

**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 AND EXHIBITS  
OF  
LEONARD D. SANCHEZ**

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

**NOVEMBER 14, 2025**

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**EXHIBIT**

**EXHIBIT LDS-1 EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

1 **I. INTRODUCTION AND PURPOSE**

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

3 A. My name is Leonard D. Sanchez. I am employed by PNMR Services Company  
4 (“PNMR Services”) and provide services as Associate General Counsel to Texas-  
5 New Mexico Power Company (“TNMP” or “Company”) and its affiliates. My  
6 business address is 414 Silver Ave. SW, MS-0805, Albuquerque, New Mexico  
7 87158.

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
9 **EXPERIENCE.**

10 A. Attached hereto as Exhibit LDS-1 is a summary of my educational background  
11 and experience.

12 **Q. DESCRIBE THE SCOPE OF YOUR WORK FOR TNMP AND ITS AFFILIATES.**

13 A. I serve as an Associate General Counsel and the Director, Ethics and  
14 Governance to TNMP and its affiliates. Currently, I primarily manage all Securities  
15 and Exchange Commission (“SEC”) reporting and any financings or significant  
16 transactions for all affiliates of TNMP’s parent, TXNM Energy, Inc. (“TXNM  
17 Energy”). I have also overseen the Law Department’s budgeting and regular cost  
18 review process. My assignments require me to work closely with the Law  
19 Department attorneys on the status and costs of the various matters managed by  
20 the Department in both Texas and New Mexico. During my tenure with PNMR  
21 Services, I have also been directly responsible for a variety of matters involving  
22 litigation, transactional and regulatory fields in both New Mexico and Texas. In  
23 my role as the Director, Ethics and Governance, I manage the Ethics program  
24 and governance matters for all affiliates of TXNM Energy. The Ethics program  
25 provides guidance to assist employees, officers, board members and agents and  
26 representatives are expected to uphold our Standards by observing both the letter  
27 and spirit of the law and applicable policies in every transaction.

28 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**  
29 **COMMISSIONS?**

1 A. Yes. I have testified before the New Mexico Public Regulatory Commission for  
2 Revision of Its Retail Electric Rates Pursuant to Advice No. No. 595, filed  
3 December 5, 2022; for Revision of Its Retail Electric Rates Pursuant to Advice  
4 Notice No. 533, NMPRC Case No. 16-00276-UT, filed December 7, 2016; for  
5 Revision of Its Retail Electric Rates Pursuant to Advise Notice No 513, NMPRC  
6 Case No. 15-00261-IT, filed August 27, 2015; for Revision of Its Retail Rates  
7 Pursuant to Advise Notice No. 507, Case No. 14-00332-UT. In Texas, I filed  
8 testimony in support of TNMP's prior rate case in Docket No. 48401.

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

10 A. Yes. I am sponsoring Exhibit LDS-1, attached to my testimony, as well as the  
11 tables and graphs embedded in my testimony. The exhibit, tables, and graphs  
12 were prepared by me or under my supervision.

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

15 A. I co-sponsor Schedule V-K and Schedule II-C-4.

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

17 A. I support the expenses charged by the Law Department and Corporate  
18 Governance as appropriate affiliate expenses. These expenses are included in  
19 Schedule V-K of TNMP's Rate Case Filing Package co-sponsored by TNMP  
20 witness EJ Lopez. I show that these expenses meet the standards for inclusion  
21 of affiliate charges in TNMP rates.

22 **II. AFFILIATE TRANSACTIONS**

23 **Q. ARE YOU AWARE OF THE CURRENT REQUIREMENTS FOR APPROVAL OF**  
24 **AFFILIATED TRANSACTIONS?**

25 A. Yes. Pursuant to Tex. Util. Code Sec. 36.058, a utility may recover affiliated  
26 expenses for items, or classes of items, which the Commission finds are both  
27 reasonable and necessary. The Commission must also find that the price that  
28 PNMR Services charged TNMP is not higher than the price charged to other  
29 affiliates.

1 **Q. WILL YOU BE PROVIDING TESTIMONY THAT MEETS THESE**  
2 **REQUIREMENTS?**

3 A. Yes. My testimony supports affiliate transactions from the Law Department and  
4 Corporate Governance maintained in PNMR Services and outside legal expenses  
5 managed by the Law Department. The Law Department and Ethics and  
6 Governance are part of the General Counsel Group ("GCG").

7 **1. Organization of the Department**

8 **Q. WHAT SERVICES DOES THE GCG PROVIDE TO TNMP?**

9 A. Within the GCG, Law Department attorneys and staff provide all internal legal  
10 services to TNMP and its affiliates. Additionally, GCG personnel provide  
11 Corporate Governance support, as well as the Ethics and Governance functions.  
12 TNMP has no employees providing those services.

