting companies.
- Costs relating to PNM Utility operations benefit Electric Distribution and Transmission entities utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission

##### **6416 – Investment Recovery Warehouse**

The home center designation for IBEW Bargaining Unit warehouse personnel responsible for Material asset operations for the Albuquerque Electric Service Center warehouse. Core responsibilities include issuing, receiving, transferring, managing and investment recovery. Also, the home center designation for maintaining the Albuquerque Electric Service Center warehouse includes expenses for equipment and supplies used in daily warehouse operations. This home center is also the default current EAM system home center for FERC 154 inventory asset cycle count variances and adjustments. Activities relating to Inventory Management and Control include Investment Recovery, Facility

Transfers, Material Issues & Returns, Inspection, Receiving, Picking /Packing, Storing, Bin Location Maintenance, and cycle counts.

**Allocation Method**

- Costs related to specific entities are charged directly to the benefiting companies.
- Costs relating to PNM Utility operations benefit Electric Distribution and Transmission entities utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission

## **AREAS REPORTING TO PUBLIC POLICY**

### **REGULATORY SERVICES**

#### **6004 – Regulatory Policy & Case Management**

#### **6005 – FERC Compliance**

#### **6004 – Regulatory Policy & Case Management**

##### **Activities relating to New Mexico State Regulatory Compliance Filings**

Determine, potentially compile and file necessary monthly, quarterly, and annual filings at the either a state or federal regulatory agency, and other regulatory filings as required by Commission orders, statutes and requirements

##### **Activities relating to New Mexico State Regulatory Case Filings**

Conduct research of regulatory filings and documents, coordinate cross-functional teams and work-product related to specific regulatory requests, coordinate cross-functional teams to prepare new case filings including identification of regulatory issues, coordinating testimony preparation and appropriate communications/meetings with external stakeholders, and ensuring compliance with applicable regulatory requirements, and determine, potential risk and impact on other cases. Compare and file necessary pleadings, testimony and exhibits at either state or federal regulatory agency

##### **Activities relating to Rulemakings and Customer Complaint Handling**

Act as the key regulatory contact when intervening in other cases with a Regulatory agency. Coordinate cross-functional teams and work-product related to proposed rulemakings and other Commission proceedings, and provide the regulatory lead in working with regulatory agencies regarding formal customer complaints

##### **Activities relating to Due Diligence**

Provide summary of regulatory cases that may be reported in Company's 10Q or 10K.

##### **Allocation Method**

- Costs related to specific entities are charged directly to the benefiting companies.
- Costs relating to PNM Utility operations benefit Electric Distribution and Transmission entities utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission.

#### **6005 – FERC Compliance**

##### **Activities relating to Normal Regulatory Compliance Filings**

Determine, potentially compile, and file necessary filings at FERC, and Ad hoc FERC filings. Coordinate appropriate service of FERC Filings.

**Activities relating to Federal Regulatory Case Filings**

Conduct research of federal regulatory filings and documents. Coordinate cross-functional teams and work-product related to specific FERC requests. Coordinate cross-functional teams to prepare new case filings including identification of federal regulatory issues, coordinating testimony preparation and appropriate communications/meetings with internal and external stakeholders, and ensuring compliance with applicable regulatory requirements. Determine, potentially compile and file necessary pleadings, testimony and exhibits at FERC. Coordinate appropriate service of FERC Filings.

**Activities relating to Standards of Conduct**

Compliance to Standards of Conduct for Transmission Providers. Coordinate required employee training on Standards of Conduct.

**Allocation Method**

- Costs related to specific entities are charged directly to the benefiting companies.
- Costs relating to PNM Utility operations benefit Electric Distribution and Transmission entities utilize allocation code 174 based on a Massachusetts Method to allocate between PNM Electric and PNM Transmission.

