

PUC DOCKET NO. 58964

BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

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

**PREPARED DIRECT TESTIMONY
OF
REBECCA R. TEAGUE**

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

NOVEMBER 14, 2025

TABLE OF CONTENTS

I. INTRODUCTION AND QUALIFICATIONS 1

II. PURPOSE OF TESTIMONY2

III. STANDARD FOR ASSESSING REASONABLENESS OF COMPENSATION & BENEFIT EXPENSES4

IV. COMPENSATION 5

 1. Necessity and Reasonableness of Compensation Programs 15

V. BENEFITS PLANS 22

 1. Necessity and Reasonableness of Benefits Plans 22

VI. AFFILIATE EXPENSES – HUMAN RESOURCES AND SAFETY 24

 1. Organization of the Human Resources Department 24

 2. Services Provided by the Human Resources Department 27

 3. Cost Levels and Cost Changes 28

 4. Cost Allocation 33

 5. Necessity and Reasonableness of Services 36

 6. Cost Management 38

VII. OVERALL CONCLUSIONS 41

EXHIBITS

EXHIBIT RRT-1

Background and Business Experience

EXHIBIT RRT-2

PURA and Analysis

EXHIBIT RRT-3 – HIGHLY SENSITIVE PROTECTED MATERIAL

TXNM Energy, Inc. 2025 Group Incentive Plan

EXHIBIT RRT-4 – HIGHLY SENSITIVE PROTECTED MATERIAL

TXNM Energy, Inc. 2025 Annual Incentive Plan

EXHIBIT RRT-5 – HIGHLY SENSITIVE PROTECTED MATERIAL

TXNM Energy, Inc. 2025 Subsidiary Officer Annual Incentive Plan

EXHIBIT RRT-6

**TXNM Energy, Inc. 2025 Officer Annual Incentive Plan and it's First
Amendment**

EXHIBIT RRT-7 – HIGHLY SENSITIVE PROTECTED MATERIAL

TNMP and Shared Services 2025 Short-Term Incentive Plan Metrics

EXHIBIT RRT-8

**TXNM Energy Inc., 2025 Long-Term Incentive Plan and it's First
Amendment**

EXHIBIT RRT-9 – HIGHLY SENSITIVE PROTECTED MATERIAL

PWC Market Assessment Adjustment

1 **I. INTRODUCTION AND QUALIFICATIONS**

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

4 A. My name is Rebecca R. Teague. I am Vice President Human Resources for PNMR
5 Services Company ("PNMR Services"). I have been in this role since January 20,
6 2020. PNMR Services provides corporate services through a shared service
7 agreement to its parent company, TXNM Energy, Inc. ("TXNM Energy") and all
8 TXNM's business units, including Texas-New Mexico Power ("TNMP" or
9 "Company") (together with PNMR and TXNM, "the Companies"). My business
10 address is 414 Silver SW, Albuquerque, NM 87102.

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

12 A. I am testifying on behalf of TNMP.

13 **Q. PLEASE DESCRIBE YOUR POSITION WITHIN PNMR SERVICES AND AREAS**
14 **OF RESPONSIBILITY.**

15 A. As Vice President of Human Resources, I am responsible for managing various
16 Human Resources and Safety shared services functions. Within Human
17 Resources, I am responsible for talent acquisition, workforce development, labor
18 and employee relations, compensation, benefits, learning and development, utility
19 operations training, and human resources compliance and policies. Within Safety,
20 I am responsible for managing the overall safety program, safety policies and
21 compliance, industrial hygiene, OSHA coordination, and field safety consultants.

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

24 A. A summary of my background and business experience is attached as Exhibit
25 RRT-1.

26 **Q. HAVE YOU PROVIDED TESTIMONY IN REGULATORY PROCEEDINGS**
27 **PRIOR TO THIS CASE?**

28 A. Yes, I provided testimony in the following Public Utility Commission of Texas
29 ("PUC") and New Mexico Public Regulation Commission ("NMPRC") regulatory
30 proceedings:

- 1 • PUC Docket No. 36025, Application of Texas-New Mexico Power Company
- 2 for Authority to Change Rates filed August 29, 2008
- 3 • PUC Docket No. 38480, Application of Texas-New Mexico Power Company
- 4 for Authority to Change Rates filed August 26, 2010
- 5 • NMPRC Case No. 15-00312-UT, Application of Public Service Company of
- 6 New Mexico for Approval of an Automated Meter Project filed February 26,
- 7 2016
- 8 • PUC Docket No. 48401, Application of Texas-New Mexico Power Company
- 9 for Authority to Change Rates filed May 30, 2018

10 **II. PURPOSE OF TESTIMONY**

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

12 A. Overall, my testimony describes the programs the company has in place to ensure

13 the recruiting, hiring, development, retention and safety of a skilled workforce.

14 First, I describe the standard for assessing reasonableness of compensation and

15 benefit plans under the Public Utility Regulatory Act (“PURA”). Second, I describe

16 the company’s compensation and benefit plans as well as employee welfare

17 programs offered to TNMP and PNMR Services employees and explain why those

18 programs and their associated costs are reasonable, customary, prudent, and

19 necessary for the provision of reliable electric services to customers in a safe,

20 efficient, and effective manner, as well as to attract, develop, motivate and retain

21 well qualified and competent employees to support TNMP utility operations. Third,

22 I describe the Human Resources Department, including the Safety Department,

23 and how both are organized to provide services to TXNM Energy and its

24 subsidiaries. Fourth, I discuss the specific types of services provided to TNMP by

25 the Human Resources and Safety Departments and how such services are

26 necessary for TNMP to provide reliable utility service. Finally, I demonstrate that

27 the costs billed to TNMP for Human Resources and Safety are reasonable, and

28 that the costs are provided to TNMP at a price that is no higher than the price

29 charged by the Human Resources and Safety Departments for the services they

30 provide to other TXNM Energy subsidiaries.

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

- 1 A. My testimony is structured into the following sections:
- 2 • **Standard for Assessing Reasonableness of Compensation and**
- 3 **Benefit Expenses:** This section describes recent legislation, PURA §
- 4 36.067 regarding presumption of reasonableness of employee
- 5 compensation and benefits costs.
- 6 • **Compensation:** This section of the testimony describes compensation
- 7 programs and allocation of compensation costs for TNMP. I also explain the
- 8 reasonableness of those compensation programs and the necessity of their
- 9 costs.
- 10 • **Benefits:** This section of the testimony describes the benefit plans and
- 11 allocation of benefit plan costs for TNMP. I also explain the reasonableness
- 12 of those benefit plans and the necessity of their costs.
- 13 • **Human Resources and Safety Organizations and Services:** This
- 14 section of my testimony describes how the Human Resources and Safety
- 15 Departments are organized and the way in which they provide services to
- 16 TNMP.
- 17 • **Cost Levels and Changes:** In this section, I detail the composition of
- 18 Human Resources and Safety service costs and analyze overall cost
- 19 trends, as well as the costs that are billed to TNMP.
- 20 • **Cost Allocation:** This section of the testimony analyzes how the Human
- 21 Resources and Safety Departments allocate costs among TXNM Energy
- 22 operating companies, including TNMP.
- 23 • **Necessity and Reasonableness of Services:** This section analyzes how
- 24 the services provided by the Human Resources and the Safety
- 25 Departments meet specific needs to benefit TXNM Energy operating
- 26 companies, customers, and stakeholders.
- 27 • **Cost Management:** This section of the testimony describes the budgeting
- 28 and cost control processes in place at Human Resources, Safety and TNMP
- 29 and how they are used to manage and limit costs.