13 **Q. HOW IS THE GCG'S LAW DEPARTMENT ORGANIZED?**

14 A. The Law Department is a group of professionals (including attorneys, paralegals,  
15 and office administrators) who are assigned legal matters based upon a particular  
16 individual's experience and area of expertise. The Law Department members  
17 ultimately report to the General Counsel (a Senior Vice-President level position)  
18 who has final authority in developing the Law Department's budget, the  
19 employment of attorneys, the hiring of outside counsel, and approval of the rates  
20 charged by that counsel. Moreover, the General Counsel is regularly apprised of,  
21 and participates in decision-making related to, all significant legal matters. We  
22 have attorneys and paralegals that are responsible for handling our corporate  
23 work, including SEC filings, disclosure obligations, treasury matters, and other  
24 work of that nature. Our business segments have legal needs that are specific to  
25 the services they provide, and we have attorneys and legal staff who are  
26 experienced in operational matters, including commercial contracts, environmental  
27 matters and a plethora of other business matters. In our enterprise, regulatory  
28 specialists and litigation specialists are relied upon in the ordinary course of  
29 business to represent the company in various judicial and regulatory fora. The

1 Corporate Governance Group is also within the GCG and provides services to our  
2 Board of Directors and to the entity as a whole.

3 Additionally, the Law Department has a very small administrative and managerial  
4 staff to manage the day-to-day operations of the legal department, including matter  
5 management, budgeting and accounts payable. In providing services to TNMP  
6 and other affiliates, the Law Department utilizes designated attorneys to serve as  
7 “business partners” for each operating company. A single attorney may serve in  
8 that liaison capacity for more than one operating company (i.e. TNMP and Public  
9 Service Company of New Mexico (“PNM”)). The Law Department does not  
10 dedicate attorneys and staff to work solely for one affiliate. Instead, the Law  
11 Department business partner attorneys work with the other internal attorneys and  
12 paralegals in an effort to maximize the experience, availability and resources  
13 necessary to address particular issues raised by an operating unit. As a result,  
14 Law Department attorneys and staff may perform work for various affiliates. This  
15 permits the Law Department to provide services to TNMP and other affiliates  
16 without the extraordinary expense of providing practice groups of attorneys and  
17 staff dedicated solely to the legal needs of each company.

18 **Q. WHERE ARE GCG’S LAW DEPARTMENT PERSONNEL LOCATED?**

19 A. The department has personnel located in offices in Lewisville, Texas, and  
20 Albuquerque, New Mexico. During the test year, there were six attorneys and eight  
21 non-attorney staff (including paralegals, administrative assistants, and department  
22 manager) based in the headquarters of TNMP’s parent company, TXNM Energy,  
23 Inc., located in Albuquerque, New Mexico. An additional attorney and two staff  
24 were located in Lewisville, Texas. This divided staffing accommodates the fact  
25 that legal services require a degree of localized expertise and the ability to  
26 personally interact with the parties, local authorities and officials involved in a  
27 particular lawsuit, transaction, regulatory, or other legal matters.

28

1 **Q. IS A SECTION OF THE GCG DEDICATED SOLELY TO PROVIDING TNMP'S**  
2 **LEGAL SERVICES?**

3 A. No. The experience and expertise of the GCG attorneys and staff spans a vast  
4 number of legal practice areas. Staffing and operating separately dedicated legal  
5 sections for TNMP, and each of its affiliates, would not be efficient. Such a legal  
6 department model would necessarily encourage over-staffing and increased  
7 costs.

8 **2. Services Provided by the GCG's Law Department**

9 **Q. PLEASE DISCUSS THE SERVICES AND FUNCTIONS OF THE GCG'S LAW**  
10 **DEPARTMENT.**

11 A. The Law Department manages and provides services over a wide range of  
12 practice areas. These include:

13 **Litigation** – Attorneys file or respond to suits affecting legal rights and  
14 interests of TNMP and other TXNM Energy's affiliates. Such cases typically  
15 involve personal or property injury claims, commercial disputes, contractor  
16 claims, bankruptcy proceedings, and right-of-way controversies.

17 **Regulatory** – These matters require attorneys to manage and/or represent  
18 TNMP or its affiliates by participating in contested case proceedings,  
19 rulemakings, and projects pending before the Public Utility Commission of  
20 Texas and other applicable regulatory agencies. Furthermore, the Law  
21 Department also assists TNMP and its affiliates in maintaining operations  
22 compliant with applicable state and federal legal requirements.

23 **Transactions** – This category includes services provided by lawyers in  
24 drafting, interpreting, or negotiating various contracts and agreements  
25 required in the ordinary course of its business. Such transactional  
26 documents include financing agreements, software licenses, vendor  
27 contracts, purchase and sale agreements related to T&D facilities,  
28 Contributions-in-Aid-of-Construction, line extensions, leases of equipment  
29 or real estate, easements, and conveyances.

1           **Finance, SEC Compliance, and Governance** – Law Department  
2 attorneys supervise and assist in the preparation of federally mandated  
3 SEC reports such as Forms 10-Q and 10-K. Various activities are  
4 monitored and reviewed for compliance with corporate charters, by-laws,  
5 and state corporate laws. Please see RFP Schedule II-C-4 for listing of  
6 board meetings during and subsequent to the test year as well as the  
7 Agendas contained in Highly Sensitive Confidential Attachment 1 to that  
8 Schedule.