## **CUSTOMER SERVICE**

**6150 Customer Marketing**  
**1423 North Central Meter Reading**  
**1507 Metro ABQ Meter Reading**  
**1511 North Central Walk In**  
**1512 SCNM Meter Reading**  
**1513 SCNM Walk In**  
**1514 SCNM Collections**  
**1519 Belen Meter Reading**  
**1082 Account Management**  
**1515 Customer Program Marketing & Dev**  
**1517 Energy Efficiency**  
**1501 Director of Customer Service**  
**1503 Postage**  
**1504 Payment Processing**  
**1506 Customer Care Call Center**  
**1508 Exception Processing**  
**1510 Internal Collections**  
**1505 Metro ABQ Field Collections**

Provides all aspects of customer service including meter reading, customer call center and cashier sites, scheduling new hook-ups, collections, customer account and payment services and bill exception processing. Also includes administrative expenses related to developing primary goals, establishing organizational structure, reviewing results of business operations, determining action plans to meet needs of electric customers and representing the organization to financial community, major customers, government agencies, shareholders and public. Various groups within Customer Service utilize a number of various home centers to track expenses. A summary of how the individual home centers allocate is shown on Exhibit IX

### **Allocation Method (all Customer Service departments)**

- Costs related to specific entities are charged directly to the benefiting companies.
- Costs relating to providing customer services to PNM Electric utility customers will utilize allocation code 188, which allocates costs to PNM Electric Distribution and SNM Distribution based on Customer Count.

### **1423, 1507, 1512, 1519 –Meter Reading**

#### **Albuquerque, Bernalillo, and East Mountain**

Meter reading activities in service areas: Albuquerque, Bernalillo and East Mountain.

#### **North Central**

Meter reading in Santa Fe and Las Vegas.

#### **SCNM Meter Reading**

Meter reading services in Alamogordo, Deming, Silver City, and Ruidoso.

#### **Belen Meter Reading**

Meter reading activities in Valencia County.

- 1504 – Payment Processing Customer account and payment services
- Processes customer payments by manual or automated means
- Performs data entry
- Posts payments to accounts receivable ledger

1505 – Field Collections Oversees all field collection activities on electric accounts. Collects past due electric bills, hangs DNP notices on past due accounts, and performs disconnections.

#### **Internal Collections**

- Directs and manages the revenue management departments in customer service, which includes billing exceptions, credit, remittance and payment and customer service center.
- Manages personnel actions, responds to difficult customer inquiries and issues, and evaluates employee performance.
- Creates and executes the vision, strategic goals, and expectations of the department.
- Ensures the integrity of the automated customer service billing system and processes to provide accurate and timely transactions for all PNM customers
- Perform credit and collection activities: A/R and bad debt transfers, bankruptcies, refunds, Med Cert.
- Processes credit and collections reports.

#### **SCNM Collections**

Field collections for delinquent accounts for southeastern and southwestern NM areas – Bayard, Silver City, Deming, Alamogordo, Ruidoso, Lordsburg.

### **1508 – Exception Processing**

- Directs and manages the revenue management departments in customer service, which includes billing exceptions, credit, remittance and payment and customer service center.
- Manages personnel actions, responds to difficult customer inquiries and issues, and evaluates employee performance.
- Creates and executes the vision, strategic goals, and expectations of the department.
- Ensures the integrity of the automated customer service billing system and processes to provide accurate and timely transactions for all PNM customers.

### **1511, 1513 – Regional Payment Centers**

#### **Albuquerque Walk-In**

Payment center activities for Albuquerque area. Receives and processes PNM customer walk-in payments.

#### **SCNM Walk-In**

Payment center activities for southeastern and southwestern NM. Service areas include Bayard, Silver City, Deming, Alamogordo, Ruidoso, and Lordsburg.

#### **North Central Walk-In**

Payment center activities for northern NM area – Las Vegas.

### **1501 – Customer Service Performance**

This department supports the Customer Service organizations.

