

P.U.C. DOCKET NO. 58964

BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

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

**PREPARED DIRECT TESTIMONY AND EXHIBITS
OF
PATRICK J. PEARSALL**

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

NOVEMBER 14, 2025

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1 **I. INTRODUCTION AND QUALIFICATIONS**

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

4 A. My name is Patrick Pearsall. My business address is 600 Congress Avenue, Suite 2700,
5 Austin, Texas 78701. I am a partner with the law firm of Duggins Wren Mann & Romero,
6 LLP (“DWMR”).

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

8 A. I am testifying on behalf of Texas-New Mexico Power Company (“TNMP” or “Company”).

9 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

10 A. I have a Juris Doctorate from the University of Texas School of Law (2003) and a Bachelor
11 of Arts degree, *magna cum laude*, from Southwestern University (1998) with a major in
12 Communication Studies.

13 **Q. ARE YOU A LICENSED ATTORNEY?**

14 A. Yes. I am licensed as an attorney in Texas (2004) and New Mexico (2019).

15 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

16 A. After law school, I served as a Briefing Attorney (2004-2005) and Staff Attorney (2005-
17 2007) for Justice Bea Ann Smith (retired) of the Third Court of Appeals in Austin, Texas.
18 Since 2007, my law practice has primarily focused on the representation of electric utilities
19 and other clients in regulatory, trial, and appellate proceedings before state and federal
20 agencies and courts. Specifically, I have represented utility clients in contested cases
21 before the Public Utility Commission of Texas (“Commission” or “PUC”), New Mexico
22 Public Regulation Commission, Arkansas Public Service Commission, the Railroad
23 Commission of Texas, and Federal Energy Regulatory Commission.

24 Before the Commission, I have represented electric utilities in a variety of matters,
25 including: base-rate cases; interim cost recovery dockets; fuel reconciliation and
26 refund/surcharge proceedings; generation and transmission certificate of convenience
27 and necessity dockets; transmission cost recovery factor, distribution cost recovery factor,
28 and energy efficiency cost recovery factor dockets; renewable tariff proceedings; and
29 sale/transfer/merger applications. I have also represented utility clients in appeals and
30 suits for judicial review of agency orders before the United States Court of Appeals for the
31 Fifth Circuit, the Texas Supreme Court, and numerous Texas Courts of Appeals.

32 As part of my utility practice, I have represented both Electric Reliability Council of
33 Texas, Inc. (“ERCOT”) and non-ERCOT utilities in numerous base-rate cases before the

1 Commission and other state utility commissions. Based on this experience, I am familiar
2 with the tasks and amount of time and effort involved in: (1) preparing a base-rate case
3 application, the supporting testimony, and the required rate-filing package; and (2)
4 prosecuting a fully litigated base-rate case. Such tasks include developing and addressing
5 strategy, selecting witnesses and consultants, reviewing schedules, reviewing and editing
6 testimony, propounding and responding to discovery, drafting discovery motions and
7 responses, analyzing Commission and judicial precedent, preparing for and participating
8 in depositions and hearings, drafting post-hearing briefing, filing appeals, and negotiating
9 settlements. Through my professional experience, I have developed the experience
10 necessary to determine whether the work performed in a base-rate case was reasonable
11 and necessary and whether the rate-case expenses charged for such work are
12 reasonable.

13 **Q. HAVE YOU EVER SUBMITTED TESTIMONY BEFORE THE COMMISSION?**

14 A. Yes, I have testified regarding the reasonableness of rate-case expenses in PUC Docket
15 Nos. 58346, 58306, 57467, 57131, and 55867.

16 **II. PURPOSE AND OVERVIEW OF TESTIMONY**

17 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

18 A. The purpose of my direct testimony is to address the reasonableness of rate-case
19 expenses that have been and will be incurred by TNMP in this base-rate case and the
20 following proceedings and rate-related actions:

- 21 • **Docket No. 53436** – *Application of Texas-New Mexico Power Company for*
22 *Approval to Amend its Distribution Cost Recovery Factor;*
 - 23 • **Docket No. 54807** – *Application of Texas-New Mexico Power Company for*
24 *Approval to Amend its Distribution Cost Recovery Factor ;*
 - 25 • **Docket No. 56428** – *Application of Texas-New Mexico Power Company for*
26 *Approval to Amend its Distribution Cost Recovery Factor ;*
 - 27 • **Docket No. 56887** – *Application of Texas-New Mexico Power Company for*
28 *Approval to Amend its Distribution Cost Recovery Factor ;*
 - 29 • **Docket No. 57816** – *Application of Texas-New Mexico Power Company for*
30 *Approval to Amend its Distribution Cost Recovery Factor ; and*
 - 31 • **Docket No. 58468** – *Application of Texas-New Mexico Power Company for*
32 *Approval to Amend its Distribution Cost Recovery Factor.*
- 33

1 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

2 A. I have reviewed the available expense documentation relating to TNMP's outside counsel
3 and outside consultants retained in the above-referenced proceedings; analyzed the
4 expenses in light of the applicable standards used to determine the reasonableness of
5 rate-case expenses in Commission proceedings; and assessed these expenses in light of
6 the complexity of the cases and underlying issues, the scope and quality of the services
7 being provided, and the importance of these cases to TNMP. Based on this review and
8 analysis, it is my opinion that the expenses incurred to date are reasonable because:

- 9 • the services of TNMP's external legal counsel and external consultants are
10 necessary to provide support for this case and the prior proceedings at issue;
- 11 • the fees charged by TNMP's external legal counsel and external consultants, that
12 I have reviewed to date are reasonable;
- 13 • the attorneys working on multiple rate case issues have employed narrative
14 descriptions to allow me to identify the expenses for the rate case by issue where
15 the attorneys are working on specific issues, consistent with the Commission's
16 rate-case expense rule, 16 Tex. Admin. Code ("TAC") § 25.245 ("RCE Rule");
- 17 • the number of attorneys and consultants working on these cases at any given time
18 is reasonable;
- 19 • the work conducted, the time expended, and the distribution of work between
20 partners/higher-billing attorneys and associates/lower-billing attorneys was
21 appropriate and reasonable given the issues involved and the stage of the
22 proceedings; and
- 23 • the expenses, in total, are necessary, reasonable, warranted and not extreme,
24 excessive, or disproportionate.

25 **Q. DO YOU SPONSOR ANY EXHIBITS?**

26 A. No.

27 **III. TNMP'S REQUESTED RATE-CASE EXPENSES**

28 **Q. WHAT AMOUNT OF RATE-CASE EXPENSES IS TNMP SEEKING TO RECOVER IN**
29 **THIS CASE?**

30 A. In this case, TNMP is seeking to recover its actual rate-case expenses that have been
31 and will be incurred to litigate this base-rate case and the past rate-related actions
32 identified above. The total current amount of TNMP's expense request for this rate case
33 is \$1,194,660. TNMP is also requesting \$377,456 of its own, actual rate-case expenses

1 incurred in the past proceedings at issue.¹ TNMP witness Mr. Stacy Whitehurst provides
2 further details regarding the Company's actual and estimated rate-case expenses.

3 **Q. HOW DOES TNMP PROPOSE TO RECOVER ITS RATE-CASE EXPENSES?**

4 A. TNMP's proposed methodology for recovering its rate-case expenses is addressed in Mr.
5 Whitehurst's direct testimony. I do not offer an opinion regarding the methodology for
6 recovery of the rate-case expenses.

7 **Q. DOES TNMP INTEND TO SEEK RECOVERY OF ADDITIONAL RATE-CASE
8 EXPENSES ASSOCIATED WITH THIS CASE THAT ARE NOT ADDRESSED IN YOUR
9 TESTIMONY?**

10 A. Yes. TNMP will continue to incur various expenses, including legal and consulting
11 expenses, to prepare and litigate this case. As a result, as this case progresses, TNMP
12 will update and provide supplemental documentation supporting its actual rate-case
13 expenses as such expenses are incurred in accordance with the procedural schedule
14 ultimately adopted by the administrative law judges. Accordingly, I anticipate that
15 supplemental testimony and/or affidavits will become necessary as additional rate-case
16 expense information becomes available.