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

31 A. I sponsor the exhibits listed in the table of contents in my testimony.

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

3 A. Yes, they were.

4 **Q. ARE THE EXHIBITS THAT YOU ARE SPONSORING TRUE AND CORRECT?**

5 A. To the best of my knowledge, they are true and correct.

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

8 A. I co-sponsor Schedules II-D-3.7 and II-D-3.10 of the Rate Filing Package (“RFP”).
 9 In addition, I co-sponsor Schedule V-K as it pertains to the affiliate transactions
 10 that I will be discussing in my testimony.

11 **III. STANDARD FOR ASSESSING REASONABLENESS OF COMPENSATION AND**
 12 **BENEFIT EXPENSES**

13 **Q. DOES PURA PROVIDE A STANDARD FOR ASSESSING THE**
 14 **REASONABLENESS OF COMPENSATION AND BENEFIT EXPENSES?**

15 A. Yes, and my understanding is that recent legislation amended PURA to provide an
 16 objective standard for the assessment. More specifically, PURA § 36.067(b)
 17 mandates that the Commission is required to “presume that employee
 18 compensation and benefits expenses are reasonable and necessary if the
 19 expenses are consistent with market compensation studies issued not earlier than
 20 three years before the initiation of the proceeding to establish the rates.”

21 **Q. WHAT COMPENSATION AND BENEFIT EXPENSES ARE EXCLUDED FROM**
 22 **THE ABOVE STANDARD?**

23 A. PURA § 36.067(a) defines “employee compensation and benefits” as “salaries,
 24 wages, incentive compensation, and benefits.” But it expressly excludes the
 25 following from the scope of “employee compensation and benefits” for purposes of
 26 the reasonableness presumption: (1) pension or other postemployment benefits;
 27 and (2) incentive compensation for an officer of an electric utility related to
 28 attaining: (A) financial metrics; or (B) metrics adverse to customers’ interests as
 29 determined by the Commission.

1 **Q. DOES THE EXCLUSION OF CERTAIN EXPENSES FROM THE DEFINITION OF**
2 **“EMPLOYEE COMPENSATION AND BENEFITS” INDICATE THAT THOSE**
3 **EXPENSES ARE DEEMED UNREASONABLE OR UNNECESSARY PER SE?**

4 A. No. The statute does not say anything to that effect. Instead, the statute merely
5 excludes such expenses from the default presumption of reasonableness and
6 necessity.

7 **Q. WHAT IS YOUR UNDERSTANDING OF PURA § 36.067(B)?**

8 A. The statute's underlying analyses, copies of which are attached as Exhibit RRT-2,
9 make clear the Legislature's intent to reduce Commission proceedings over
10 payment of electric-utility employees. Whether performance goals and affordability
11 triggers are financially based was often contested in base rate cases. So the new
12 statute seeks to reduce such litigation by requiring that virtually all of a utility's
13 employee compensation and benefits expenses, including its incentive
14 compensation, are presumed to be reasonable and necessary when they are
15 consistent with recent market compensation studies. To that end, the bill analyses:
16 (1) reflect the Legislature's recognition that electric utilities are "constantly
17 competing" with other industries for qualified employees and such industries'
18 compensation packages include base salary and incentive compensation; and (2)
19 explain the new statute aims to ensure that "electric utilities are able to attract,
20 develop, and retain high performing employees by establishing a presumption that,
21 for rate-setting purposes, a utility employee's total compensation and benefit
22 expenses are presumed to be reasonable and necessary, provided the expenses
23 are consistent with recent market compensation studies."

24 **IV. COMPENSATION**

25 **Q. WHAT IS TXNM ENERGY'S GENERAL COMPENSATION PHILOSOPHY?**

26 A. TXNM Energy has established compensation policies and plans for its affiliated
27 companies, including TNMP. TXNM Energy utilizes a "Total Rewards" approach
28 for employee compensation to attract, retain, and motivate qualified employees.
29 The Total Rewards approach is comprised of both tangible (compensation and
30 benefits) and intangible (training and development, career growth opportunities
31 and the work culture) components. The Total Rewards approach is intended to

1 support the overall business objectives of TXNM Energy and its operating
2 companies, including the delivery of safe and reliable electric utility services to
3 customers. Compensation plans are designed in accordance with the following
4 principles:

- 5 • **Externally Competitive.** Compensation is benchmarked to be market
6 competitive within the relevant markets in which the company competes to
7 attract, retain and motivate qualified employees.
- 8 • **Strategically Aligned.** Compensation programs and practices are intended
9 to reinforce each business area's business strategy, structure and needs.
- 10 • **Internally Aligned.** Compensation for jobs fairly reflects their value relative
11 to other jobs within the Company
- 12 • **Personally Motivating.** Salaries recognize employees based on individual
13 contribution and job responsibilities and incentives reward employees'
14 contributions to measures that ensure the provision of safe and reliable
15 service to customers.
- 16 • **Cost Effective.** Compensation programs are designed to provide value to
17 the Company and its customers in relation to the cost involved.
- 18 • **Legally Compliant.** Programs follow all applicable state and federal laws
19 and regulations.

20 **Q. WHAT COMPENSATION PROGRAMS DOES TXNM ENERGY HAVE IN PLACE**
21 **TO ENSURE THE RECRUITING, HIRING, AND RETENTION OF A SKILLED**
22 **WORKFORCE?**

23 A. The total direct compensation programs of TXNM Energy, including TNMP, include
24 base salary, short term cash incentives ("STI") and, for certain employees, long
25 term incentives ("LTI"). Comprehensive total direct compensation programs are
26 necessary to attract and motivate employees for their efforts and align employee
27 compensation with the short- and long-term goals of the organization.

28 **Q. HOW HAVE WAGES AND INCENTIVES BEEN DETERMINED FOR TNMP**
29 **EMPLOYEES?**

30 A. Overall salary levels for TNMP employees are determined based on market
31 assessments to ensure compensation is externally competitive. Market

1 assessments are conducted on all non-represented positions to evaluate ongoing
2 market competitiveness. Annually, Human Resources engages Willis Towers
3 Watson (“WTW”) to perform a market assessment against national utility/energy
4 services and general industry companies to benchmark TXNM Energy job
5 classifications to set the salary structure. In addition, the Human Resources
6 compensation team utilizes WTW third-party compensation survey data that
7 provides short-term and long-term incentive practices (by pay grade) used to
8 assess the competitiveness of the incentive plans. The Human Resources
9 compensation team reviews the WTW market assessment and the survey data, as
10 compared to current pay and incentive, levels and makes recommendations to
11 senior company management for salary structure movement, base salary
12 increases and short- and long-term incentive plan updates. At an individual
13 employee’s level, base salary is determined using the applicable market-based
14 salary band for the specified job classification within the salary structure and is
15 intended to reflect a variety of factors including the employee’s knowledge, skills,
16 experience, education and performance. Union employees’ base salaries are
17 negotiated as part of the collective bargaining process.

18 **Q. HAVE ANY ADDITIONAL MARKET ASSESSMENTS BEEN PERFORMED?**

19 A. Yes. In 2025, TNMP engaged PWC to perform a compensation market
20 assessment using survey resources, to compare TNMP’s current total cash
21 compensation levels from a competitive standpoint comparative to other utilities in
22 Texas.