- Oversees the development, production and consolidation of business metrics and analytics measuring performance of customer service areas; pursues maximum automation of these processes
- Oversees process mapping and benchmarking process to ensure that changes are documented and are consistent with both training materials (in concert with call center trainer) and with actual work practices (in concert with other CS leaders)
- Oversees PRC complaint resolution process
- Analyzes business metrics to identify and recommend improvement opportunities in customer facing processes
- Uses PRC complaint data and benchmarking results as additional sources for identifying process improvement opportunities
- Manages a methodology for prioritizing Customer Service work order requests for BTS
- Provides expert input on CS processes and data in joint initiatives with business partners from Legal, Regulatory, and other PNM departments
- Organizes and leads discussions and meetings on above topics
- Maintains updated end-to-end business process maps, implements process improvement opportunities

Exhibit V  
Departments Using General Utility Allocations

- Collects data to report in the form of dashboards and performance scorecards
- Performs national benchmarking studies
- Oversees business process ownership of key customer service systems
- Automates data collection through implementation of a business intelligence tool
- Resolves high-level PRC escalated issues and issues through the escalation pager
- Conducts ad hoc analysis and benchmarking as requested by business units
- Oversees Landlord Standby Contract Setups, Terminations, Disclosures, Force Offs as requested by property owners or property managers received by Fax, Email and US Mail
- Supports Call Center personnel with review and investigation of landlord contracts verbally through IM or e-mail
- Completes Electronic Work Queue's (EWQs) sent by Call Center representatives pertaining to customer requests related to landlord work
- Maintains landlord folders

**Exhibit VI**  
**Number of Employees Allocating Time for Shared Services by Department**  
**As of June 30, 2024**

<b>Home Center</b>	<b>Employees</b>
7008-Investor Relations	1
7011-CEO	2
7020-President & Chief Operating Officer	3
7021-Law Department	13
7022-General Counsel & Secretary	1
7023-Audit Services	9
7028-Accounts Payable	5
7032-Native American Govnt Affairs	3
7034-Corp Communications	4
7042-Public Affairs	7
7045-Environmental Services	14
7054-Building Maintenance	4
7060-Corp.Govern/SEC Comp&Trans Grp	2
7064-Records Information Mgmt Svs	2
7065-General Services	3
7067-SVP, Chief Financial Officer & Treasurer	1
7068-Trust & Corp Investments	1
7069-Financial Management	6
7070-Public Policy	0
7074-Insurance	3
7076-Construct Accting & Asset Mgmt	6
7077-Cost of Service	5
7078-Supply Chain	2
7087-General Services - Security	7
7089-Graphics and Office Services	6
7092-Sourcing	18
7093-Chain Fleet	3
7094-Supply Chain Warehouse	5
7098-T&D Asset Management	6
7100-Community Rel Stakehldr Engage	2
7106-VP Regulatory	1
7111-VP and CIO	1
7118-Information Security	17
7124-Crisis Management & Resilience	5
7126-Enterprise Systems & Storage	3
7130-Quality Assurance	6
7131-Architecture	3
7132-IT Project Mgmt & Quality	14
7133-ITO/Telecomm	8
7136-Customer Serv Apps	10
7139-BTS PPMO	1
7141-Utility Applications	11
7142-Advanced Technology	2
7143-Director-Technology & Security	2
7144-Drafting & Geographic Info Sys	18
7146-PPMO	2
7148-Utility Operations Technology	1
7154-OT Compliance	4
7163-Wildfire Mitigation	1
7178-Compliance and Tech Training	5