17 **IV. SCOPE OF REVIEW**

18 **Q. PLEASE SUMMARIZE HOW YOU PREPARED TO TESTIFY IN THIS CASE.**

19 A. I undertook the following activities to prepare to testify in this case:

- 20
- 21 • I discussed the rate case, including case drivers, as well as the relevant past
22 proceedings with key members of the TNMP legal and litigation team—in particular
23 Stacy Whitehurst, Vice President of Regulatory Affairs for TNMP; Scott Seamster,
24 Associate General Counsel for PNMR Resources; and Stephanie Sparks (outside
25 counsel for TNMP);
 - 26 • I reviewed Public Utility Regulatory Act ("PURA")² § 36.061, which permits the
27 recovery of the reasonable costs and expenses associated with participating in a
rate proceeding, the Commission's RCE Rule, and the rulemaking order adopting

¹ This amount excludes TNMP's request for reimbursement of costs paid to municipal intervenors in the past proceedings, because I do not opine on the reasonableness of those costs, as well as credit for TNMP's over-collection of past expenses. The total amounts for the municipal expenses for the past proceedings and the prior over-collection are provided in Mr. Whitehurst's exhibits.

² PURA is codified at Tex. Util. Code Ann. §§ 11.001-66.016.

1 the Commission's rate-case expense rule;³

- 2 • I reviewed rate-case expense testimony filed in recent base-rate proceedings on
- 3 behalf of utilities as well as Commission Staff, as well as recent Proposals for
- 4 Decision and Commission orders resolving issues related to rate-case expenses;⁴
- 5 • I reviewed Texas Disciplinary Rule of Professional Conduct 1.04(b) and the
- 6 relevant Texas case law pertaining to the determination of attorneys' fees and
- 7 costs of litigation;
- 8 • I examined the experience of the attorneys and consultants working on the case
- 9 so I could form an assessment of the need for their services and the
- 10 reasonableness of their fees;
- 11 • I made inquiries regarding TNMP's internal procedures for reviewing and paying
- 12 invoices and controlling rate case costs, and confirmed with Mr. Whitehurst that
- 13 these procedures were followed with respect to TNMP's requested rate-case
- 14 expenses; and
- 15 • I reviewed the underlying invoices and documentation supporting the requested
- 16 rate-case expenses for TNMP's outside attorneys and consultants.

17 **Q. HOW DID THIS PREPARATION AID YOU IN DEVELOPING YOUR TESTIMONY?**

18 A. My discussions with the rate case team and review of policies provided me with
19 information about the lawyers and consultants chosen for the rate case team and their
20 relevant educational and professional backgrounds. Additionally, I learned what systems
21 are put in place by outside counsel and TNMP's in-house personnel to make sure that
22 work is being conducted efficiently and not being duplicated. Finally, my review of invoices
23 and the description of work performed by outside counsel and consultants is critical to my

³ *Rulemaking to Propose New Subst. R. § 25.245, Relating to Recovery of Expenses for Ratemaking Proceedings*, Project No. 41622, Order Adopting New § 25.245 as Approved at the July 10, 2014 Open Meeting (Aug. 6, 2014).

⁴ *E.g., Application of Electric Transmission Texas LLC for Authority to Change Rates*, Docket No. 57518; *Application of Wind Energy Transmission Texas, LLC for Authority to Change Rates and Tariffs*, Docket No. 57299; *Application of AEP Texas Inc. for Authority to Change Rates*, Docket No. 56165; *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 54634; *Application of LCRA Transmission Services Corporation for Authority to Change Rates*, Docket No. 55867; *Application of Entergy Texas, Inc. for Authority to Change Rates*, Docket No. 53719; *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Docket No. 53601; *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 51415; *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 49831.

1 understanding of the nature of the expenses sought and is key to my analysis of whether
2 those expenses meet the requirements of the Commission's rules and precedent set forth
3 above.

4 **V. STANDARD OF REVIEW OF RATE-CASE EXPENSES**

5 **Q. WHAT STANDARDS HAVE YOU APPLIED IN ASSESSING THE REASONABLENESS
6 AND NECESSITY OF TNMP'S RATE-CASE EXPENSES?**

7 A. Primarily, I apply PURA § 36.061 and the RCE Rule. I also apply the Texas Disciplinary
8 Rule of Professional Conduct 1.04(b) and the relevant Texas case law pertaining to the
9 determination of attorneys' fees and costs of litigation.⁵

10 **Q. WHAT IS TNMP'S BURDEN OF PROOF UNDER THE COMMISSION'S RATE-CASE
11 EXPENSE RULE?**

12 A. 16 TAC § 25.245(b) provides:

13 A utility or municipality seeking recovery of or reimbursement for rate-case
14 expenses shall file sufficient information that details and itemizes all rate-
15 case expenses, including, but not limited to, evidence verified by testimony
16 or affidavit, showing:

17 (1) the nature, extent, and difficulty of the work done by the attorney or
18 other professional in the rate case;

19 (2) the time and labor required and expended by the attorney or other
20 professional;

21 (3) the fees or other consideration paid to the attorney or other
22 professional for the services rendered;

23 (4) the expenses incurred for lodging, meals and beverages,
24 transportation, or other services or materials;

25 (5) the nature and scope of the rate case, including:

26 (A) the size of the utility and number and type of consumers
27 served;

28 (B) the amount of money or value of property or interest at
29 stake;

⁵ See generally *City of El Paso v. Pub. Util. Comm'n of Tex.*, 916 S.W.2d 515 (Tex. App.—Austin 1995, writ dismissed by agreement); *Arthur Andersen v. Perry Equip. Corp.*, 945 S.W.2d 812 (Tex. 1997); *Rohrmoos Venture v. UTSW DVA Healthcare, LLP*, 578 S.W.3d 469 (Tex. 2019); and *Iola Barker v. Hurst*, 632 S.W.3d 175 (Tex. App.—Houston [1st Dist.] 2021, no petition).

- 1 (C) the novelty or complexity of the issues addressed;
 2 (D) the amount and complexity of discovery;
 3 (E) the occurrence and length of a hearing; and
 4 (6) the specific issue or issues in the rate case and the amount of rate-case
 5 expenses reasonably associated with each issue.

6 The RCE Rule makes clear that if a utility requesting recovery of or reimbursement
 7 for its rate-case expenses meets its burden to prove the reasonableness of its rate-case
 8 expenses by a preponderance of the evidence, then the presiding officer shall allow its
 9 rate-case expenses.⁶

10 **Q. DOES THE COMMISSION'S RATE-CASE EXPENSE RULE ADDRESS THE FACTORS**
 11 **TO BE CONSIDERED IN ASSESSING THE REASONABLENESS OF RATE-CASE**
 12 **EXPENSES?**

13 A. Yes. The RCE Rule provides that when assessing the reasonableness of a utility's rate-
 14 case expenses, the presiding officer shall decide whether and the extent to which the
 15 evidence shows that:

- 16 (1) the fees paid to, tasks performed by, or time spent on a task by an
 17 attorney or other professional were extreme or excessive;
 18 (2) the expenses incurred for lodging, meals and beverages,
 19 transportation, or other services or materials were extreme or
 20 excessive;
 21 (3) there was duplication of services or testimony;
 22 (4) the utility's or municipality's proposal on an issue in the rate case
 23 had no reasonable basis in law, policy, or fact and was not
 24 warranted by any reasonable argument for the extension,
 25 modification, or reversal of commission precedent;
 26 (5) rate-case expenses as a whole were disproportionate, excessive,
 27 or unwarranted in relation to the nature and scope of the rate case
 28 addressed by the evidence pursuant to subsection (b)(5) of this
 29 section; or

⁶ 16 TAC § 25.245(d)(1); *see also* Docket No. 55867, Proposal for Decision at 57 (July 22, 2024) (construing the RCE Rule and concluding, "If LCRA TSC meets its burden, the ALJ shall recommend the recovery of the RCEs equal to the amount proven to have been reasonably incurred.") (citation omitted), *adopted by* Final Order at 1 (Nov. 14, 2024).