23 **Q. WHAT MATERIAL DIFFERENCES DISTINGUISH THOSE WTW AND PWC**
24 **ASSESSMENTS?**

25 A. As described above, WTW’s assessment was based on national utility / energy
26 services and general industry data. PWC’s assessment used the WTW data as
27 well as other compensation surveys. The PWC study provided a more specific
28 comparison by utilizing more detailed locational and role comparisons in Texas,
29 which more closely represents the market in which TNMP competes for
30 employees.

1 **Q. IS TNMP PROPOSING ANY SALARY ADJUSTMENTS RELATED TO THE PWC**
2 **STUDY?**

3 A. Yes, please see the direct testimony of Kyle T. Sanders for discussion of a known
4 and measurable adjustment to operations-and-maintenance (“O&M”) payroll costs
5 to align TNMP’s salaries to the PWC compensation study in the amount of
6 \$547,134. Confidential Exhibit RRT-9 provides detailed information supporting the
7 known and measurable adjustment.

8 **Q. WHY IS AN EMPLOYEE’S TOTAL DIRECT COMPENSATION CHOSEN AS THE**
9 **PRIMARY POINT OF COMPARISON TO MARKET RATHER THAN BASE**
10 **SALARY LEVELS?**

11 A. Total direct compensation is used as the primary point of comparison because it
12 includes total direct compensation comparability across companies that compete
13 for talent. Survey information confirms that annual incentive compensation is a
14 significant component of market-competitive employee compensation for every
15 employee position. Likewise, survey information shows that long-term incentive
16 compensation is a significant and often substantial component of market
17 competitive compensation for those positions that are generally eligible to
18 participate in the long-term incentive program. Therefore, no assessment of
19 market compensation for the Companies’ positions would be complete without
20 including all types of incentive compensation. Because the percentage of base
21 pay, STI, and LTI in total direct compensation can vary significantly across
22 employers, compensation analyses that are not based on total direct
23 compensation are incomplete, uninformative, and misleading or otherwise serve
24 as misrepresentative comparisons.

25 **Q. WHAT IS TXNM ENERGY’S TARGETED COMPENSATION POSITION IN**
26 **RELATION TO THE MARKET?**

27 A. TXNM Energy’s base salaries and incentive compensation opportunities target the
28 50th percentile of the market with flexibility to move above the 50th percentile to
29 ensure the attraction and retention of an experienced and qualified workforce to
30 meet customer’s needs.

1 **Q. HOW OFTEN ARE WAGES REVIEWED AND ADJUSTED FOR TNMP**
2 **EMPLOYEES?**

3 A. Wages for non-union employees are reviewed on an annual basis as part of the
4 Company's annual merit process. Over the most recent years, TNMP's annual
5 merit increases have averaged 3% to 5% overall for non-union employees and 5%
6 for union employees. The general trend for merit budgets shows an annual
7 increase of approximately 4%, based on the Willis Towers Watson Salary Budget
8 Survey. Based on market trends, TNMP's merit increases are reasonable and
9 commensurate with market trends. In addition, wages are reviewed on an ad-hoc
10 basis to ensure they remain externally competitive per our compensation
11 philosophy. A union, IBEW Local 66, was established at TNMP in 2014. For union
12 employees, the annual wage rate increase is based on the collective bargaining
13 agreement. The current IBEW Local 66 collective bargaining agreement will expire
14 in August 2027. See the direct testimony of Kyle T. Sanders for discussion of a
15 known and measurable adjustment (4% annual merit increases) to payroll costs.

16 **Q. DO TNMP EMPLOYEES RECEIVE INCENTIVE COMPENSATION?**

17 A. Yes, TXNM Energy has both short-term incentive and long-term incentive
18 compensation plans for eligible TNMP employees.

19 **Q. PLEASE DESCRIBE THE SHORT-TERM INCENTIVE COMPENSATION**
20 **PLANS.**

21 A. The short-term incentive plans are designed to reward employees for the
22 achievement of defined metrics over a period of one year. The metrics are
23 established on an annual basis and are designed to drive performance aligned
24 with the overall enterprise objectives of providing safe, reliable, and cost-effective
25 service to customers. The short-term incentive plans include non-union employees
26 of all TXNM Energy's operating companies.

27 The following describes each of the short-term incentive plans:

- 28 • The Group Incentive Plan includes non-union employees generally at a
29 supervisor and below level (employees in grades G05-G14) across all of
30 TXNM's companies. Approximately 160 TNMP employees and 310 TXNM

1 employees are eligible to participate in the Group Incentive Plan. Please
2 see EXHIBIT RRT-3: TXNM Group Incentive Plan.

3 • The Annual Incentive Plan includes non-union employees generally at a
4 Manager through Director levels (employees in grades G01 to G04) across
5 all of TXNM’s companies. Approximately 25 TNMP employees and 110
6 TXNM employees are eligible to participate in the Annual Incentive Plan.
7 Please see EXHIBIT RRT-4: TXNM Annual Incentive Plan.

8 • The Subsidiary Officer Incentive Plan includes non-union eligible
9 employees who are officers of TXNM’s operating companies (employees in
10 grades S01 to S02), including TNMP. Three TNMP employees and 1 TXNM
11 employee are eligible to participate in the Subsidiary Officer Incentive Plan.
12 Please see EXHIBIT RRT-5: TXNM Subsidiary Officer Incentive Plan.

13 • The Officer Incentive Plan includes officers of TXNM (employees in grades
14 H18 to H24). Eleven employees are eligible to participate in the Officer
15 Incentive Plan including TNMP’s President as a TXNM officer. Please see
16 EXHIBIT RRT-6: TXNM Officer Incentive Plan.

17 **Q. PLEASE DESCRIBE THE METRICS FOR THE SHORT-TERM INCENTIVE**
18 **PLANS DURING THE TEST YEAR.**

19 A. Please see EXHIBIT RRT-7 for the metrics for the 2025 short-term incentive plans.

20 **Q HOW DO THE TNMP SHORT TERM INCENTIVE PLANS PROVIDE VALUE TO**
21 **TNMP CUSTOMERS?**

22 The performance metrics established under the short-term incentive plans are
23 designed to align with the overall Company objectives of providing safe, reliable,
24 and cost-effective service to customers. Below are the metric definitions.

25 TNMP Short Term Incentive Metrics

- 26 • [REDACTED]
- 27 [REDACTED]
- 28 [REDACTED]
- 29 • [REDACTED]
- 30 [REDACTED].

- 1 • [REDACTED]
- 2 [REDACTED]
- 3 • [REDACTED]
- 4 [REDACTED]
- 5 [REDACTED]
- 6 • [REDACTED]
- 7 [REDACTED]
- 8 • [REDACTED]
- 9 [REDACTED]

PNMR Shared Services Short Term Incentive Metrics

- 11 • [REDACTED]
- 12 [REDACTED]
- 13 • [REDACTED]
- 14 [REDACTED]
- 15 [REDACTED]

Corporate Short Term Incentive Metrics

- 17 • [REDACTED]
- 18 [REDACTED]
- 19 [REDACTED]
- 20 • [REDACTED]
- 21 • [REDACTED]

Q. PLEASE SUMMARIZE YOUR TESTIMONY WITH RESPECT TO THE TEST YEAR COMPENSATION EXPENSE THE COMPANY SEEKS TO INCLUDE IN ITS REQUESTED COST-OF-SERVICE.

A. The Company must provide employees with a market-competitive total direct compensation opportunity in order to establish and retain suitably skilled and experienced employees for all types of positions and, in turn, to provide safe, efficient, and effective service to customers. Therefore, the total compensation necessary to attract and retain such a workforce is ultimately beneficial to TNMP's customers.