**Exhibit VI**  
**Number of Employees Allocating Time for Shared Services by Department**  
**As of June 30, 2024**

<b>Home Center</b>	<b>Employees</b>
7179-Customer Experience & Ops	3
7182-Utility Margin	3
7184-Strategic Mkt & Product Mgmt	8
7188-Enterprise Applications	16
7189-NERC Compliance	7
7191-Operations Technology	10
7200-SEC & Internal Reporting	4
7202-Shared Services	0
7206-VP, Corporate Controller	2
7208-TNMP Texas Accounting	3
7229-WPM & Transmission Acct	8
7231-Fuels-Operations Accounting	2
7240-General Accounting	3
7242-Corporate Accounting	5
7245-Close G/L Administration	3
7260-Payroll	4
7270-Corporate Budget	9
7273-Division Accounting	3
7285-Financial Plng & Risk Mgmt	1
7287-Financial Planning	4
7304-HR Solutions C	6
7306-Management Systems	6
7360-Strategic Energy Plng & Dev	4
7420-Land Services	10
7547-HR Consulting	6
7548-HR Solutions B	5
7549-Labor Relations	2
7553-Safety	10
7554-HR Consulting and Labor Relations	2
7555-HR Solutions A	6
7557-Human Resources Department	1
7558-Staffing Workforce	5
7559-Infrastructure - Admin	7
7560-Corporate Systems	8
7922-Tax Compliance	9
<b>Total</b>	<b>444</b>

**Exhibit VII**  
**Number of Employees Allocating Time for General Utility by Department**  
**As of June 30, 2024**

<b>Home Center</b>	<b>Employees</b>
6004 - Regulatory Policy & Case Mgmt	8
6005 - FERC Compliance	1
6006 - Planning & Resources	5
6009 - PNM Electric Operations	0
6010 - Renewable Energy	22
6038 - Director Customer Solutions & Ops	2
6413 - Fleet Operations	6
6416 - Resource Recovery and Warehouse Operations	6
6420 - NM Business Operations Support	8
6422 - Work Mgmt. & Distr Standards	5
<b>Total</b>	<b>63</b>

**PNMR SHARED SERVICES  
CORPORATE ALLOCATION PERCENTAGES  
2025 Allocation Percentages  
Effective 01/01/2025**

DIRECT ALLOCATORS							
SPECIFIC SBU FOCUS ACTIVITIES							
DESCRIPTION	ALLOC CODE	ELECTRIC DISTRIBUTION	BULK GENERATION	ELECTRIC TRANSMISSION	TNMP TEXAS T&D	PNMR DM	TXNM Energy
		001	003	002	012	009	008
Direct PNMR DM	917					100%	
Direct NM Capital Util Corp	918						
Direct PNM Electric Services	942	100%					
Direct Bulk Generation	946		100%				
Direct PNM Elec Transmission	947			100%			
Direct TNMP Texas	953				100%		
Direct PNMR Holding Co.	999						100%

TRANSACTIONAL ALLOCATORS							
DESCRIPTION	ALLOC CODE	ELECTRIC DISTRIBUTION	BULK GENERATION	ELECTRIC TRANSMISSION	TNMP TEXAS T&D	PNMR DM	TXNM Energy
		001	003	002	012	009	008
Financial Systems	911	52.06%	4.87%	6.95%	36.12%	0.00%	
Accounts Payable	912	38.26%	10.70%	9.34%	41.70%	0.00%	
Asset Management	914	46.80%	4.00%	8.66%	40.54%	0.00%	
IT - Infrastructure	968	56.71%	10.78%	7.09%	25.42%	0.00%	
Building - Masthead	972	93.39%		6.61%			
Building - Dallas - Las Colinas	974	56.71%	10.78%	7.09%	25.42%	0.00%	
Building - Albq - Downtown	977	46.59%	12.90%	10.41%	30.10%	0.00%	
Building - Albq - Aztec	980	19.26%	66.57%	8.79%	5.38%	0.00%	
MMS - Maximo	986	47.01%	6.25%	8.05%	38.69%		
Employee Headcount	993	49.97%	13.50%	6.36%	30.17%	0.00%	

GENERAL ALLOCATION							
GENERAL MANAGEMENT							
DESCRIPTION	ALLOC CODE	ELECTRIC DISTRIBUTION	BULK GENERATION	ELECTRIC TRANSMISSION	TNMP TEXAS T&D	PNMR DM	TXNM Energy
		001	003	002	012	009	008
Direct PNMR Utility	941	33.33%	17.19%	13.92%	35.56%	0.00%	
Direct PNM Util T&D (wo Bulk, wo Texas)	948	68.03%		31.97%			
Direct PNM Util (w Bulk, wo Texas)	951	50.90%	27.10%	22.00%			