9           **Human Resources** – Law Department lawyers advise TNMP and its  
10 affiliates regarding a wide array of employment-related matters including  
11 drafting employment policies and procedures, hiring-firing disputes,  
12 immigration, ERISA, compliance with state and federal labor requirements,  
13 and responding to union activities. Such attorney(s) negotiate with  
14 organized labor on contract disputes or contract renewals.

15           **Ethics and Governance** – The Ethics and Governance group designs,  
16 implements, and monitors the ethics and compliance program applicable to  
17 TXNM Energy and its affiliates, like TNMP. The program is designed to  
18 promote ethical behavior while maintaining compliance with all laws and  
19 regulations affecting the business activities of TXNM Energy and its  
20 affiliates. I serve as Director, Ethics and Governance, in addition to my role  
21 as Associate General Counsel.

22 **Q. IS THERE ANY DUPLICATION OF THE LEGAL SERVICES PROVIDED TO**  
23 **TNMP BY ANY AFFILIATE OR BY TNMP EMPLOYEES?**

- 24 A. No one other than PNMR Services department provides legal services to TNMP,  
25 nor does TNMP perform such services with its own employees. Further, such  
26 services are not supplied by any other affiliate of TNMP. The GCG's Law  
27 Department retains and manages outside counsel and service vendors, directly  
28 or on TNMP's behalf, to supplement its legal and claim adjustment services when  
29 department resources are unable, either due to lack of expertise or available time,  
30 to perform such services in-house.

1 **Q. WERE THE SERVICES PROVIDED DURING THE TEST YEAR NECESSARY IN**  
2 **ORDER FOR TNMP TO PROVIDE RELIABLE UTILITY SERVICE?**

3 A. Yes. TNMP business activities necessarily involve numerous legal commitments.  
4 These arise from statutes and regulations as well as rulings from courts and  
5 administrative agencies. Additionally, the legal services provided were also  
6 required to protect TNMP's legal interests in necessary business transactions with  
7 customers, service providers, ratepayers, vendors, investors, financial  
8 institutions, and other entities. Moreover, TNMP, and its parent, TXNM Energy,  
9 will be sued and will bring suit in the regular course of their businesses. As any  
10 other utility, TNMP initiates, defends, and intervenes in proceedings before state  
11 and federal courts and regulatory authorities. In all these matters, TNMP and  
12 TXNM Energy must be represented by counsel. Consequently, the legal services  
13 provided by the Law Department during the test year permitted TNMP to continue  
14 utility operations and business opportunities consistent with applicable legislative  
15 and regulatory requirements, while preserving TNMP's legal interests as it  
16 transacted business, or engaged in litigation.

17 **3. Cost Levels and Cost Trends**

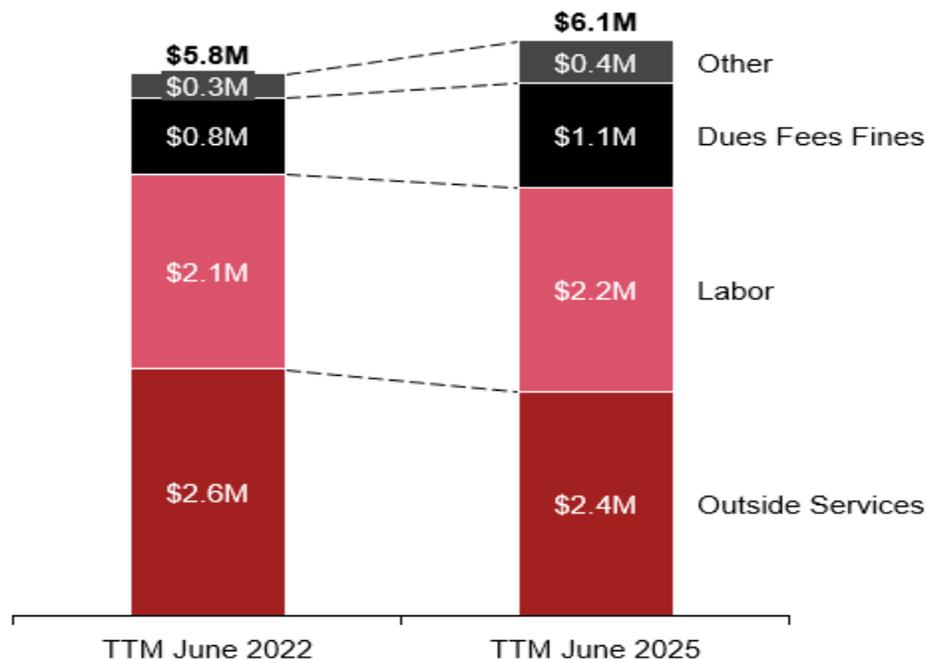
18 **Q. WHAT IS THE TOTAL COST OF AFFILIATE SERVICES FROM THE GCG LAW**  
19 **DEPARTMENT DURING THE TEST YEAR?**

20 A. The total test year GCG Law Department costs for services charged to all TXNM  
21 Energy affiliates were \$6.1 million. See Table 1 below.