1 TNMP is seeking to recover base salaries, annual short-term incentives at a target
2 level of achievement, and, where appropriate, long-term incentives. The target
3 values of the annual incentive compensation and long-term incentive
4 compensation that the Company is requesting to include in its cost-of-service in
5 this case are components of the reasonable and market-competitive compensation
6 necessary to attract and retain a suitably skilled and experienced workforce.
7 Therefore, the compensation TNMP is seeking to include in its cost-of-service in
8 this case, including the annual and long-term incentive compensation components
9 tied to financial and operational measures for officers, is a reasonable, necessary,
10 customary, and prudently incurred cost of doing business that provides substantial
11 benefits to customers. The requested amount of annual and long-term incentive
12 compensation should, therefore, be approved and included in the Company's cost-
13 of-service.

14 **Q. IS TNMP REQUESTING ALL SHORT-TERM INCENTIVE COMPENSATION**
15 **ACCRUED DURING THE TEST YEAR?**

16 A. No, the company is requesting target level STI--which is lower than the test year
17 STI. Target level achievement is market competitive, and the plans are designed
18 to motivate employees in achieving goals that support providing safe and reliable
19 service to customers. Historically, the company has achieved above-target levels.

20 **Q. IS ANY PORTION OF THE TNMP REQUEST FOR SHORT-TERM INCENTIVE**
21 **COMPENSATION BASED ON FINANCIAL GOAL METRICS?**

22 A. Yes, the participants in the Annual Incentive Plan and the Subsidiary Officer
23 Incentive Plan awards are weighted 35% based on the achievement of corporate
24 short term incentive metrics, which includes an Earnings Per Share ("EPS") metric
25 as noted in Exhibit RRT-4 and Exhibit RRT-5 above. Participants in the Officer
26 Incentive Plan ("OIP") include Named Executive Officers of TXNM and Vice
27 Presidents of PNMR Shared Services. Named Executive Officers awards are
28 based 100% on the metrics noted in Exhibit RRT-6. Vice Presidents of PNMR
29 Shared Services and the TNMP President's awards are based 60% on the metrics
30 noted in Exhibit RRT-6. Participants in the group incentive plan awards are not
31 based on any financial metrics.

1 **Q. DOES THE FILING INCLUDE ANY SHORT-TERM INCENTIVE**
 2 **COMPENSATION FOR NAMED EXECUTIVE OFFICERS OF TXNM?**

3 A. No.

4 **Q. WHY IS IT APPROPRIATE TO INCLUDE ANY AMOUNT OF SHORT-TERM**
 5 **INCENTIVE COMPENSATION THAT IS BASED ON FINANCIAL METRICS IN**
 6 **THIS FILING?**

7 A. The Vice Presidents of PNMR Shared Services as well as the President of TNMP
 8 are expected to manage key areas of the business to achieve overall goals of
 9 TXNM, including financial goals as well as specific cost control and operational
 10 metrics. The achievement of EPS drives investment in the company that supports
 11 TNMP's growth plans as well as customer improvement plans.

12 **Q. WHAT AMOUNT OF SHORT-TERM INCENTIVE COMPENSATION IS**
 13 **INCLUDED IN THIS FILING?**

14 A. Please see Table 1 below. \$3,445,618 of short-term incentive compensation is
 15 included in cost of service.

16 **TABLE 1: TARGET LEVEL SHORT-TERM INCENTIVE COMPENSATION DETAIL**

	Total TXNM Test Year STI	TXNM Test Year Financial Metric Portion	TXNM Test Year Operational Metric Portion	TNMP Cost of Service Total STI	TNMP Cost of Service Financial Metric Portion	TNMP Cost of Service Operational Metric Portion
Group Incentive	\$4,949,547	\$ -	\$4,949,547	\$1,345,782	\$ -	\$1,345,782
Annual Incentive Plan	\$5,217,491	\$1,095,673	\$4,121,818	\$1,382,767	\$290,381	\$1,092,386
Subsidiary Officer Incentive Plan	\$745,212	\$156,494	\$588,717	\$284,210	\$59,684	\$224,526
Officer Incentive Plan	\$1,006,628	\$362,386	\$644,242	\$432,860	\$155,829	\$277,030
Total	\$11,918,878	\$1,614,554	\$10,304,324	\$3,445,618	\$505,895	\$2,939,723

17
 18 **Q. PLEASE DESCRIBE THE LONG-TERM INCENTIVE COMPENSATION PLANS.**

19 A Certain employees are eligible for long-term stock-based incentive plans.
 20 Employees of TXNM and its subsidiaries who are in the level of directors through
 21 subsidiary officers (employees in grades G03 through S02) are eligible for stock
 22 awards under the discretionary stock plan. Officers of TXNM are included in the
 23 Long-Term Incentive Plan (LTIP). Please see EXHIBIT RRT-8 for the LTIP plan.

1
2 Long-term stock-based compensation can be awarded under two plans.

3
4 **Discretionary Stock Plan.** For the discretionary stock plan, the TXNM
5 Board of Directors annually reviews management recommendations on a
6 pooled amount for market-based long term equity compensation for
7 subsidiary officers and directors. After Board approval of the award pool,
8 senior management reviews and approves individual equity awards based
9 on individual performance and contributions to the overall TXNM and
10 subsidiary business unit goals as well as individuals' ability to support
11 strategy into the future. The equity awards vest over a three-year period.

12
13 **LTIP.** Under the LTIP, TXNM officers are eligible for a performance stock
14 award if certain goals are achieved. The performance goals are measured
15 at the end of a three-year performance period. TXNM officers are also
16 eligible for a time-vested restricted stock award that vests over three years.

17 **Q. HOW DO THE LONG-TERM INCENTIVE PLANS PROVIDE VALUE TO TNMP**
18 **CUSTOMERS?**

19 A. The long-term incentive plans are a part of the overall market-based total direct
20 compensation for the officers and key leaders at TNMP and TXNM. These plans
21 motivate participants to contribute to the longer-term business unit goals of the
22 organization and is a component of total direct compensation to continue to attract,
23 retain and motivate officers and key leaders to remain employed by TNMP and
24 committed to future success.

25 **Q. WHAT AMOUNT OF LONG-TERM INCENTIVE COMPENSATION IS INCLUDED**
26 **IN THE COST OF SERVICE IN THIS FILING?**

27 A. Please see Table 2 below.

28 **TABLE 2: LONG TERM INCENTIVE COMPENSATION**

Long-Term Incentive Plan	TXNM Energy	Allocated to TNMP
Discretionary Restricted Stock Award	\$2,704,419	\$1,021,302
Officer Time Vested Restricted Stock Award	\$458,130	\$182,089

Performance Share Award	\$608,559	\$260,898
Total	\$3,771,108	\$1,464,289

1 **Q. PLEASE DESCRIBE THE LONG-TERM INCENTIVE COMPENSATION THAT**
 2 **TNMP IS REQUESTING RECOVERY OF IN THIS CASE.**

3 A. TNMP is not requesting the inclusion of all long-term incentive compensation
 4 accrued during the test year in its revenue requirement in this case. Rather, TNMP
 5 is requesting to include in its cost-of-service for ratemaking purposes only the test-
 6 year target amount of LTI.