**PNM UTILITY COMMON  
2025 Allocation Percentages  
Effective 01/01/2025**

DESCRIPTION	ALLOC CODE	ELECTRIC DISTRIBUTION	ELECTRIC TRANSMISSION	TNMP TEXAS T&D		
		001	002	012		
Gen Mgmt - T&D	174	67.79%	32.21%	0.00%		
TNMP - Texas (Svc Agreement)	192			100.00%		

**Exhibit IX**  
**Department Default Allocation Location**  
**Updated: 11/30/2024**

<b>Home Center<sup>1</sup></b>	<b>Default Location</b>
7008 - Investor Relations	941
7011 - CEO & Chairman	941, 951
7020 - President & Chief Operating Officer	911, 941
7021 - Law Department	Open
7022 - General Counsel and Secretary	941
7023 - Audit Services	911, 941, 951
7028 - Accounts Payable	912
7032 - Native American Govnt Affairs	941, 942, 951, 999
7034 - Corp Communications	941,951
7042 - Public Affairs	941, 948, 951
7045 - Environmental Services	Open
7054 - Building Maintenance	974, 977, 980
7060 - Ethics & Governance	941, 993
7064 - Records Information Management	941, 968
7065 - General Services	974, 977, 980, 993
7067 - SVP, Chief Financial Officer & Treasurer	941, 911
7068 - Trust and Corporate Investment	941, 951
7069 - Assistant Treasurer	941, 951
7070 - Public Policy	941, 951
7074 - Insurance	941
7076 - Construction, Plnt &Asst Acctg	914
7077 - Cost of Service	941, 951
7078 - Supply Chain	912
7081 - Corporate BOD Expenses	941, 999
7087 - General Services - Security	974, 977, 980
7089 - Graphics & Office Svcs	Open
7092 - Sourcing	Open
7093 - Chain Fleet	941
7094 - Chain Warehouse	Open
7098 - Joint Use	Open
7100 - Comm Relatns and Stkhlder Eng	941, 951
7106 - VP PNM Regulatory	951
7111 - VP NM Operations	911, 941, 968, 999
7118 - Information Security	968
7122 - Hardware/Software Maintenance	968
7124 - Crisis Management & Resilience	968
7126 - Power Operations IT Support	947
7130 - BTS Quality Assurance	968
7131 - Enterprise Architecture	968
7132 - BTS Project Management Office	968

**Exhibit IX**  
**Department Default Allocation Location**  
**Updated: 11/30/2024**

<b>Home Center<sup>1</sup></b>	<b>Default Location</b>
7133 - BTS Telecom	968
7136 - Customer Svc Applications	Open
7139 - BTS PPMO	968
7141 - Utility Applications	Open
7142 - Advanced Technology	Open
7143 - Director-Technology & Security	941, 951, 968, 999
7144 - Drafting & Geographic Info Systems	941, 951, 968, 999
7146 - VP & CIO	968
7148 - Utility Operations Technology	968
7154 - OT Compliance	941, 951
7163 - Wildfire Mitigation	951
7164 - Resource Management	968
7178 - Compliance and Tech Training	968
7179 - VP, Chief Customer Officer	941, 951
7182 - Utility Margin & Load Forecast	941, 951
7184 - Strategic Mkt & Product Mgmt	941, 951
7188 - Enterprise Applications	968
7189 - NERC Compliance	941
7191 - Operations Technology	941, 968
7200 - SEC Reporting & GAAP Analysis	911
7202 - Director, Shared Services	911
7206 - VP Corporate Controller	911, 941
7208 - TNMP Texas Accounting	941, 953
7229 - Utility Acctg & Rptg	941, 948, 951
7231 - Fuels - Operations Accounting	946
7240 - General Accounting	911
7242 - Corporate Accounting	911
7245 - Manager Acctg - GL Admin	911
7260 - Payroll	993
7270 - Corporate Budget	941, 948, 951
7273 - Division Accounting	941, 951
7285 - Financial Planning & Risk Mgmt	941
7287 - Financial Planning	941
7304 - HR Compliance	941, 993
7306 - Learning and Development	941, 993
7360 - New Generation Development	Open
7420 - Land Management	968
7498 - Holding Indirect Budget Items	941, 942, 946, 947, 953
7547 - HR Consulting	993
7548 - Total Rewards-Benefits	951, 993