1 (6) the utility or municipality failed to comply with the requirements for
2 providing sufficient information pursuant to subsection (b) of this
3 section.⁷

4 If the utility demonstrates the criteria above, then the rule provides that the presiding officer
5 “shall allow or recommend allowance of recovery of rate-case expenses equal to the
6 amount shown in the evidentiary record to have been actually and reasonably incurred by
7 the requesting utility or municipality.”⁸

8 **Q. DOES THE COMMISSION’S RCE RULE REQUIRE A CASE-BY-CASE REVIEW OF**
9 **THE EVIDENCE SUPPORTING A UTILITY’S REQUESTED RATE-CASE EXPENSES?**

10 A. Yes. The RCE Rule establishes the standards and specific criteria for assessing the
11 reasonableness of a utility’s rate-case expenses. Specifically, as it relates to the
12 reasonableness of attorneys’ fees, the RCE Rule provides:

13 The presiding officer shall decide whether and ***the extent to which the***
14 ***evidence shows*** that: ... the fees paid to, tasks performed by, or time
15 spent on a task by an attorney or other professional were extreme or
16 excessive.⁹

17 As it relates to the recovery or disallowance of rate-case expenses, which includes
18 attorneys’ fees, the RCE Rule provides:

19 [T]he presiding officer shall allow or recommend allowance of recovery of
20 rate-case expenses equal to the amount ***shown in the evidentiary record***
21 to have been actually and reasonably incurred by the requesting utility or
22 municipality. The presiding officer shall disallow or recommend
23 disallowance of recovery of rate-case expenses equal to the amount shown
24 to have been not reasonably incurred under the criteria in subsection (c) of
25 this section.¹⁰

26 On their face, these two provisions of the RCE Rule establish that a determination
27 on the reasonableness of attorneys’ fees included as part of a utility’s rate-case
28 expenses must be based on the evidence presented and reviewed in the context

⁷ 16 TAC § 25.245(c).

⁸ *Id.* § 25.245(d)(1).

⁹ *Id.* § 25.245(c)(1) (emphasis added).

¹⁰ *Id.* § 25.245(d)(1) (emphasis added).

1 of the specific rate proceeding under review. This analysis necessarily precludes
2 a reasonableness determination and resulting disallowance based on a one-size-
3 fits-all recommendation.

4 **Q. IS THE APPLICATION OF A ONE-SIZE-FITS-ALL HOURLY RATE CAP CONSISTENT**
5 **WITH THE RCE RULE?**

6 A. No, and the Commission has confirmed this fact. Recently, in the Docket No. 55867
7 Proposal for Decision (“PFD”), the Administrative Law Judge (“ALJ”) explained:

8 Neither PURA section 36.061(b)(2) nor the RCE Rule requires an hourly
9 rate cap on the legal expenses a utility may recover and the ALJ finds that
10 the reasonableness of such fees, whether above or below \$550 per hour,
11 should be reviewed and determined on a case-by-case basis. A hard cap
12 on such fees does not comply with nor satisfy the case-specific factors set
13 forth in subsection (b) of the RCE Rule; therefore, Staff’s and OPUC’s
14 proposal for such a cap was considered in accordance with the evidence
15 presented in this proceeding.¹¹

16 Ultimately, the ALJ in Docket No. 55867 rejected Staff’s and OPUC’s recommended hourly
17 cost cap, finding the contested legal fees exceeding the proposed cap justified based on
18 the specific facts and evidence presented in that case.¹² The Commission adopted the
19 Docket No. 55867 PFD without any substantive revisions.¹³ Simply put, the application of
20 a one-size-fits-all hourly rate cap is arbitrary and contrary to PURA and the RCE Rule.

21 **Q. WHAT FACTORS DO TEXAS COURTS APPLY IN ASSESSING THE**
22 **REASONABLENESS OF ATTORNEYS’ FEES?**

23 A. In 1995, prior to the adoption of 16 TAC § 25.245, the Texas Third Court of Appeals agreed
24 with the Commission that its determination of the reasonableness of rate-case expenses
25 is analogous to a trial court’s determination of attorneys’ fees and costs of litigation and
26 included consideration of the following factors:

- 27 (1) time and labor required;
28 (2) nature and complexities of the case;
29 (3) amount of money or value of property or interest at stake;

¹¹ Docket No. 55867, Proposal for Decision at 76-77 (citations omitted).

¹² *Id.* at 77-79.

¹³ Docket No. 55867, Final Order at 1 and Findings of Fact Nos. 139-147.

- 1 (4) extent of responsibilities the attorney assumes;
2 (5) whether the attorney loses other employment because of the undertaking;
3 and
4 (6) benefits to the client from the services.¹⁴

5 Furthermore, the Texas Supreme Court identified the following factors that should
6 be considered when examining the reasonableness of attorneys' fees:

- 7 (1) the time and labor required, the novelty and difficulty of the questions
8 involved, and the skill required to perform the legal service properly;
9 (2) the likelihood . . . that the acceptance of the particular employment will
10 preclude other employment by the lawyer;
11 (3) the fee customarily charged in the locality for similar legal services;
12 (4) the amount involved and the results obtained;
13 (5) the time limitations imposed by the client or by the circumstances;
14 (6) the nature and length of the professional relationship with the client;
15 (7) the experience, reputation, and ability of the lawyer or lawyers performing
16 the services; and
17 (8) whether the fee is fixed or contingent on results obtained or uncertainty of
18 collection before the legal services have been rendered.¹⁵

19 Subsequently, the Court provided additional guidelines for determining the
20 reasonableness and necessity of attorneys' fees by introducing the "lodestar" calculation
21 by which a court can establish reasonable attorneys' fees by multiplying the reasonable
22 hours worked by a reasonable hourly rate.¹⁶ Under the lodestar method, the determination
23 of what constitutes a reasonable attorney's fee involves a two-step process:

24 "First, the court must determine the reasonable hours spent by counsel in
25 the case and a reasonable hourly rate for such work. The court then
26 multiplies the number of such hours by the applicable rate, the product of
27 which is the base fee or lodestar. The court may then adjust the base
28 lodestar up or down (apply a multiplier), if relevant factors indicate an
29 adjustment is necessary to reach a reasonable fee in the case."¹⁷

¹⁴ *City of El Paso*, 916 S.W.2d at 522 (citation omitted).

¹⁵ *Arthur Andersen*, 945 S.W.2d at 818.

¹⁶ *Rohrmoos Venture*, 578 S.W.3d at 491; see also *Iola Barker*, 632 S.W.3d at 186-87.

¹⁷ *Iola Barker*, 632 S.W.3d at 186-87 (citations omitted).

1 The Court made clear that the lodestar method was merely a “short hand version’
2 of the *Arthur Andersen* factors and was never intended to be a separate test or method.”¹⁸
3 As in the federal courts, the base lodestar calculation usually includes at least the following
4 considerations from *Arthur Andersen*: “the time and labor required,” “the novelty and
5 difficulty of the questions involved,” “the skill required to perform the legal service
6 properly,” “the fee customarily charged in the locality for similar legal services,” “the
7 amount involved,” “the experience, reputation, and ability of the lawyer or lawyers
8 performing the services,” “whether the fee is fixed or contingent on results obtained,” “the
9 uncertainty of collection before the legal services have been rendered,” and “results
10 obtained.”¹⁹ The lodestar method establishes a strong presumption that the lodestar
11 figure is reasonable and was never intended to be conclusive in all circumstances.
12 Consequently, the lodestar method allows for the base lodestar figure “to be adjusted up
13 when considerations not already accounted for in the first step establish that the base
14 lodestar figure represents an unreasonably low fee award, depriving fair compensation to
15 the prevailing party’s attorney.”²⁰

16 **Q. SHOULD RATE-CASE EXPENSES THAT FAIL TO SATISFY THE REQUIREMENTS**
17 **OF THE COMMISSION’S RATE-CASE EXPENSE RULE BE AUTOMATICALLY**
18 **DISALLOWED?**

19 A. No. Commission precedent does not require the automatic disallowance of an expense.
20 The rate-case expense rule’s standard is a subjective one in which “extreme or excessive”
21 fees or expenses are to be determined in the context of the evidence, rather than
22 prescriptively setting numeric or dollar thresholds. Therefore, if an item appears to call for
23 further scrutiny, the item is investigated further to determine whether the item is
24 necessary, reasonable, and warranted under the circumstances of the case.

25 **VI. NATURE OF THIS CASE AND TNMP APPROACH TO RATE-CASE EXPENSES**

26 **Q. PLEASE DESCRIBE THE NATURE AND SCOPE OF THIS CASE.**

27 A. This is a comprehensive base-rate case, in which all of the components comprising
28 TNMP’s rates will be subject to review and adjustment by the Commission. Accordingly,
29 TNMP’s rate case filing includes many complex issues that will have a significant impact

¹⁸ *Rohrmoos Venture*, 578 S.W.3d at 490.

¹⁹ *Id.* at 500 (citations omitted); see also *Iola Barker*, 632 S.W.3d at 187.

²⁰ *Rohrmoos Venture*, 578 S.W.3d at 502.

1 on the Company going forward, such as the appropriate capital structure, return on equity,
2 depreciation expense, and self-insurance reserve annual accrual level for the Company,
3 among many other issues.