7 **Q. DOES THE FILING INCLUDE ANY LONG-TERM INCENTIVE COMPENSATION**
 8 **FOR NAMED EXECUTIVE OFFICERS OF TXNM?**

9 A. No.

10 **Q. HOW COMMON ARE ANNUAL SHORT-TERM INCENTIVE AND LONG-TERM**
 11 **INCENTIVE PLANS IN THE UTILITY INDUSTRY?**

12 A. Annual short-term and long-term incentive plans are prevalent in the utility industry.
 13 All of TXNM's peer utilities have short-term and long-term incentive plans that
 14 include financial metrics. Other common metrics are customer satisfaction, safety,
 15 and cost control.

16 **1. Necessity and Reasonableness of Compensation Programs**

17 **Q. WHY IS IT CRITICAL THAT THE COMPANIES PROVIDE THEIR EMPLOYEES**
 18 **TOTAL COMPENSATION OPPORTUNITIES THAT ARE, ON AVERAGE,**
 19 **COMPARABLE TO SIMILAR OPPORTUNITIES PROVIDED FOR SIMILAR**
 20 **POSITIONS IN VARIOUS LABOR MARKETS?**

21 A. The Companies must employ a wide range of employees to provide safe, reliable,
 22 and affordable service. The competition for such employees is fierce. By and
 23 large, the Companies' current and prospective employees have other options for
 24 employment. Therefore, the Companies are in continuous competition to attract
 25 and retain suitable employees.

26 In hiring and retaining qualified individuals, the Companies are competing with the
 27 utility industry, energy services industry, and general industry, depending on the
 28 skill set and qualifications related to each occupation. Consequently, the
 29 Companies' Total Rewards opportunities for these potential employees must be

1 comparable to the opportunities available to them in the relevant labor market. If
2 the Companies offered substantially below market compensation, then the quality
3 of management and other personnel would decline over time through attrition of
4 employees, leaving the Companies to pursue more lucrative employment
5 opportunities, and consequently, the level of service to customers would similarly
6 decline. In addition, high levels of attrition of qualified employees would result in
7 added costs for recruitment, training, and lost productivity.

8 **Q. HOW DOES TOTAL COMPENSATION FOR SENIOR MANAGEMENT AND**
9 **EXECUTIVE POSITIONS COMPARE WITH MARKET DATA?**

10 A. Total compensation for senior management and executive positions is consistent
11 with recent market-compensation studies. TXNM's base salaries and incentive
12 compensation opportunities target the 50th percentile of the market with flexibility
13 to move above the 50th percentile to ensure the attraction and retention of an
14 experienced and qualified leadership team.

15 **Q. DOES THE HUMAN RESOURCES DEPARTMENT USE ANY THIRD-PARTY**
16 **INFORMATION OR BENCHMARKING TO ENSURE THAT WAGES AND**
17 **BENEFITS ARE SET AT APPROPRIATE LEVELS AT TNMP?**

18 A. Yes. As discussed above, the Human Resources Department uses third-party
19 benchmarking data prepared by highly qualified, independent vendors and
20 provides quantifiable and objective compensation through data points.
21 Benchmarking is used to assess whether our compensation programs and plans
22 are aligned with the market to attract, retain, and motivate employees. TXNM
23 purchases compensation survey data from established vendors, including WTW
24 and PWC. These vendors conduct surveys of other participating companies to
25 gather confidential compensation information.

26 **Q. SHOULD COMPENSATION PROGRAMS BE INCLUDED AS PART OF TNMP'S**
27 **COST OF SERVICE?**

28 A. Yes. The compensation programs should be included as part of TNMP's cost of
29 service for all of the reasons delineated herein: e.g., not only in light of the statutory
30 presumption of reasonableness and necessity that applies to much of the included
31 compensation but, further because (1) TNMP's compensation objectives seek to

1 promote efficient, reliable, and safe electricity for Texans; (2) the methods of
2 calculation employed are documented, justifiable, and further corroborated by
3 reputable, recent third-party market surveys, as contemplated by Section 36.067;
4 (3) the compensation programs are consistent with recent market-compensation
5 studies; and, among a host of other reasons more thoroughly explained herein and
6 supported by the associated evidence in TNMP's rate-filing package, (4) TNMP's
7 approach to compensation, as a practical matter, produces practical benefits not
8 only for its employees but further for market participants and customers alike.¹ In
9 short, the Company's compensation programs are reasonable and properly part of
10 TNMP's cost of service.

11 **Q. IS THE COMPENSATION OPPORTUNITY THAT THE COMPANIES'**
12 **INCENTIVE COMPENSATION PROVIDES NECESSARY FOR ATTRACTING**
13 **AND RETAINING SUITABLE EMPLOYEES?**

14 A. Yes. Incentive Compensation is not a "bonus" that provides compensation in
15 excess of market competitive compensation. Rather, such incentive compensation
16 is a critical element of a reasonable, necessary, and prudent market-competitive
17 total compensation package. It is likely that without the compensation opportunity
18 that incentive compensation provides, the Companies would experience increased
19 turnover among all categories of employees and problematic turnover for the many
20 positions for which the average all-in compensation would then be below the
21 market competitive range. This shows that the portion of compensation provided
22 by STI and LTI for all categories is necessary to maintain the competitiveness of
23 the Companies' total compensation for these positions. As such, the cost of
24 incentive compensation for all types of positions, irrespective of the form in which
25 it is provided, is a necessary, reasonable, and an appropriate cost of doing
26 business that TNMP should be allowed to recover in its cost-of-service.

¹ To reiterate, TNMP's incentive-compensation programs provide but one example of the practical benefits flowing from its compensation structure on the whole. As discussed, the achievement of performance goals supports the strategic objectives of TNMP, which in turn supports enhanced safety, reliability and customer service. Incentive pay is a form of market-based compensation, which should be recovered through the cost of service. Without it, TNMP would not be market competitive and not be able to attract and retain talent. The strategic objectives measured under the incentive plans are grounded in operational improvement such as safety, reliability and customer service.

1 **Q. IS THE FINANCIALLY BASED INCENTIVE COMPENSATION FOR OFFICERS**
2 **REASONABLE?**

3 A. Yes. First, to be clear, none of these expenses are tied to any metrics adverse to
4 customers' interests. Second, without the compensation opportunity that the
5 Companies' STI and LTI plans provide, including the financially based portions,
6 the total compensation for these officer positions would not be competitive or
7 consistent with recent market-compensation studies, which would impair the
8 Companies' ability to attract and retain officers, increase turnover, and reduce
9 engagement.

10 The STI and LTI opportunities for TNMP officers provide an even larger benefit to
11 TNMP customers than incentive compensation provided to other employees,
12 because of the substantial impact these positions can have on the operations and
13 stability of the Company. Suitable incumbents and potential future replacements
14 for these positions are necessary to provide service to customers efficiently,
15 effectively, and safely.

16 Additionally, the STI and LTI opportunities improve officer and the Companies'
17 performance by more effectively communicating goals and objectives, better
18 aligning officers' and their subordinates' efforts with these goals and objectives,
19 and more effectively engaging officers and other employees to achieve higher
20 levels of performance.

21 **Q. IN SUM, ARE THE REQUESTED NON-OFFICER EMPLOYEE COMPENSATION**
22 **EXPENSES REASONABLE AND NECESSARY?**

23 A. Yes. As demonstrated above, the requested non-officer employee compensation
24 and benefits expenses are consistent with recent market compensation studies.
25 Thus, in accordance with PURA § 36.067, these expenses are presumed
26 reasonable and necessary. This presumption also supports recovery of the
27 capitalized labor costs.