1

**TABLE 1**

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



2

3 **Q. WHAT EXPENSES COMPRISE THE CATEGORIES IDENTIFIED IN TABLE 1?**

4 A. “Dues, Fees, and Fines” is primarily board-member quarterly retainer fees and  
 5 continuing education fees. None of the expenses in “Dues, Fees, and Fines” for  
 6 the test year include any fines. The temporary labor, outside legal expenses, and  
 7 outside support expenses comprise “Outside Services.” “Labor” includes  
 8 employee compensation and employee business expenses. Finally, “Other”  
 9 includes all other general business expenses such as supplies, computer  
 10 software and hardware, phones, meals, printing, and postage costs.

11 **Q. WHAT GENERAL MEASURES HAS THE GCG LAW DEPARTMENT TAKEN TO**  
 12 **CONTROL LEGAL EXPENSES?**

13 A. Qualified in-house counsel have been retained and have the responsibility to: (1)  
 14 provide legal advice; (2) select cost-efficient qualified outside counsel as needed  
 15 to represent TNMP and its affiliates in their respective legal affairs and litigation;  
 16 (3) manage the substance of its legal representation and litigation; (4) actively  
 17 prosecute litigation and contested administrative proceedings; (5) counsel

1 regarding strategic decisions in litigation and business matters; (6) establish  
2 budgets for certain matters; and (7) control legal fees and costs in all legal  
3 matters, including using alternative fee arrangements. The Law Department frees  
4 non-lawyer management from the responsibility of overseeing and managing  
5 outside legal services. In seeking to reduce TNMP's and its affiliates' legal  
6 expenses, in-house counsel have aggressively negotiated legal fees of outside  
7 counsel providing legal services to TNMP and its affiliates.

8 **Q. HOW DOES THE GCG LAW DEPARTMENT DETERMINE THAT THE**  
9 **CHARGES BY OUTSIDE COUNSEL ARE REASONABLE FOR THE WORK**  
10 **PERFORMED?**

11 A. All fee statements from outside counsel are reviewed by attorneys within the Law  
12 Department who monitor the work of outside counsel in the particular matter for  
13 which the bill is rendered. The in-house attorneys are knowledgeable about the  
14 work being performed by outside counsel as well as the standards for determining  
15 reasonable fees for the jurisdiction in which the outside services are performed.  
16 The reviewing in-house attorney monitoring a particular matter provides a  
17 meaningful examination to assure that only required services and costs, at  
18 reasonable approved rates are submitted for payment.

19 Further, for budgeted matters, incurred costs and fee billings are compared to  
20 budget estimates in order to keep services within estimated expenditures. If  
21 circumstances require higher expenditures, such costs are submitted through the  
22 quarterly budget reforecast and the variances must be justified to management.  
23 Additionally, the Legal Department uses a matter management system, Tracker,  
24 to track legal matters and associated expenses. Use of Tracker, provides quick,  
25 efficient check on invoice review by automatically flagging billing entries that may  
26 be incorrect, are unapproved, or exceed established billing guidelines. Tracker  
27 permits in-house attorneys to review invoices electronically, verify that approved  
28 billing rates guidelines are met, and approve or reject invoices.

29 **Q. HOW ARE OUTSIDE COUNSEL SELECTED?**

1 A. Outside counsel with significant experience and demonstrated expertise in  
2 required knowledge areas, and who have a substantial base of knowledge  
3 concerning the Company's organization and business operations, are primarily  
4 utilized to represent TNMP and its affiliates. TXNM Energy has selected national  
5 firms for their expertise in financings, federal regulatory, transactional and  
6 securities matters, Texas firms for their expertise in Texas regulatory, real  
7 property, litigation and transactional matters, and firms with a New Mexico  
8 presence for the expertise in New Mexico regulatory, real property, litigation and  
9 transactional matters. Additionally, several other smaller "boutique" and alternate  
10 law firms have also been selected for legal services. For the most part, these firms  
11 have developed institutional knowledge and a longstanding relationship with  
12 TXNM Energy and its subsidiaries, over which time they have demonstrated the  
13 ability to deliver high quality legal services in a timely fashion.

14 As indicated above, outside counsel are engaged when in-house legal resources  
15 are unable, either due to lack of expertise or available time, to perform necessary  
16 legal services. Once engaged, the Law Department employs its Outside Counsel  
17 Guidelines to ensure an appropriate level of control over outside counsels'  
18 activities, fees, and expenses, such as utilizing standardized billing procedures  
19 and reviewing each invoice from outside counsel to ensure that the charges and  
20 scope of work are consistent with the policies and requirements of TNMP and its  
21 affiliates.

22 **Q. WHAT HAS BEEN THE TREND IN ACTUAL EXPENDITURES ASSOCIATED**  
23 **WITH THE AFFILIATE SERVICES IN RECENT YEARS?**

24 A. The total expenses have increased from \$5.8 million TTM June 2022 to \$6.1  
25 million at the end of the test year. See Table 1 above.