4 **Q. HOW WOULD YOU DESCRIBE THE NATURE AND SCOPE OF A TYPICAL ELECTRIC**
5 **UTILITY BASE-RATE CASE?**

6 A. Base-rate cases are a highly complex form of specialized commercial litigation. They
7 involve the preparation of detailed accounting schedules, testimonies, exhibits, and
8 workpapers that support the entire cost of service for the utility. In addition to highly
9 knowledgeable company lay witnesses, the utility often needs to engage outside experts
10 to testify on subjects such as depreciation, return on equity, capital structure, and capital
11 expenditures as well as to support those company lay witnesses in the development of
12 their testimony and supporting materials. The utility has the burden of proof, and a typical
13 rate case filing package will contain thousands of pages of information in support of that
14 burden. Base-rate cases are also often highly contentious, involving multiple parties all
15 with sophisticated legal counsel representing diverse customer and party interests. The
16 utility will likely be asked to respond to hundreds of requests for information, and
17 depositions are possible. If the case does not settle, intervenor testimony, company
18 rebuttal testimony, hearings, post-hearing briefing, exceptions, replies to exceptions, and
19 appeals may be required. Additionally, because the rates resulting from rate cases directly
20 impact utility earnings and the utility's ability to finance itself moving forward, the cases
21 are extremely important to the applicant. In fact, it is not unusual for analysts and credit
22 rating agencies to monitor the status and outcomes of rate cases. As such, the utility
23 needs to assemble a legal and regulatory team capable of handling each of the complex
24 case facets.

25 **Q. IS TNMP'S RATE-CASE TEAM EMPLOYING ANY METHODS TO MITIGATE COSTS**
26 **ASSOCIATED WITH FILING THE RATE CASE?**

27 A. Yes. First, many of the attorneys, witnesses, and support personnel have prior experience
28 working on TNMP rate cases. Much of their responsibilities in this case are similar to
29 responsibilities in past cases, which avoids the time needed for individual attorneys and
30 consultants to get up to speed on specific issues, rather than starting from scratch.
31 Second, on the legal side, one cost mitigation strategy is to push work down to less senior
32 attorneys and associates. This strategy ensures that work that is capable of being

1 completed by attorneys with less experience is done at a lower cost to TNMP. Additionally,
2 TNMP has an agreement with Vedder Price for a discount from standard billing rates.

3 **Q. HAS TNMP PROPOSED ANYTHING IN THIS RATE CASE OR THE PAST**
4 **PROCEEDINGS FOR WHICH IT IS SEEKING RATE-CASE EXPENSE RECOVERY**
5 **THAT HAS NO REASONABLE BASIS IN LAW, POLICY, OR FACT AND IS NOT**
6 **WARRANTED BY ANY REASONABLE ARGUMENT FOR THE EXTENSION,**
7 **MODIFICATION, OR REVERSAL OF COMMISSION PRECEDENT?**

8 A. No. Based on my review and discussions with the litigation team, the issues raised by
9 TNMP through its application and testimony are consistent with the Commission's rate
10 filing package and with prior Commission orders. Similarly, the issues raised by TNMP in
11 the other proceedings at issue are consistent with and do not seek to extend, modify, or
12 reverse Commission precedent.

13 **Q. HAVE TNMP AND ITS OUTSIDE COUNSEL PROVIDED SUFFICIENT INFORMATION**
14 **TO TRACK RATE-CASE EXPENSES REASONABLY ASSOCIATED WITH SPECIFIC**
15 **ISSUES RAISED IN THE CASE?**

16 A. Yes. Company witness Mr. Whitehurst discusses in his direct testimony how TNMP tracks
17 its rate-case expenses. In addition, the outside counsel and consultants' individual time
18 entries provide narrative descriptions that enable TNMP to refine the allocation of its rate-
19 case expenses to specific case issues, if necessary, in accordance with the above listed
20 rate-case expense categories.

21 **Q. ARE TNMP'S RATE-CASE EXPENSES, TAKEN AS A WHOLE,**
22 **DISPROPORTIONATE, EXCESSIVE, OR UNWARRANTED IN RELATION TO THE**
23 **NATURE AND SCOPE OF THIS CASE?**

24 A. No. In my opinion, the rate-case expenses of TNMP's outside counsel and consultants
25 that I have reviewed to date are not disproportionate, excessive, or unwarranted given the
26 nature and scope of this base-rate case and the past proceedings at issue.

27 **VII. LEGAL AND OTHER FEES AND EXPENSES**

28 **Q. WHAT LAW FIRMS ARE PROVIDING LEGAL SERVICES TO TNMP IN THIS CASE?**

29 A. The law firm Vedder Price is representing and providing legal services to TNMP in this
30 case. Attorneys from this firm also represented TNMP in the past proceedings for which
31 TNMP is seeking rate-case expense recovery.

1 **Q. IS IT REASONABLE AND NECESSARY FOR TNMP TO RETAIN OUTSIDE LEGAL**
2 **COUNSEL IN THIS CASE AND THE PAST PROCEEDINGS AT ISSUE?**

3 A. Yes. It is standard practice for electric utilities in Texas to use outside legal counsel for
4 rate proceedings, given that rate case work is highly specialized and requires significant
5 resources. Because it has the burden of proof in this case, TNMP will be required to
6 prepare for and address multiple issues in its direct and rebuttal testimony, at the hearing
7 on the merits, and in the post-hearing briefing and exceptions processes, including issues
8 raised by intervening parties and Commission Staff. Further, in base-rate cases such as
9 this, many of these issues will be scrutinized and challenged by Commission Staff and
10 intervenors, which will involve a higher level of litigation activity. In addition, TNMP will be
11 required to timely respond to discovery requests, which have deadlines and can be
12 voluminous and complex, as well as have its witnesses subject to possible depositions.
13 Consequently, it was reasonable for TNMP to retain outside counsel who possess
14 extensive rate case experience at law firms capable of providing the necessary supporting
15 resources.

16 TNMP's outside legal team is experienced with rate cases and the standards for
17 recovery of rate-case expenses. As such, they are aware of the need to avoid duplication
18 of services and coordinate with TNMP and each other on the marshalling of legal
19 resources to be efficient and effective.

20 **Q. PLEASE DESCRIBE THE OUTSIDE LEGAL TEAM REPRESENTING TNMP IN THIS**
21 **CASE.**

22 A. The outside legal team is under the leadership of Stephanie Sparks, a Shareholder at
23 Vedder Price. Ms. Sparks's primary team will include Vedder Price associates Natosha
24 Greene and Keeley Hanchon, though other Vedder Price lawyers will assist as needed.
25 Ms. Sparks has practiced energy regulatory law for nearly 20 years and has represented
26 TNMP in numerous proceedings at the Commission. Ms. Sparks works closely with
27 TNMP's in-house regulatory and legal personnel on a regular basis and has a deep
28 knowledge of the Company's business. She has worked on rate cases for TNMP and
29 others, including base-rate cases, interim rate cases, and a variety of other proceedings.
30 In addition, Ms. Sparks has substantial experience as lead counsel in both energy litigation
31 and regulatory matters representing utilities, investors, retail electric providers (REPs),
32 power developers, owners of conventional and renewable generation; business litigation;
33 utility service disputes; energy project transactions; and regulatory proceedings and

1 contested cases before the Commission. She also has broad experience interpreting and
2 complying with the complex regulatory requirements that govern energy developers, REPs
3 and utilities' operations within ERCOT.

4 Ms. Natosha Greene is an Associate in Vedder Price's Dallas office and a member
5 of the firm's Litigation practice area. Her practice focuses on representing and advising
6 clients in complex commercial litigation and energy regulatory matters, with specific
7 experience in electric utility law.

8 Ms. Keeley Hanchon is an Associate in Vedder Price's Chicago office and a
9 member of the firm's Litigation group. Ms. Hanchon's practice focuses on representing
10 clients in complex commercial litigation across industries. She has represented clients in
11 disputes involving privacy and consumer protection, commercial contracts, restrictive
12 covenants, trade secret misappropriation, and media defense. In addition, she also
13 represents clients in the Texas energy market in regulatory proceedings before the
14 Commission.

15 Paralegals and other legal support staff will also help with this rate case
16 proceeding.

17 **Q. HOW DID YOU EVALUATE THE REASONABLENESS OF THE FEES CHARGED BY**
18 **TNMP'S OUTSIDE LEGAL TEAM?**

19 A. I evaluated the reasonableness of the fees charged by TNMP's outside counsel based on
20 my understanding of the issues in a rate case generally and TNMP's requested rate relief
21 specifically; my discussions with the litigation team; and my knowledge of the experience,
22 credibility, and competence of the firm and its attorneys. I also compared the attorneys'
23 hourly rates to the hourly rates charged by other law firms providing similar services.