28 **Q. ARE THE REQUESTED COMPENSATION EXPENSES FOR OFFICERS**
29 **REASONABLE AND NECESSARY?**

30 A. Yes. It is important to recognize that a significant portion of TNMP officers'
31 compensation is covered by PURA § 36.067(a)'s definition of employee

1 compensation and benefit expenses—*i.e.*, the presumption of reasonableness and
2 necessity—namely, the amounts not related to: (1) pension or other
3 postemployment benefits; or (2) incentive compensation related to attaining
4 financial metrics or metrics adverse to customers’ interests—and, as such, is
5 presumed reasonable because it is consistent with compensation studies of similar
6 expenses for similarly situated officers as demonstrated above. Further, the
7 evidence described in my testimony above and discussed further below
8 demonstrates that the portion of incentive compensation related to attaining
9 financial metrics included in the Companies’ total compensation paid to officers
10 during the test year, though not afforded the presumption of reasonableness, is, in
11 fact, reasonable and necessary.

12 **Q. HOW DOES INCENTIVE COMPENSATION IMPROVE EMPLOYEE AND**
13 **COMPANY PERFORMANCE?**

14 A. Generally, such plans give employees a personal interest in the achievement of
15 common goals and objectives, thereby creating a shared sense of purpose and
16 improving employees’ engagement on the whole. They also facilitate the
17 communication of goals and objectives with respect to officers and other
18 employees alike, aligns and focuses workflows more effectively than is otherwise
19 possible. Separately, they shift a portion of compensation from a fixed expense to
20 variable expense tied to performance, which reduces business risk and capital
21 costs, and also increase productivity and foster mindful management of costs.
22 Overall, such plans create a high-performing, engaged culture, thereby increasing
23 productivity and fostering careful cost management. Such beneficial effects drive
24 reductions in the cost of service for TNMP customers, all else being equal.

25 **Q. WHAT ARE THE GENERAL BENEFITS TO CUSTOMERS OF FINANCIALLY**
26 **BASED INCENTIVE COMPENSATION PROVIDED TO OFFICER POSITIONS?**

27 A. Financially based incentive compensation focuses officers and other employees
28 on cost control and promotes the efficient use of financial resources. The financial
29 discipline it encourages is important for providing reliable service at a reasonable
30 cost to customers. Specifically, financial measures included in the Companies’
31 incentive-compensation programs continuously emphasize the importance of

1 maintaining financial discipline to employees, which directly reminds and
2 encourages employees of the need to reduce expense, operate efficiently, and
3 conserve financial resources. This has and will continue to directly benefit
4 customers by reducing TNMP's cost-of-service through savings that are passed
5 on to customers in rates that are lower than they otherwise would be if the
6 Companies did not use such performance measures.

7 Financially based incentive compensation is also a mechanism for retaining
8 additional capital during recessionary periods, catastrophic losses, and other
9 causes of degraded financial performance. This bolsters financial stability and
10 provides more capital for system maintenance and continued investment during
11 periods when other sources of capital may be overly expensive or inaccessible.
12 Better ensuring that the payment of incentive compensation payments does not
13 lead to financial impairment reduces the risk of additional expense caused by such
14 financial difficulties, which also benefits customers.

15 **Q. ARE THERE DIRECT BENEFITS TO CUSTOMERS FROM THE FINANCIALLY**
16 **BASED PORTION OF THE COMPANIES' LTI COMPENSATION?**

17 A. Yes. In addition to the benefits that the Companies' incentive compensation
18 provides to customers, long-term incentive compensation also provides a retention
19 incentive to officers and other participants, which benefits customers by improving
20 the retention of employees with greater company experience in roles that have
21 long-term decision-making responsibility. This, in turn, improves the continuity of
22 operations. Tying a portion of compensation to long-term measures of financial
23 performance, specifically the FFO/Debt and Earnings Growth measures used in
24 the Companies' performance unit awards, encourages better long-term decision
25 making, management stability, and financial discipline, all of which benefits
26 customers.

27 Customers benefit from efficient, effective, and consistent operations; suitably
28 experienced, knowledgeable and stable company management; better long-term
29 decision making; and strong financial discipline. All these factors contribute to
30 lower costs for customers.

1 Maintaining long-term financial discipline is imperative, particularly given the long-
2 term nature of the assets that comprise TNMP's electric system. The performance
3 stock awards communicate this imperative and strongly encourage its pursuit,
4 which promotes expense control, efficient operations, and conservation of
5 resources. This directly benefits customers by reducing cost-of-service and rates
6 compared to what they would otherwise be.

7 **Q. ARE CUSTOMERS HARMED BY THE FINANCIALLY BASED PORTIONS OF**
8 **THE COMPANIES' INCENTIVE PROGRAMS?**

9 A. No. Because the STI and LTI programs provided by the Companies are part of a
10 reasonable and market competitive total compensation package (i.e., employee
11 compensation is consistent with recent market compensation studies), the
12 expenses associated with the financially based incentive compensation have no
13 incremental cost above the cost of providing the market competitive compensation
14 through base pay alone. Further, as to the LTI plan, by encouraging participant
15 retention—which improves operational continuity and performance and
16 encourages long-term financial discipline, among the other benefits previously
17 mentioned—it reduces costs to customers. With significant accumulated benefits,
18 potential new incremental benefits and no incremental cost, the benefits of the LTI
19 program to customers exceed its costs.

20 **Q. IS IT REASONABLE TO EXCLUDE AN ADDITIONAL PORTION OF THE**
21 **FINANCIALLY BASED STI COMPENSATION PAID TO TNMP'S OFFICERS**
22 **SOLELY BECAUSE THE PLAN FUNDING WAS BASED ON A FINANCIAL**
23 **MEASURE?**

24 A. No. The financial aspect of the STI funding mechanism is necessary to ensure that
25 the total cost of annual STI awards for all employees is tied to and commensurate
26 with the Company's overall performance. The funding mechanism also facilitates
27 goal setting for each business unit and operating company by shifting the
28 emphasis to achieving a consistent degree of difficulty of incentive goals, rather
29 than a degree of difficulty that results in payouts that are commensurate with
30 performance.

1 In addition, the funding mechanism ensures the Companies can afford employee
2 incentive compensation, while also meeting its commitments to all other
3 stakeholders, and that annual incentive compensation does not impair the
4 Companies financially. The importance of a mechanism that ensures incentive
5 compensation funding is commensurate with the Companies' financial
6 circumstances is often taken for granted but becomes apparent to all stakeholders,
7 including customers, whenever a company is financially impaired and facing an
8 increased cost of capital or an inability to obtain adequate funding as a result. ying
9 annual incentive plan funding to financial performance also sends a clear message
10 to participants that it is imperative for them to maintain financial discipline. This, in
11 turn, enables completion of work at a lower cost than would otherwise be the case.