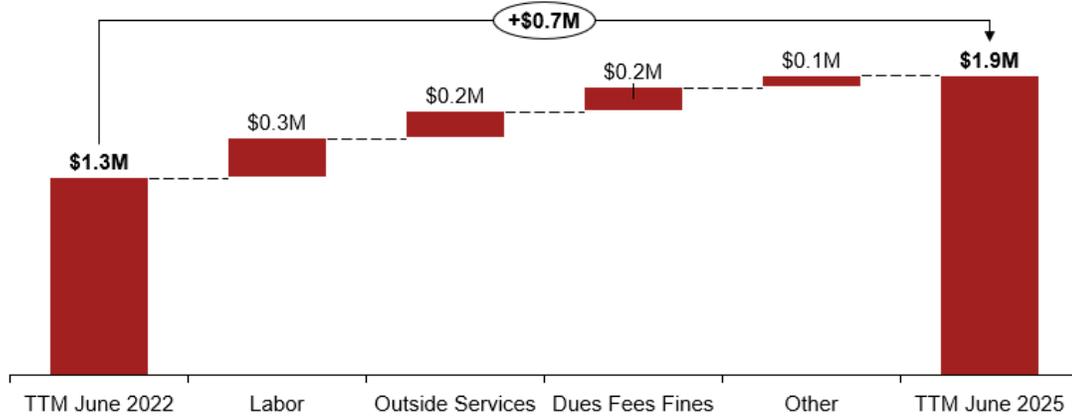
26 **Q. HAVE EXPENDITURES ALLOCATED TO TNMP INCREASED?**

27 A. Yes. Expenditures increased primarily due to increases related to labor costs,  
28 dues, fees and fines and outside counsel costs. Labor costs increased primarily  
29 due to merit increases. Dues, fees and fines increases were driven by  
30 adjustments to non-employee director compensation in order to maintain market

1 competitiveness relative to peers. Outside counsel costs increased primarily due  
 2 to routine hourly rate increases. See Table 2.

3 **TABLE 2**

**TNMP Allocations: General Counsel Sub-Category by Cost Type**  
 Variance from TTM June 2022 to TTM June 2025  
 (Nominal, \$M)



4

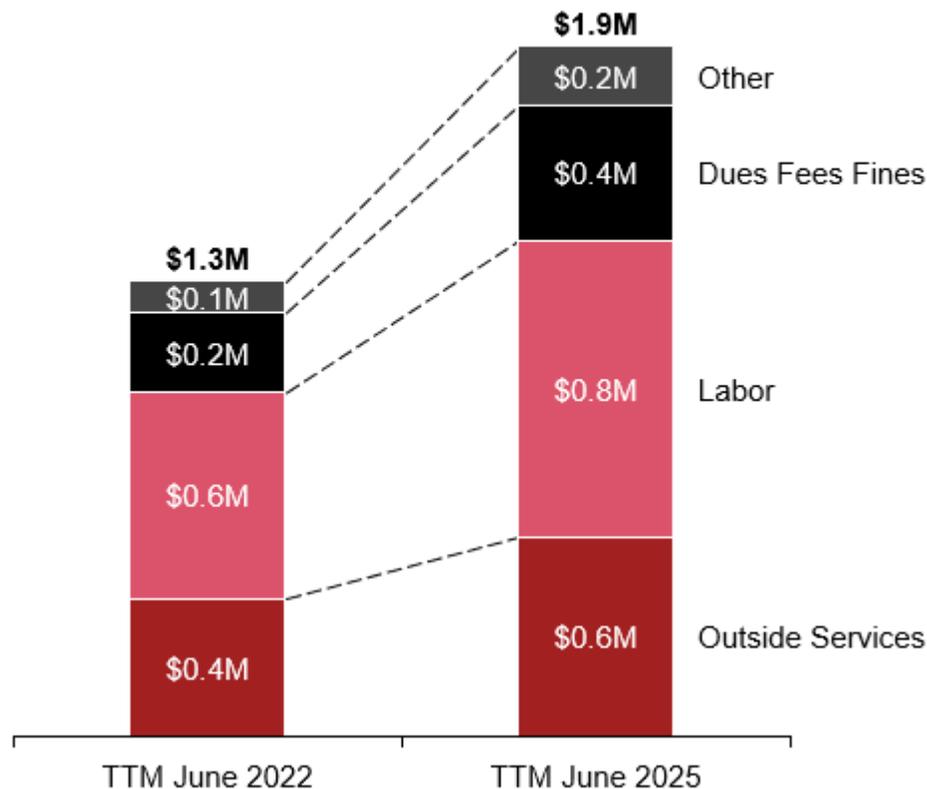
5 **Q. WHAT ARE THE TOTAL COSTS CHARGED TO TNMP IN THE TEST YEAR?**

6 A. The total test year GCG Law Department costs charged to TNMP were \$1.9  
 7 million. See Table 3 below.

1

**TABLE 3**

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



2

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

5 A. From TTM June 2022 to the current test year, total adjusted GCG costs increased  
6 by approximately \$0.7 million from \$1.3 million to \$1.9 million. The figures in  
7 Table 2 above show the changes in total adjusted GCG costs from TTM June  
8 2022 to the current test year by cost type. See Table 2 above.