24 **Q. HOW WERE YOU ABLE TO COMPARE THE HOURLY RATES FOR SERVICES**
25 **PROVIDED TO TNMP BY ITS OUTSIDE COUNSEL WITH THOSE OF OTHER**
26 **ATTORNEYS PROVIDING SIMILAR SERVICES?**

27 A. My primary source of information was from testimony filed in other recent proceedings
28 before the Commission. I also have familiarity in general with hourly rates from my own
29 law firm experience and working with other lawyers.

30 I am also aware that the Railroad Commission of Texas has approved settlements
31 finding hourly attorney rates of \$877.50 per hour to be reasonable in two separate gas

1 utility rate proceedings.²¹ Using the Bureau of Labor Statistics' CPI Inflation Calculator,
2 an \$877.50 hourly rate in January 2021 would equate to \$1,089.57 in September 2025.²²
3 Gas utility rate proceedings are similar in nature to electric utility rate proceedings and
4 involve many of the same ratemaking principles. There is also considerable overlap
5 among electric utility lawyers and gas utility lawyers.

6 **Q. HOW ARE HOURLY RATES ESTABLISHED BY A LAW FIRM?**

7 A. In my experience, hourly rates are largely a function of the nature of the work, the relevant
8 experience and knowledge of the attorneys and legal assistants within the law firm, the
9 length of the relationship with the client, and the current and anticipated workload of the
10 relevant attorneys relative to the time commitment of an engagement that may limit the
11 ability to undertake other legal work. As with any service, the market in which the attorneys
12 operate plays a role in the setting of hourly rates. Obviously, the greater the demand for
13 legal services, the higher the rates tend to be. Hourly rates of lawyers and non-legal
14 consultants also tend to increase over time, as the underlying costs of providing services
15 tend to increase over time.

16 **Q. ARE YOU FAMILIAR WITH THE EXPERIENCE AND REPUTATION OF THE VEDDER
17 PRICE TEAM REPRESENTING TNMP IN THIS CASE?**

18 A. Yes. I am very familiar with Vedder Price and its excellent professional reputation. I also
19 have personal knowledge of the high level of experience and professionalism that each
20 Vedder Price attorney on the team brings to the case.

21 **Q. WHAT VEDDER PRICE INVOICES DID YOU REVIEW?**

²¹ See *Statement of Intent Filed by Hooks Gas Pipeline, LLC to Increase and Consolidate Rates for Hooks Gas Pipeline, LLC, Texas Gas Pipeline Company, LLC and 1486 Pipeline, LLC*, Railroad Commission of Texas Docket No. OS-20-00004866, Proposal for Decision at 14 (Mar. 23, 2021) (finding V&E's hourly attorney rates of \$647.40 to \$877.50 to be reasonable); *id.*, Final Order at Findings of Fact Nos. 46-49 (Apr. 14, 2021) (approving Proposal for Decision); see *Statement of Intent Filed by Universal Natural Gas Inc. to Increase and Consolidate Rates in the Unincorporated Areas Served by Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc., Consumers Gas Company, LLC d/b/a Consumers Gas Company, Inc., Enertex NB, LLC, and Gas Energy, LLC*, Railroad Commission of Texas Docket No. OS-20-00004865, Proposal for Decision at 22-23 (Mar. 31, 2021) (finding V&E's hourly attorney rates which ranged up to \$877.50 to be reasonable); *id.*, Final Order at Findings of Fact Nos. 62-65 (Apr. 14, 2021) (approving Proposal for Decision).

²² The calculator is available at the following link: [CPI Inflation Calculator](#).

1 A. I reviewed Vedder Price's invoices for time worked on this case for the period through
2 August 2025. The firm's invoices include time, task, and attorney information.

3 **Q. WHAT DID YOU DETERMINE FROM YOUR REVIEW OF THE VEDDER PRICE**
4 **INVOICES?**

5 A. I found that the level of detail was sufficient to allow me to reasonably identify the nature,
6 extent, and difficulty of the work being performed, and to form some judgment about the
7 reasonableness of the time and labor required and spent and the out-of-pocket expenses
8 incurred. All of the invoices reflect the date and a description of the services provided by
9 each timekeeper, billed in 1/10 hour increments, and the respective timekeeper's hourly
10 rate.

11 The invoices reviewed to date appear to have been calculated correctly. Further,
12 it appears that none of the legal fees were lacking in supporting documentation or other
13 verification (after due inquiry to the extent necessary). Finally, when I needed more
14 information about any particular entries, I investigated it further, so as to be able to form
15 an opinion as to the reasonableness of the invoices.

16 **Q. WAS THE LEGAL WORK CONDUCTED AND TIME EXPENDED BY**
17 **PARTNERS/HIGHER-BILLING ATTORNEYS REASONABLE?**

18 A. Yes. Based on my review of the invoices, the work conducted and time expended on this
19 case by partners/higher-billing attorneys was reasonable and necessary. Further, the
20 legal work has been reasonably allocated between the partners/higher-billing attorneys
21 and associates/lower-billing attorneys given the issues involved and the stage of the case
22 during which the work was performed.

23 **Q. WHAT IS YOUR CONCLUSION REGARDING THE REASONABLENESS OF THE FEES**
24 **BEING CHARGED BY VEDDER THAT YOU HAVE REVIEWED TO DATE IN THIS**
25 **CASE AND THE PAST CASES AT ISSUE?**

26 A. While there is a competitive market for regulatory counsel, only a few firms could meet
27 TNMP's requirements. Based on my experience, expertise, review of the documents, and
28 review of 16 TAC § 24.245 and Texas jurisprudence on reasonable attorneys' fees, and
29 given Vedder Price's high level of expertise and knowledge of electric utility regulation in
30 Texas and rate cases in particular, its long-standing and successful representation of
31 TNMP in prior cases, the extensive and intense time commitment necessary to complete
32 the rate case, and the value and importance of the rate case to TNMP, it is my opinion the
33 fees charged by the Vedder Price attorneys are reasonable. In addition, Vedder Price's

1 hourly rates are generally within the range of rates charged by other law firm practitioners
2 providing similar services, which further confirms that Vedder Price's hourly rates are
3 reasonable.

4 **Q. WHAT IS YOUR CONCLUSION REGARDING THE RATES, FEES, AND EXPENSES**
5 **INCURRED BY TNMP FOR LEGAL SERVICES PROVIDED BY VEDDER PRICE IN**
6 **THIS CASE AND THE PAST PROCEEDINGS AT ISSUE?**

7 A. Subject to the review of additional invoice information that becomes available later, my
8 opinion is the rates charged, time spent, tasks performed, and fees and expenses charged
9 to date by Vedder Price are necessary, reasonable, warranted, and thus not extreme or
10 excessive, and therefore should be recovered. This is based upon my review and
11 evaluation of the invoices, and such factors as the number of and complexity of the rate
12 case issues, the significance of the proceedings to the utility, and the fact that the utility
13 has the burden of proof (and thus must prepare, file, and give notice of an application,
14 along with prepared direct testimony, that is subject to initial review for sufficiency and
15 completeness, as well as be prepared to fully prosecute the case through discovery to an
16 evidentiary hearing and through the applicable post-hearing procedures).

17 **VIII. CONSULTANT FEES AND EXPENSES**

18 **Q. IS TNMP USING OUTSIDE CONSULTANTS TO SUPPORT AND PREPARE PORTIONS**
19 **OF THIS RATE CASE AND CERTAIN OF THE OTHER PROCEEDINGS FOR WHICH**
20 **IT IS SEEKING EXPENSE RECOVERY?**

21 A. Yes. TNMP is using or did use outside consultants in this case

22 **Q. PLEASE DESCRIBE TNMP'S PROCESS FOR HIRING CONSULTANTS FOR THE**
23 **RATE CASE PROCEEDING.**

24 A. At the outset of the case preparation, TNMP reviewed which resources could be met with
25 in-house personnel and which would require outside assistance. In some cases, outside
26 assistance is necessary because in-house resources lack the necessary specialization.
27 In others, outside consultants may be selected to provide independence. In addition, it is
28 helpful to have an outside, independent source for the Company's depreciation study.