12 **V. BENEFITS PLANS**

13 **Q. PLEASE DESCRIBE THE BENEFIT PLANS THAT TNMP PROVIDES TO ITS**
14 **EMPLOYEES.**

15 A. As described in more detail on RFP Schedule II-D-3.7, we offer the following
16 benefits to full-time employees:

- 17 • Retirement Savings Plan (401k)
- 18 • Medical plan with a preferred provider or high-deductible plan choice
- 19 • Dental
- 20 • Vision
- 21 • Life Insurance and Accidental Death and Dismemberment
- 22 • Short-Term Disability
- 23 • Long-Term Disability
- 24 • Flexible Spending Accounts
- 25 • Health Savings Accounts
- 26 • Educational Assistance program
- 27 • Employee Assistance program
- 28 • Paid Time Off
- 29 • Holiday pay
- 30 • Wellness Program
- 31 • TNMP Retirement Plan

1 **1. Necessity and Reasonableness of Benefits Plans**

2 **Q. DOES HUMAN RESOURCES CONSIDER BENCHMARKING STUDIES TO**
3 **EVALUATE BENEFIT PLAN(S) OFFERED BY TNMP?**

4 A. Yes. The Human Resources Benefits Department utilizes benchmarks to ensure
5 benefits are market competitive. As of the last benefits benchmark survey, in 2025,
6 the employee benefits portfolio was determined to be slightly below the market
7 median. The benefits benchmarking study, completed by WTW, determines the
8 relative value by dividing the benefit value by the average benefit value for thirteen
9 peer utilities participating in the comparison. The index for TXNM, including TNMP,
10 shows that our relative index is 90.5% of the average benefit value of the 13
11 utilities. Overall, the TXNM, including TNMP, employee benefit portfolio is within
12 the competitive market.

13 **Q. HAS HUMAN RESOURCES RECENTLY TAKEN ANY STEPS TO REDUCE THE**
14 **COST OF BENEFIT PLANS?**

15 A. Yes. TXNM, including TNMP, changed medical network providers and claims
16 administrators to help streamline the administration. The design is a two-tier
17 network that is intended to stabilize and reduce claims costs through competitive
18 contracted rates and improved efficiencies in administering healthcare. We also
19 have implemented targeted disease management programs to ensure employees
20 are receiving the appropriate and streamlined care. For example providing
21 telehealth options, including a robust virtual physical therapy program. TXNM,
22 including TNMP, also changed its pharmacy benefit manager. The new manager
23 offers highly competitive rates through its programs, contracted discounts, rebates,
24 and mail order program, including an additional program targeting chronic disease
25 and specialty drugs to manage cost trends that went into effect in 2023.
26 Additionally, as of 2020, TXNM, including TNMP, revamped its wellness program
27 available to all employees. The program focuses on bettering the health of all
28 employees, which has a positive impact on the cost of health benefits, as well as
29 on the lives of our workforce. The wellness program offers various seminars on a
30 multitude of health-related items, such as reducing high blood pressure,
31 introducing exercise, and reducing stress. In 2024, over 73% of employees

1 participated in the wellness program, resulting in overall improved employee
2 wellbeing.

3 **Q. ARE TNMP'S BENEFIT PROGRAM COSTS REASONABLE?**

4 A. Yes, TNMP benefit program costs are reasonable.

5 **VI. AFFILIATE EXPENSES – HUMAN RESOURCES AND SAFETY**

6 **1. Organization of the Human Resources Department**

7 **Q. PLEASE BRIEFLY DESCRIBE/SUMMARIZE THE SERVICES PROVIDED BY**
8 **HUMAN RESOURCES.**

9 A. The Human Resources Department, including Safety is responsible for corporate
10 human resources activities including talent acquisition, human resources
11 consulting, employee relations, compliance, labor relations, total rewards
12 (including compensation and benefits), learning and development and safety. The
13 following is a review of the Human Resources services:

- 14 • Talent Acquisition services include consulting with management to deliver
15 recruitment strategies, sourcing and screening of candidates, future
16 pipeline development, coordination of contingent worker agreements, and
17 managing relocation services.
- 18 • Human Resources Consulting includes teams collaborating directly with
19 employees and management to navigate HR support, Labor Relations, and
20 Compliance.
- 21 • The Compensation and Benefits services include designing and
22 administering compensation and benefits plans, including incentive
23 compensation, employee welfare, and retirement plans.
- 24 • The Learning and Development services include training and support for
25 employees throughout their career, including:
 - 26 • New employee onboarding and training to help employees learn the
27 infrastructure on how the organization works, the culture and how they fit
28 into the organization.
 - 29 • Workforce training assists all employees to have job specific courses on
30 technical issues and safety as well as broader courses such as business
31 acumen and desktop/IT courses.

- 1 • Administration of intern programs supports ongoing talent pipeline
2 development.
- 3 • Leadership Training positions leaders to hone their skills by gaining a
4 greater understanding of expectations, regardless of area in the company.
5 We help them develop and refine their strategic and critical thinking skills to
6 help them better work with the employees.
- 7 • Supervisor Training allows newly hired supervisors to learn the tactical and
8 critical thinking skills for their jobs, current supervisors to brush up on their
9 skills, and individual contributors who wish to take on more responsibility in
10 the future learn managerial skills. Employees who are interested in a
11 supervisory role in the future are encouraged to participate in online or
12 instructor-led courses and external development.
- 13 • Communications Training helps leaders and employees focus on
14 themselves and how to develop and strengthen their communication skills.
- 15 • Career Pathing and administration of the performance management
16 process provide growth opportunities for employees.
- 17 • Safety includes managing the company's overall safety program, safety
18 policies and compliance, industrial hygiene, OSHA coordination, and field
19 safety consultants.

20 **Q. PLEASE PROVIDE AN OVERVIEW OF HOW THE HUMAN RESOURCES**
21 **DEPARTMENT IS ORGANIZED.**

22 A. The Human Resources group consists of 52 employees. The department is
23 organized into four departments under a Vice President who reports to the Senior
24 Vice President of Corporate Services. The departments include Human Resources
25 Services (Compliance, Consulting, Talent Acquisition, HR Consulting and Labor
26 Relations), Safety, Total Rewards (compensation and benefits), and Learning and
27 Development.

28
29
30
31
32
33

1
2
3
4

TABLE 3: HR ORGANIZATION CHART



5
6
7
8
9
10
11
12
13
14
15
16

The Human Resources Department utilizes HR and Safety personnel onsite in Texas to provide on-going support for TNMP’s projects. As liaisons of the Human Resources Department to the operating companies, HR Business Partners also offer employee and labor relations consulting. Safety Field Consultants offer field support, training and policy guidance.

Q. WHERE ARE THE DEPARTMENT’S PERSONNEL LOCATED?

A. The Human Resources Department personnel are primarily located in Albuquerque, New Mexico, as well as in Lewisville, Texas and Texas City, Texas. Table 4 below shows the number of employees in the Human Resources Department in each location.

TABLE 4: EMPLOYEE LOCATIONS

Location	FTEs
Albuquerque, New Mexico	47
Lewisville, Texas	2
Clifton, Texas	1
Texas City, Texas	2
Grand Total	52

17
18
19

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

1 A. To provide optimal service delivery at the most cost-effective level, the Human
2 Resources Department continually evaluates service needs with TNMP
3 management, aligning with TNMP's business unit objectives. Over the last few
4 years, Human Resources has added staff and consulting services to ensure talent
5 acquisition needs for TNMP's growing business are met. Staff have also been
6 added to support employees' use of leave policies and to ensure that adequate
7 HR business partner support is available directly in Texas.

8 **2. Services Provided by the Human Resources Department**

9 **Q. DESCRIBE THE SERVICES PROVIDED BY THE HUMAN RESOURCES**
10 **DEPARTMENT.**

11 A. The primary services and activities that the Human Resources Department offers
12 and performs are:

- 13 • **Total Rewards** involves the development of a compensation and benefits
14 package to attract and retain outstanding employees as well as the
15 development and administration of benefit policies.
- 16 • **HR Services include:**
- 17 • **Talent Acquisition / Workforce Planning and Development** is
18 responsible for attracting and hiring talent required to sustain efficient
19 growing operations and for development of workforce plans and succession
20 plans for business units, management and the Board of Directors.
- 21 • **Employee / Labor Relations / Compliance** enable Human Resources
22 business partners and labor specialists to promote compliance and
23 operational excellence and involve developing corporate employee
24 relations strategy for represented and non-represented employees.
- 25 • **Learning and Development** includes employee onboarding, training and
26 leadership effectiveness for TXNM, PNMR Services, PNM, and TNMP.
- 27 • **Safety** is responsible for OSHA safety reporting, overall company safety
28 programs, safety training, and safety field operations support.