9 **Q. WHY HAVE GCG EXPENDITURES APPORTIONED TO TNMP INCREASED?**

10 A. The expenditures apportioned to TNMP were impacted by the same drivers that  
11 impacted GCG cost trends, namely increases related to labor costs, dues, fees  
12 and fines and outside counsel costs.

1 **Q. PLEASE EXPLAIN HOW THE GCG LAW DEPARTMENT USES PLANNING,**  
2 **BUDGETING AND COST REPORTING PROCESSES TO CONTROL COSTS.**

3 A. For each upcoming year, members of the Law Department meet collectively and  
4 with its clients to develop budget targets. These targets are derived from prior-  
5 year budget information as well as historical costs. They are further adjusted to  
6 reflect new and resolved matters, known costs, projects and cases. Labor  
7 expenses as well as materials, supplies, outside services, and other expenses  
8 are also considered. Once the budget is implemented, actual expenditures are  
9 tracked and compared to the budget targets. Variances are analyzed monthly.  
10 Activity for particular matters is reviewed in order to address variances.

11 **Q. ARE YOU AWARE THAT THE TEXAS UTILITIES CODE AND THE**  
12 **COMMISSION RULES SPECIFICALLY PROHIBIT RECOVERY OF CERTAIN**  
13 **EXPENSES THROUGH A UTILITY'S COST OF SERVICE?**

14 A. Yes. I am aware that Tex. Util. Code Section 36.061 prohibits recovery of  
15 legislative advocacy expenditures. I am also aware that 16 Tex. Admin. Code  
16 (TAC) § 25.231(b)(2) prohibits the following:

- 17 • recovery of legislative advocacy, legislative advocacy expenses included in  
18 professional or trade association dues
- 19 • funds expended in support of political candidates;
- 20 • funds expended in support of any political movement;
- 21 • funds expended promoting political or religious causes;
- 22 • funds expended in support of or membership in social, recreational,  
23 fraternal, or religious clubs or organizations;
- 24 • funds promoting increased consumption of electricity; and,
- 25 • any expenditure found by the commission to be unreasonable,  
26 unnecessary, or not in the public interest.

27 I am also aware that the Commission has previously disallowed expenses  
28 associated with alcohol, first class or charter airfare (unless the cost can be  
29 determined as reasonable), expenses associated with sporting events, and certain  
30 meal expenses (unless the cost can be determined as reasonable and necessary).

1 **Q. DO GCG LAW DEPARTMENT EXPENSES FALL INTO ANY OF THE**  
2 **CLASSIFICATIONS ABOVE, AND IF SO PLEASE EXPLAIN WHY THESE**  
3 **EXPENSES SHOULD BE INCLUDED?**

4 A. The Law Department expenses included in TNMP's cost of service for this rate  
5 case do not include any expenses associated with legislative advocacy; funds  
6 associated with supporting a political candidate; expenses associated with  
7 support of a political movement, promotion of a religious or political cause;  
8 expenses promoting increased electricity consumption, or funds expended in  
9 support of or membership in social, recreational, fraternal, or religious clubs or  
10 organizations. Likewise, the Law Department does not seek recovery of any  
11 expenses associated with alcohol, sporting events or first-class airfare.

12 **Q. DOES THE LAW DEPARTMENT FOLLOW A POLICY ON TRAVEL, MEALS**  
13 **AND OTHER EXPENSES?**

14 A. Yes. TXNM Energy's corporate policy, applicable to all of its subsidiaries, permits  
15 travel and business-related expenses. It specifically provides that:

16 a. Airfare - Employees and consultants traveling by air should utilize the lowest  
17 logical fare unless otherwise authorized. Lowest logical fare is the lowest fare  
18 available meeting the following requirements: domestic air travel must be in  
19 Coach/Economy Class, unless a person has certain physical  
20 conditions/disabilities.

21 b. Ground transportation - Generally, employees are encouraged to use taxi or  
22 shuttle transportation unless the total distance traveled is in excess of thirty (30)  
23 miles or the nature, location or duration of the trip requires a rental vehicle.

24 c. Hotels - Reservations will be made with chains with which TXNM Energy, its  
25 subsidiaries, or the travel agency has negotiated reduced rates. Where no  
26 recommended hotel with corporate discount is available or is conveniently located,  
27 the employee may reserve space where available and reasonable. Approved  
28 reimbursable rates are for single occupancy accommodation priced no higher than  
29 mid-range in the hotel's published prices.

d. Meals - The cost of meals, including tax and tips, are reimbursable when an employee is traveling out of town on company business. The cost of business meals taken with clients, vendors or associates are also reimbursable when clearly justified, properly documented and during which a specific business discussion occurs.