29 **Q. WAS IT NECESSARY FOR TNMP TO RETAIN OUTSIDE CONSULTANTS FOR THIS**
30 **CASE AND THE PAST PROCEEDINGS?**

31 A. It is common for electric utilities, including TNMP, to employ outside experts and non-
32 testifying consultants to support and prepare portions of rate cases filed at the

1 Commission. TNMP does not have the internal expertise necessary to properly and
 2 adequately address all of the complex issues in a base-rate case without the assistance
 3 of qualified outside consultants. Its reliance on outside consultants for this case is
 4 necessary and reasonable.

5 **Q. PLEASE DESCRIBE THE OUTSIDE CONSULTANT AGREEMENTS INCLUDING**
 6 **MANNER OF COMPENSATION.**

7 A. Beyond the specific terms of compensation, the agreements are generally consistent with
 8 each other. Most of the outside consultants bill by the hour. The rates for the consultants
 9 are typical of the types of services provided and commensurate with the individual
 10 consultant's level of experience. Additionally, the agreements provide that TNMP will
 11 reimburse consultants for hotels and travel expenses. As with its in-house employees,
 12 TNMP instructs its outside consultants to minimize expenses and to avoid luxury and
 13 unnecessary travel expenses.

14 **Q. PLEASE IDENTIFY THE CONSULTING FIRMS PROVIDING SERVICES TO TNMP IN**
 15 **THIS CASE AND THE PAST CASES AT ISSUE?**

16 A. The following consulting firms have been retained to provide services in connection with
 17 these cases:

Firm	Key Consultant(s)	Primary Area(s) of Responsibility
Alliance Consulting Group	Dane A. Watson	Depreciation Study
Lewis & Ellis, LLC	Gregory S. Wilson	Self-Insurance Reserve
Expergy	Jay Joyce	Lead Lag
Strategy&	Earl Simpkins	Affiliated Transactions
Financial Concepts and Applications, Inc. (d/b/a FINCAP, Inc.)	Adrien McKenzie	ROE
Willis Towers Watson	Brian Arnell	Pension Study
Itron	Stuart McMenamin	Load Research
Lapson Advisory	Ellen Lapson	Investors/Credit Agencies
EDM International Inc.	N/A	Vegetation Management
PwC	N/A	Compensation Study
DWMR	Patrick Pearsall	Reasonableness of Rate Case Expenses

18

1 **Q. WHAT INVOICES OR SUPPORTING DOCUMENTATION FOR CONSULTING**
2 **SERVICES DID YOU REVIEW?**

3 A. I reviewed engagement letters and/or invoices submitted to TNMP for the consultants
4 through October 2025. As the case progresses, I will review the additional invoices
5 submitted.

6 **Q. ARE THE CONSULTANTS' INVOICES SIMILAR TO THE INVOICES SUBMITTED BY**
7 **THE LAW FIRMS?**

8 A. Yes. For the most part, the consultants' invoices include identification of the person or
9 persons performing a billable task, the time they spent, and a description of the task or
10 tasks performed.

11 **Q. DID YOU APPLY THE STANDARDS YOU DESCRIBED ABOVE WHEN REVIEWING**
12 **THE WORK PERFORMED BY THOSE CONSULTANTS?**

13 A. Yes.

14 **Q. HOW DID YOU EVALUATE THE FEES CHARGED BY TNMP'S OUTSIDE**
15 **CONSULTANTS?**

16 A. Based on my understanding of the issues in this rate case and prior rate cases, as well as
17 prior testimony regarding each of the key consultants' experience, credibility, and
18 competence, and additional due diligence, when necessary, I was able to evaluate the
19 reasonableness of the fees charged in this case.

20 **Q. WHAT IS YOUR CONCLUSION REGARDING THE FEES CHARGED BY TNMP'S**
21 **OUTSIDE CONSULTANTS?**

22 A. The fees charged by the consultants are reasonable for these types of rate case services,
23 and thus not extreme or excessive, as discussed for each in turn below.

24 **A. Alliance**

25 **Q. ARE YOU FAMILIAR WITH ALLIANCE?**

26 A. I am familiar with Alliance's depreciation work and Mr. Watson's excellent professional
27 reputation. Mr. Watson specializes in regulatory and financial consulting for utilities and
28 has extensive experience in preparing depreciation studies. He is the principal of Alliance,
29 which he formed after working with TXU Corp. for approximately 20 years. He has over
30 30 years of experience in the area of depreciation and valuation. He is a Certified
31 Depreciation Professional by the Society of Depreciation Professionals and is active in
32 industry organizations, including service as the Chairman of Edison Electric Institute's

1 Property Accounting and Valuation Committee. He is also a Registered Professional
2 Engineer ("PE") in the State of Texas. Specific information regarding Mr. Watson's
3 education and professional experience is included in his direct testimony.

4 **Q. PLEASE DESCRIBE THE SERVICES ALLIANCE PROVIDED TNMP.**

5 A. In this case, Alliance was retained to prepare a depreciation rate study and provide expert
6 testimony recommending depreciation rates for TNMP's facilities based on the results of
7 the depreciation study.

8 **Q. DID YOU REVIEW THE ALLIANCE ENGAGEMENT LETTER?**

9 A. Yes, I reviewed the engagement letter.

10 **Q. DID YOU REVIEW ALL OF THE ALLIANCE INVOICES?**

11 A. Yes, I have reviewed all of the invoices submitted by Alliance for depreciation study
12 services performed for TNMP for this case for the period through October 2025.

13 **Q. WHAT IS YOUR CONCLUSION REGARDING THE REASONABLENESS OF THE
14 RATES AND CHARGES BY ALLIANCE IN THIS CASE?**

15 A. The rates charged by Alliance are reasonable and consistent with rates charged by
16 Alliance for the provision of similar services to other utilities. The number of hours billed
17 is reasonable. Accordingly, in my opinion, the amounts charged to date by Alliance are
18 necessary, reasonable, and warranted, and thus not extreme or excessive.

19 **B. Lewis & Ellis**

20 **Q. ARE YOU FAMILIAR WITH LEWIS & ELLIS?**

21 A. Yes, I am familiar with Lewis & Ellis and Mr. Wilson's professional reputation. As the Vice
22 President and Principal at Lewis & Ellis, Mr. Wilson's practice focuses on property-
23 casualty actuarial matters. Mr. Wilson specializes in providing estimates of the financial
24 implications of future contingent experience in the area of property-casualty actuarial
25 consulting. He is a Fellow of the Casualty Actuarial Society, the highest designation a
26 property-casualty actuary can attain.

27 **Q. PLEASE DESCRIBE THE SERVICES LEWIS & ELLIS PROVIDED TNMP.**

28 A. In this case, Lewis & Ellis and Mr. Wilson were retained by TNMP to offer an independent
29 opinion of the prudence and reasonableness of TNMP's proposed self-insurance reserve
30 plan.

31 **Q. DID YOU REVIEW THE LEWIS & ELLIS ENGAGEMENT LETTER?**

1 A. Yes, I reviewed the engagement letter.

2 **Q. DID YOU REVIEW ALL OF THE LEWIS & ELLIS INVOICES?**

3 A. Yes, I have reviewed all of the invoices submitted by Lewis & Ellis for services performed
4 for TNMP for this case through October 2025.

5 **Q. WHAT IS YOUR CONCLUSION REGARDING THE REASONABLENESS OF THE
6 RATES AND CHARGES BY LEWIS & ELLIS IN THIS CASE?**

7 A. The rates charged by Lewis & Ellis are reasonable and consistent with rates charged by
8 Lewis & Ellis for the provision of similar services to other utilities. The number of hours
9 billed is reasonable. Accordingly, in my opinion, the amounts charged to date by Lewis &
10 Ellis are necessary, reasonable, and warranted, and thus not extreme or excessive.

11 **C. Expergy**

12 **Q. ARE YOU FAMILIAR WITH EXPERGY?**

13 A. Yes, I am familiar with Expergy generally and Mr. Joyce specifically. Expergy provides
14 expert consulting services to the energy and utility industries. These services include
15 utility rate design, cost allocation, cash working capital studies, depreciation and valuation
16 studies, rate case assistance, expert testimony, and other related consulting services. Mr.
17 Joyce is President of Expergy, where his responsibilities include preparing and presenting
18 analyses relating to pricing and rate design matters, cost of service and revenue
19 requirement issues, cash working capital studies, customer and weather normalization,
20 and other gas, electric, water, and wastewater related matters.

21 **Q. PLEASE DESCRIBE THE SERVICES EXPERGY PROVIDED TNMP.**

22 A. In this case, Mr. Joyce provides testimony presenting and supporting the lead-lag study
23 used to measure the cash working capital ("CWC") allowance required for the Company's
24 operations.