**Exhibit IX**  
**Department Default Allocation Location**  
**Updated: 11/30/2024**

<b>Home Center<sup>1</sup></b>	<b>Default Location</b>
7549 - Labor Relations	993
7552 - Company Benefit Costs	993
7553 - Safety	941
7554 - HR Consulting & Labor Relation	941, 993
7555 - Total Rewards-Benefits	993
7557 - VP Human Resources	941, 993
7558 - Staffing Workforce Planning	993
7559 - Infrastructure Administration	968
7560 - Corporate Systems	968
7622 - NERC Compliance - Legal	Open
7626 - PNM Operations - Legal	Open
7627 - Customer Service Legal	Open
7630 - Land Services ROW Legal	Open
7771 - Bank Fees Co 7	911
7922 - Tax Compliance	911, 941
7923 - Income Tax Expenses	941, 974, 977, 993
7924 - Insurance and Claims - Corp	941, 993
7925 - One Time Expenses-SvcsCo	941
7931 - CFO Legal	Open
7932 - Governmental Affairs Legal	Open
7933 - CAO Legal	Open
7934 - General Counsel Legal	Open
7935 - BTS Legal	Open
7936 - Treasury Legal	Open
7937 - Corporate Controller - Legal	Open
7938 - Supply Chain - Legal	Open
7939 - Reg Policy Legal	Open
7945 - Acquisition Related Costs	Open

Note<sup>1</sup>: All homecenters can charge directly to benefiting companies via 100% allocator location

Note<sup>2</sup>: Items in this homecenter are reviewed individually for appropriate allocation treatment

**Emmanuel J. Lopez**  
**Educational and Professional Summary**

**Name:** Emmanuel J. Lopez

**Address:** TXNM Energy, Inc.  
MS 1015  
414 Silver SW  
Albuquerque, NM 87102

**Position:** Assistant Controller, Corporate Accounting

**Education:** Bachelor Business Administration – Finance, University of New Mexico, 2004  
Certified Public Accountant (CPA) in the State of New Mexico, 2009

**Employment:** Employed by PNMR Services since 2011.

Prior Positions held with the Company include:

- Assistant Controller, Utility Accounting
- Principal Finance, SEC Reporting and GAAP Analysis
- Director, Financial Planning
- Manager, PNM Utility Accounting
- Manager, TNMP Utility Accounting and Internal Reporting
- Senior Accountant, PNM Utility Accounting

Moss Adams (Public Accounting): 2009 – 2011

- Senior Auditor

Clifton Gunderson (Public Accounting): 2005 -2009

- Senior Accountant
- Staff Accountant

**Professional Affiliations**

- NMCPA Society, member

**Regulatory Proceeding Testimony**

- Docket No. 45213, Application of Texas New Mexico Power Company to Reconcile AMS Costs.
- Docket No. 48401, Application of Texas New Mexico Power Company for Authority to Change Rates.
- Docket No. 22-00270-UT, Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates.
- Docket No. 58536, Joint Report and Application of Texas New Mexico Power Company, Troy ParentCo LLC for Regulatory Approvals under PURA §§ 14.101, 39.262, and 39.915.

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

WORKPAPERS FOR  
THE DIRECT TESTIMONY OF  
EMMANUEL J. LOPEZ

TNMP Witness Emmanuel J. Lopez has no supporting workpapers for his direct testimony.