**Q. DO THE EXPENSES OF THE LAW DEPARTMENT COMPLY WITH THE CORPORATE POLICY?**

A. The Law Department expenses comply with TXNM Energy’s corporate policy on meals, travel, and other business expenses.

**4. Cost Allocation**

**Q. HOW ARE COSTS BILLED TO PARTICULAR ENTITIES?**

A. Like all PNMR Services departments, GCG costs are billed to each subsidiary of TXNM Energy that it supports. The costs are direct billed when appropriate; otherwise, the costs are allocated based on the allocation factor driving the costs. In his testimony, witness EJ Lopez addresses the determination and application of the allocation factors in the cost allocation manual. The Law Department currently bills to each TXNM Energy’s affiliate their respective direct and allocated share of the service company costs per the cost allocation manual. Table 4 below shows the PNMR Services costs and TNMP billings by allocation factor:

**TABLE 4**

**General Counsel 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.	62.6%	68.2%
	948	MMF - Employee Headcount, Gross Margin, Net Plant.	3.3%	-
	951	MMF - Employee Headcount, Gross Margin, Net Plant.	4.7%	-
Direct	942	PNM Electric Services	1.9%	-
	946	PNM Bulk Power Marketing	2.8%	-
	947	PNM Electric Transmission Services	6.6%	-
	953	TNMP – Texas	7.4%	23.4%
	999	TXNM Energy	1.8%	-
Transactional	993	Employee Headcount	8.7%	8.4%

1 **Q. TO WHICH ENTITIES ARE GCG LAW DEPARTMENT COSTS BILLED?**

2 A. As indicated herein, the Law Department bills to regulated and unregulated TXNM  
3 Energy's affiliated companies that it serves. The costs are directly charged  
4 whenever practical, or otherwise are allocated based on appropriate allocation  
5 factors. The Law Department currently bills to all TXNM Energy's business units,  
6 including TNMP and PNM.

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

9 A. The billing methods are appropriate because the Law Department adheres to cost  
10 causality principles. The Law Department attempts to direct bill whenever  
11 possible and when it is not possible, the Law Department uses the allocation  
12 factor prescribed in the Cost Allocation Manual. Company witness EJ Lopez  
13 addresses the Cost Allocation Manual in his testimony.

14 **Q. WHAT PERCENTAGE OF GCG LAW DEPARTMENT'S EXPENSES ARE**  
15 **DIRECT BILLED VERSUS COSTS THAT ARE ALLOCATED TO TNMP?**

16 A. As demonstrated in Table 5 above, 23.4% of Law Department costs were direct  
17 billed, while 8.4% were allocated on a transactional basis with 68.2% allocated on  
18 a general basis for PNMR Services to TNMP.

19 **Q. ARE THE GCG LAW DEPARTMENT'S EXPENSES ATTRIBUTED TO TNMP**  
20 **FOR LEGAL SERVICES REASONABLE?**

21 A. Yes.

22 **Q. WHAT APPROACH DOES YOUR TESTIMONY TAKE TO DEMONSTRATE THE**  
23 **REASONABLENESS OF PNMR SERVICES' CHARGES TO TNMP FOR LAW**  
24 **DEPARTMENT SERVICES?**

25 A. As described above, the Law Department provides services that preserve TNMP's  
26 legal interests and are not provided by any other department within TNMP or  
27 PNMR Services. The approach that the Law Department follows in providing  
28 services to TNMP at a reasonable cost is two-fold. First, labor and other  
29 expenses, when appropriate, are direct charged to TNMP. Secondly, the Law

1 Department uses positive timekeeping (PTK). However, in assessing charges for  
2 time spent on legal matters, PTK functions differently than the manner in which  
3 outside attorneys assess time. An outside law firm typically charges for every  
4 hour (or increment of an hour) of every day associated with a particular manner.  
5 Theoretically, an outside paralegal or attorney could charge more than forty hours  
6 in a single week to a particular matter. However, for all salaried positions, Law  
7 Department employees charge time based on a prorated amount resulting in a 40  
8 hours per week cap on labor charges. Additionally, I rely upon several indicators  
9 regarding the reasonableness of affiliate costs. By example, these indicators  
10 include: the Law Department's budgeting processes; trends in actual costs  
11 incurred by the Law Department as a whole, and in costs billed to TNMP; and  
12 initiatives employed by the Law Department to control its costs. Taken as a whole,  
13 this information supports my conclusion that the Law Department charges to  
14 TNMP for legal services are reasonable and necessary.

15 **Q. DOES THE GCG LAW DEPARTMENT CHARGE A HIGHER RATE FOR ITS**  
16 **AFFILIATES?**

17 A. No. Like other PNMR Services departments, the Law Department does not  
18 include any mark-up in the charges attributed to TNMP.

19 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS REGARDING GENERAL**  
20 **COUNSEL GROUP AFFILIATE COSTS.**

21 A. As discussed above, the Law Department charges incurred by TNMP are  
22 reasonable and necessary.

23 **III. CONCLUSION**

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

25 A. Yes, it does.

**AFFIDAVIT**

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

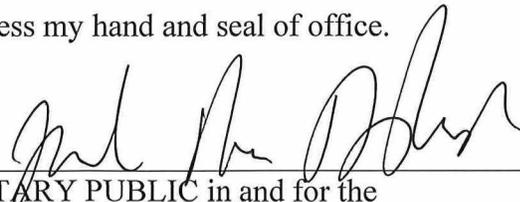
BEFORE ME, the undersigned authority, on this day personally appeared Leonard D. Sanchez, who, upon proving his identity to me and by me being duly sworn, deposes and states the following:

“My name is Leonard D. Sanchez. 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 5<sup>th</sup> day of November 2025, to certify which witness my hand and seal of office.