25 **Q. DID YOU REVIEW THE EXPERGY ENGAGEMENT LETTER?**

26 A. Yes, I reviewed the engagement letter.

27 **Q. DID YOU REVIEW ALL OF THE EXPERGY INVOICES?**

28 A. Yes, I have reviewed all of the invoices submitted by Expergy for services performed for
29 TNMP for this case through October 2025.

30 **Q. WHAT IS YOUR CONCLUSION REGARDING THE REASONABLENESS OF THE
31 RATES AND CHARGES BY EXPERGY IN THIS CASE?**

1 A. The rates charged by Expergy are reasonable and consistent with rates charged by
2 Expergy for the provision of similar services to other utilities. The number of hours billed
3 is reasonable. Accordingly, in my opinion, the amounts charged to date by Expergy are
4 necessary, reasonable, and warranted, and thus not extreme or excessive.

5 **D. Strategy&**

6 **Q. ARE YOU FAMILIAR WITH STRATEGY&?**

7 A. Yes, I am familiar with Strategy&, PricewaterhouseCoopers LLP's (PwC) strategy
8 consulting group, as well as Mr. Simpkins. Mr. Simpkins graduated from the Harvard
9 Business School with a Master's in Business Administration and graduated summa cum
10 laude from Florida A&M University with a B.S. degree in Accounting. During his career,
11 Mr. Simpkins has worked at Deloitte & Touche Management Consulting, Booz Allen
12 Hamilton, and PwC. Over the course of his nearly 30-year career, Mr. Simpkins has
13 specialized in the public utility industry and has performed a variety of assignments. He
14 has participated in the development of witness testimony related to affiliate costs and has
15 also been involved in the functional review of customer operations and call center costs in
16 several assignments.

17 **Q. PLEASE DESCRIBE THE SERVICES STRATEGY& PROVIDED TNMP.**

18 A. In this case, Mr. Simpkins evaluated and provides testimony addressing the
19 reasonableness of costs associated with TNMP's affiliate transactions.

20 **Q. DID YOU REVIEW THE STRATEGY& ENGAGEMENT LETTER?**

21 A. Yes, I reviewed the engagement letter.

22 **Q. DID YOU REVIEW ALL OF THE STRATEGY& INVOICES?**

23 A. Yes, I have reviewed all of the invoices submitted by Strategy& for services performed for
24 TNMP for this case through October 2025.

25 **Q. WHAT IS YOUR CONCLUSION REGARDING THE REASONABLENESS OF THE
26 RATES AND CHARGES BY STRATEGY& IN THIS CASE?**

27 A. The rates charged by Strategy& are reasonable and consistent with rates charged by
28 Strategy& for the provision of similar services to other utilities. The number of hours billed
29 is reasonable. Accordingly, in my opinion, the amounts charged to date by Strategy& are
30 necessary, reasonable, and warranted, and thus not extreme or excessive.

1 **E. FINCAP**

2 **Q. ARE YOU FAMILIAR WITH FINCAP?**

3 A. Yes, I am familiar with the services provided by FINCAP generally as well as those of Mr.
4 McKenzie, in particular. Mr. McKenzie is the President of FINCAP, a firm providing
5 financial, economic, and policy consulting services to business and government. He has
6 over 35 years of experience in economic and financial analysis for regulated industries,
7 and in preparing and supporting expert witness testimony before regulatory agencies,
8 courts, and legislative committees throughout the U.S. and Canada. His assignments
9 have included a broad range of economic and financial issues, including cost of capital,
10 cost of service, rate design, economic damages, and business valuation. Mr. McKenzie
11 holds the Chartered Financial Analyst (CFA®) designation and earned an MBA in finance
12 from the University of Texas at Austin. He is a member of the CFA Institute.

13 **Q. PLEASE DESCRIBE THE SERVICES FINCAP PROVIDED TNMP.**

14 A. Mr. McKenzie was retained to provide testimony related to the appropriate return on equity
15 and capital structure for TNMP.

16 **Q. DID YOU REVIEW THE FINCAP ENGAGEMENT LETTER?**

17 A. Yes, I reviewed the FINCAP engagement letter.

18 **Q. DID YOU REVIEW ALL OF THE FINACAP INVOICES?**

19 A. Although FINCAP has provided services to TNMP, no invoices were processed by TNMP
20 prior to the end of August 2025. TNMP, however, expects such fees to be included in
21 future rate-case expense updates. Accordingly, I will include my assessment of the
22 reasonableness of FINCAP's rates and charges in future supplemental testimony or
23 affidavit.

24 **F. WTW**

25 **Q. ARE YOU FAMILIAR WITH WTW?**

26 A. Yes, I am familiar with the services provided by WTW. WTW is a leading provider of
27 actuarial and retirement consulting services. Additionally, WTW serves as the actuary for
28 over half of the U.S. Fortune 1000 Utilities and have provided rate case support and/or
29 testimony in most jurisdictions.

30 **Q. PLEASE DESCRIBE THE SERVICES PROVIDED BY WTW IN THIS CASE.**

31 A. TNMP retained WTW to provide background and additional support related to TNMP's
32 cost of service requests related to pension benefits and retiree medical benefits.

1 **Q. DID YOU REVIEW THE WTW ENGAGEMENT LETTER?**

2 A. Yes, I reviewed the WTW engagement letter.

3 **Q. DID YOU REVIEW ALL OF THE WTW INVOICES?**

4 A. Yes, I have reviewed all the invoices submitted by WTW for services performed for TNMP
5 for this case through October 2025.

6 **Q. WHAT IS YOUR CONCLUSION REGARDING THE REASONABLENESS OF THE FEES
7 CHARGED BY WTW IN THIS CASE?**

8 A. The rates charged by WTW are reasonable and consistent with rates charged by other
9 consultants for similar services in recent base-rate cases. The number of hours billed are
10 reasonable. Accordingly, in my opinion the amounts charged to date by WTW are
11 necessary, reasonable, and warranted, and thus not extreme or excessive.

12 **G. Itron**

13 **Q. ARE YOU FAMILIAR WITH ITRON?**

14 A. Yes, I am familiar with the services provided by Itron generally, and with Mr. Stuart
15 McMenamin specifically. Mr. McMenamin received his undergraduate degree in
16 Mathematics and Economics from Occidental College in Los Angeles, California in 1971
17 and his Ph.D. in Economics from the University of California, San Diego in 1976. He has
18 worked in the fields of energy forecasting and load research since 1976 and has consulted
19 with many of the major electric and gas utilities in North America. In the 1980's and early
20 1990's, his work focused on end-use modeling and he was the principal investigator for
21 the Electric Power Research Institute end-use modeling programs. More recently, his
22 work has focused on methods that combine econometric and end-use concepts.

23 **Q. PLEASE DESCRIBE THE SERVICES PROVIDED BY ITRON IN THIS CASE.**

24 A. Mr. McMenamin presents the methods and data that were used to develop weather
25 adjustments for the TNMP filing, including adjustments for monthly sales, customer
26 demand, billing demand, class peaks, and class loads at the time of TNMP and ERCOT
27 peaks.

28 **Q. DID YOU REVIEW THE ITRON ENGAGEMENT LETTER?**

29 A. Yes, I reviewed the Itron engagement letter.

30 **Q. DID YOU REVIEW ALL OF THE ITRON INVOICES?**

31 A. Yes, I have reviewed all the invoices submitted by Itron for services performed for TNMP
32 for this case through October 2025.

1 **Q. WHAT IS YOUR CONCLUSION REGARDING THE REASONABLENESS OF THE FEES**
2 **CHARGED BY ITRON IN THIS CASE?**

3 A. The rates charged by Itron are reasonable and consistent with rates charged by other
4 consultants for similar services in recent base-rate cases. The number of hours billed are
5 reasonable. Accordingly, in my opinion the amounts charged to date by Itron are
6 necessary, reasonable, and warranted, and thus not extreme or excessive

7 **H. Lapson Advisory**

8 **Q. ARE YOU FAMILIAR WITH LAPSON ADVISORY?**

9 A. I am familiar with Lapson Advisory and Ms. Lapson's excellent professional reputation.
10 For over 50 years, Ms. Lapson has specialized in analyzing the finances of regulated
11 public utilities. As the Principal at Lapson Advisory, she has advised companies in the
12 utility and infrastructure sector on how to maintain or improve their access to capital
13 markets.