  
\_\_\_\_\_  
NOTARY PUBLIC in and for the  
State of New Mexico

Printed Name: Joshua Dominic Blanck

My Commission expires: 10/5/27

Notary ID# 1063192

SEAL:



STATE OF NEW MEXICO  
NOTARY PUBLIC  
Joshua Dominic Blanck  
Commission No. 1063192  
Expires: October 05, 2027

# LEONARD D. SANCHEZ

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## PROFESSIONAL:

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NEW MEXICO STATE BAR ASSOCIATION, *Admitted 1995*  
CALIFORNIA STATE BAR ASSOCIATION, *Admitted 1991*

## EDUCATION:

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STANFORD LAW SCHOOL, *Juris Doctor*, 1991  
Activities: Environmental Law Journal and Stanford Public Interest Law Foundation

UNIVERSITY OF NEW MEXICO, *Bachelor of Arts, Political Science*, 1988  
Honors: Phi Beta Kappa, University of New Mexico Presidential Scholar

## LEGAL EXPERIENCE:

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TXNM ENERGY, INC. *Albuquerque, New Mexico*  
May 2005 - Present *Associate General Counsel*

Negotiate commercial transactions and financing agreements and other agreements on behalf of the corporation and its various subsidiaries. Provide advice and counsel to senior management and the Board of Directors on corporate governance matters and Securities and Exchange Commission compliance and reporting. Assist with budgets and outside counsel retainers and relationships. Director of ethics and governance.

MILLER STRATVERT, P.A. *Albuquerque, New Mexico*  
March 2003 -May 2005 *Attorney, Director*

Practiced business law in the areas of commercial transactions, corporate counseling and commercial litigation.

PUBLIC SERVICE COMPANY OF NEW MEXICO *Albuquerque, New Mexico*  
October 1997 - February 2003 *Attorney*

Represented and advised management and operating divisions on general corporate and business issues, negotiated and drafted contracts and advised and represented management on regulatory compliance, legislative matters, customer service, right-of-way and claims issues.

MILLER, STRATVERT & TORGERSON, P.A. *Albuquerque, New Mexico*  
September 1994 - September 1997 *Attorney, Associate*

Practiced in the areas of general civil litigation and counseling involving insurance coverage, personal injury, oil and gas royalty and marketing issues, and contractor negligence.

PILLSBURY, MADISON & SUTRO *San Francisco, California*  
September 1991 - August 1994; May - August 1990 *Attorney; Summer Associate*

Specialized in commercial transactions and counseling involving real property issues, dealer and distributor agreements and general commercial law issues. Member of employment committee.

**PROFESSIONAL AND COMMUNITY INVOLVEMENT:**

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- Member, Finance Council of Risen Savior Catholic Church (2022 - present)
- Board Member, Albuquerque Hispano Chamber of Commerce (2018 – 2024)
- Business Lawyer of the Year, Business Law Section for the New Mexico Bar (2015)
- Board Member and Chair, Business Law Section for the New Mexico Bar (2010-2014)
- Member, Leadership Albuquerque, Albuquerque Chamber of Commerce (2013)
- Volunteer, St. Therese Catholic School (2008-2013)
- Member and Vice Chair, Parish Council of Queen of Heaven Parish (2006-2010)
- Manager and Coach, Eastdale Little League (1995-2010)
- Utility Executive Course, University of Idaho College of Business & Economics (2007)
- Treasurer, Competitive Challenge Program-American Youth Soccer Organization (2005-2006)
- Board Member and Vice President of Operations, Eastdale Little League (1996-2009)
- Board Member and Chair, Advisory Council-Queen of Heaven Catholic School (1996-2008)

**PREVIOUS TESTIMONY:**

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In the Matter of the Application of Public Service Company of New Mexico for Revision of Its Retail Electric Rates Pursuant to Advice Notice No. 595, NMPRC Case No. 22-00270-UT, filed December 5, 2022

In the Matter of the Application of Public Service Company of New Mexico for Revision of Its Retail Electric Rates Pursuant to Advice Notice No. 533, NMPRC Case No. 16-00276-UT, filed December 7, 2016

In the Matter of the Application of Public Service Company of New Mexico for Revision of Its Retail Electric Rates Pursuant to Advice Notice No. 513, NMPRC Case No. 15-00261-UT, filed August 27, 2015

In the Matter of the Application of Public Service Company of New Mexico for Revision of Its Retail Electric Rates Pursuant to Advice Notice No. 507, NMPRC Case No. 14-00332-UT, filed December 11, 2014

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

WORKPAPERS FOR  
THE DIRECT TESTIMONY OF  
LEONARD SANCHEZ

TNMP Witness Leonard Sanchez has no supporting workpapers for his direct testimony.