14 **Q. PLEASE DESCRIBE THE SERVICES LAPSON ADVISORY PROVIDED TNMP.**

15 A. Lapson Advisory was retained by TNMP to provide testimony regarding the soundness of
16 TNMP's financial condition and the projected impact of the requested rate increase on
17 TNMP's future financial strength. Specifically, Ms. Lapson provides a recommendation on
18 the appropriate regulatory capital structure as part of determining TNMP's authorized cost
19 of capital.

20 **Q. DID YOU REVIEW LAPSON ADVISORY'S ENGAGEMENT LETTER?**

21 A. Yes, I reviewed the engagement letter.

22 **Q. DID YOU REVIEW ALL OF THE LAPSON ADVISORY INVOICES?**

23 A. Although Lapson Advisory has provided services to TNMP, no invoices were processed
24 by TNMP prior to the end of August 2025. TNMP, however, expects such fees to be
25 included in future rate-case expense updates. Accordingly, I will include my assessment
26 of the reasonableness of Lapson Advisory's rates and charges in future supplemental
27 testimony or affidavit.

28 **I. EDM International**

29 **Q. ARE YOU FAMILIAR WITH EDM INTERNATIONAL?**

30 A. Yes, I familiar with EDM International and, in particular, EDM's team of industry experts
31 that combine significant experience with state-of-the-art technology to develop and

1 implement safe, reliable, compliant, cost-effective, cross-functional, programmatic
2 solutions for utility vegetation management.

3 **Q. PLEASE DESCRIBE THE SERVICES EDM INTERNATIONAL PROVIDED TNMP.**

4 A. EDM International was retained by TNMP to review and develop a study related to TNMP's
5 vegetation management practices.

6 **Q. DID YOU REVIEW EDM INTERNATIONAL'S ENGAGEMENT LETTER?**

7 A. Yes, I reviewed the engagement letter.

8 **Q. DID YOU REVIEW ALL OF THE EDM INTERNATIONAL INVOICES?**

9 A. Yes, I have reviewed all of the invoices submitted by EDM International for services
10 performed for TNMP for this case for the period through October 2025.

11 **Q. WHAT IS YOUR CONCLUSION REGARDING THE REASONABLENESS OF THE
12 RATES AND CHARGES BY EDM INTERNATIONAL IN THIS CASE?**

13 A. The rates charged by EDM International are reasonable and consistent with rates charged
14 for the provision of similar services to other utilities. The number of hours billed is
15 reasonable. Accordingly, in my opinion, the amounts charged to date by EDM International
16 are necessary, reasonable, and warranted, and thus not extreme or excessive.

17 **J. PwC**

18 **Q. ARE YOU FAMILIAR WITH PWC?**

19 A. Yes, I familiar with PwC's consulting services.

20 **Q. PLEASE DESCRIBE THE SERVICES PWC PROVIDED TNMP.**

21 A. PwC was retained by TNMP to provide a study of the reasonableness of TNMP's
22 compensation.

23 **Q. DID YOU REVIEW PWC'S ENGAGEMENT LETTER?**

24 A. Yes, I reviewed the engagement letter.

25 **Q. DID YOU REVIEW ALL OF THE PWC INVOICES?**

26 A. Yes, I have reviewed all of the invoices submitted by PwC for services performed for
27 TNMP for this case for the period through August 2025.

28 **Q. WHAT IS YOUR CONCLUSION REGARDING THE REASONABLENESS OF THE
29 RATES AND CHARGES BY PWC IN THIS CASE?**

30 A. The amounts charged by PwC for preparation of the compensation study are reasonable
31 and consistent with the amounts charged for the provision of similar services to other

1 utilities. Accordingly, in my opinion, the amounts charged to date by PwC are necessary,
2 reasonable, and warranted, and thus not extreme or excessive.

3 **K. DWMR**

4 **Q. PLEASE DESCRIBE THE SERVICES DWMR PROVIDED TNMP.**

5 A. I was retained to provide expert testimony regarding the rate-case expenses for outside
6 services incurred by TNMP in this rate proceeding and certain past proceedings. Such
7 testimony is required by Commission precedent and 16 TAC § 25.245 in order for the
8 utility to recover its reasonable and necessary rate-case expenses.

9 **Q. WHAT IS YOUR CONCLUSION REGARDING THE REASONABLENESS OF THE**
10 **RATES AND CHARGES BY DWMR IN THIS CASE?**

11 A. DWMR has charged only for the services provided that were reasonable and necessary
12 to review the invoices for TNMP's outside counsel and consultants, formulate opinions,
13 and prepare my testimony. To the extent practicable, I have used associates and/or
14 paralegals to minimize costs. The DWMR hourly rates are reasonable and reasonably
15 comparable to the rates charged by attorneys providing similar services. The number of
16 hours billed is reasonable. There were no charges that should have been recovered
17 through reimbursement for other expenses. Accordingly, in my opinion the fees charged
18 by DWMR to date are necessary, reasonable, warranted, and thus not extreme or
19 excessive.

20 **IX. SUMMARY AND CONCLUSION**

21 **Q. WHAT IS THE OVERALL AMOUNT OF EXPENSES FOR WHICH TNMP IS SEEKING**
22 **RECOVERY?**

23 A. As noted above, TNMP is seeking to recover its actual rate-case expenses that have been
24 and will be incurred to litigate this base-rate case and certain past rate-related actions.
25 TNMP's current rate-case expense request associated with invoices that I have reviewed
26 totals \$1,572,116—this is composed of \$1,194,660 for this rate case and \$377,456 for the
27 prior rate proceedings. These amounts will obviously increase as additional invoices are
28 received and paid. Therefore, I anticipate that I will be filing additional or supplemental
29 testimony addressing such additional expenses.

30 **Q. WHAT IS YOUR OPINION REGARDING TNMP'S EXPENSES INCURRED TO DATE?**

1 A. Based on my experience and review of the above-described supporting documentation
2 for the expenses requested for this case and the prior dockets at issue, I conclude that
3 the expenses were reasonably and necessarily incurred. In particular, I conclude:

- 4 • TNMP has provided adequate documentation, in the same form accepted in prior
5 Commission rate-case expense dockets, to support all of the requested expenses.
- 6 • Retention of each of the professionals whose fees and expenses are included in
7 TNMP's requested expenses was necessary for the Company to properly and fully
8 present its case and to meet Commission requirements for a base-rate case.
- 9 • The total amounts billed by outside legal counsel and consultants were necessarily
10 incurred and reasonable in amount.
- 11 • The number of outside attorneys TNMP used, and the amount of work they
12 performed (as documented in monthly invoices) was reasonable and justified given
13 the nature of these cases.
- 14 • The fees paid to TNMP's outside counsel are consistent with the engagements
15 and reasonable given the context of this case and the past cases at issue.
- 16 • The fees charged by TNMP's outside counsel are reasonable, particularly when
17 compared with those of other firms and individuals providing similar services.

18 Finally, I conclude that the amount of expenses incurred and requested by TNMP is
19 reasonable and necessary considering the:

- 20 • scope and complexity of the matters involved;
- 21 • time and labor required;
- 22 • amount of money at stake;
- 23 • number and complexity of the legal, procedural, and evidentiary issues addressed
24 in each case; and
- 25 • scope of responsibilities assumed by TNMP's outside attorneys.

26 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

27 A. Yes, it does.

AFFIDAVIT

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

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

"My name is Patrick Pearsall. I am of legal age, a resident of the State of Texas, and have never been convicted of a felony. I am an attorney and Partner at Duggins Wren Mann & Romero LLP. In my capacity, I certify that the rates charged by Duggins Wren Mann & Romero LLP for services performed for the preparation of this rate case for Texas-New Mexico Power Company are no higher than our normal rates for the same or similar services and are reasonable. Our normal hourly rates charged to Texas-New Mexico Power Company are not higher than what are charged to non-regulated entities for the same or similar services. Duggins Wren Mann & Romero LLP has not charged Texas-New Mexico Power Company for first class airfare nor have we included alcohol or premium ground transportation."

Patrick Pearsall

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

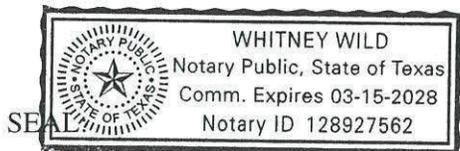
Whitney Wild

NOTARY PUBLIC in and for the
State of Texas

Printed Name: Whitney L Wild

My Commission expires: 3/15/28

Notary ID #: 128927562



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

WORKPAPERS FOR
THE DIRECT TESTIMONY OF
PATRICK PEARSALL

TNMP Witness Patrick Pearsall has no supporting workpapers for his direct testimony.