29 **Q. HOW DOES TNMP OBTAIN HUMAN RESOURCES AND SAFETY SERVICES?**

30 A. Human Resources and Safety provide services through a general services
31 agreement between PNMR Services and TNMP. Please see the testimony of

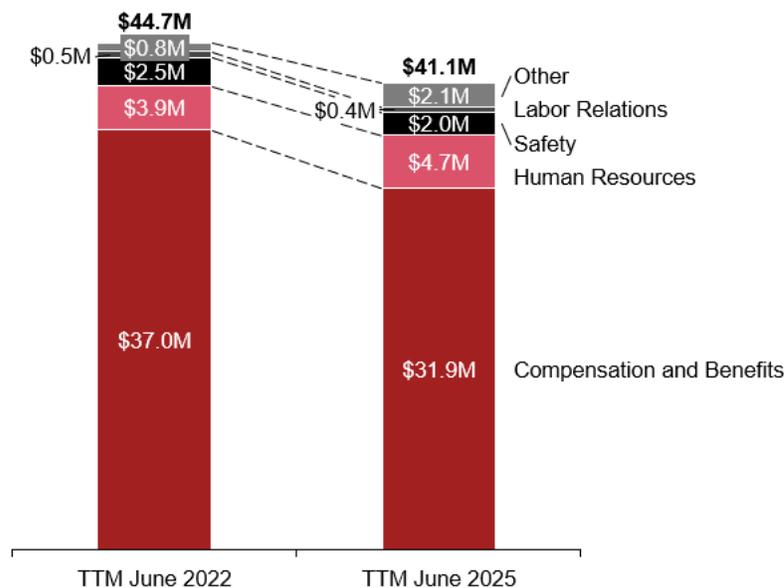
1 witness Lopez Exhibit EJL-1 for a copy of the general services agreement. Human
 2 Resources leadership meets monthly with TNMP senior management to review
 3 current projects and the status of current services. Individual HR team leaders also
 4 meet regularly with TNMP leaders and employees to review status of current
 5 services, for example, a bi-weekly meeting on hiring status is held with the Talent
 6 Acquisition team and Safety field consultants regularly meet with TNMP operations
 7 leadership. The Human Resources Department utilizes HR business partner staff
 8 members to serve as a liaison between TNMP and Human Resources. The
 9 business partners coordinate with TNMP managers to coordinate the provision of
 10 the support required to operate efficiently and effectively.

11 **3. Cost Levels and Cost Changes**

12 **Q. WHAT IS THE TOTAL COST OF HUMAN RESOURCES SERVICES PROVIDED**
 13 **DURING THE TEST YEAR?**

14 **A.** The total test year Human Resources costs, including incentive compensation and
 15 benefits costs for TXNM and all of its operating companies totaled \$41.1 million.
 16 Table 5 and Table 6 below show the total affiliate costs by service and cost type
 17 for Human Resources for the twelve months ended June 2022 (TTM June 2022)
 18 to the current test year which is the trailing twelve months ended June 2025 (TTM
 19 June 2025).

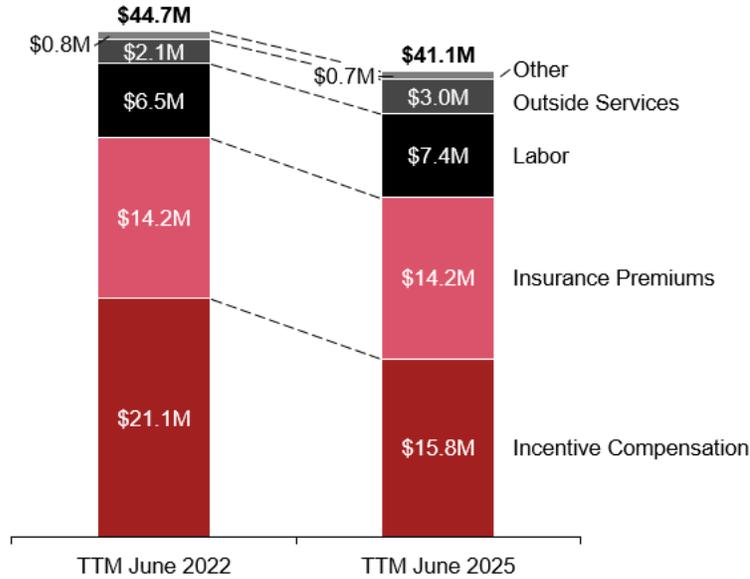
20 **TABLE 5: HR COST BY SERVICES**



21

1
2
3

TABLE 6: HR COST BY TYPE



4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

Q. WHAT HAS BEEN THE TREND IN ACTUAL EXPENDITURES ASSOCIATED WITH HUMAN RESOURCES?

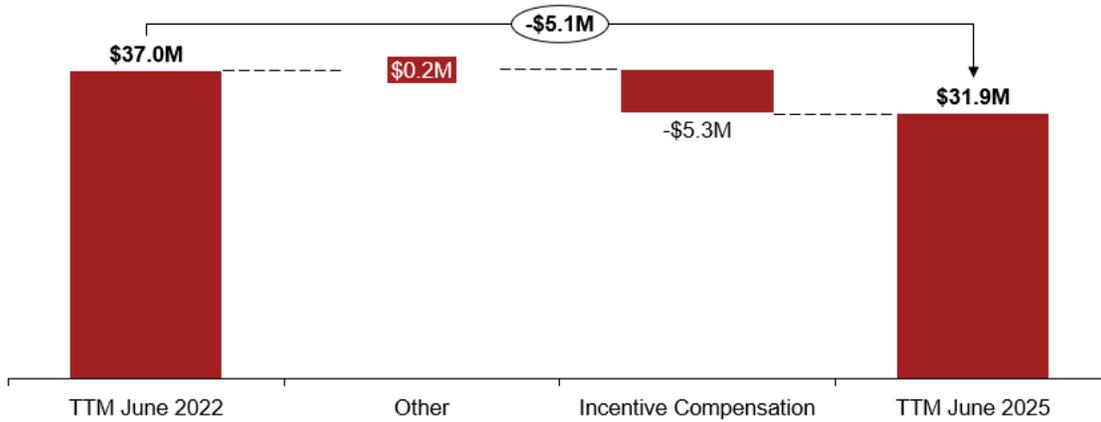
A. Total Human Resources affiliate costs decreased \$3.6 million, from \$44.7 million to \$41.1 million, from TTM June 2022 to the current test year TTM June 2025. This decrease in expense is primarily driven by a decrease of \$5.3 million in incentive compensation offset by an increase in labor of \$0.9 million and outside services of \$0.9 million. As described above, Human Resources added staff and consulting services to support talent acquisition, and an HR business partner in Texas and staff to support employees with the use of leave policies.

Q. WHAT IS THE TOTAL COSTS OF COMPENSATION AND BENEFITS PROVIDED DURING THE TEST YEAR?

A. As set forth in Table 7 below, Benefits and Compensation costs decreased by \$5.1 million between TTM June 2022 and the test period, TTM June 2025. The majority of the decrease is related to decreases in incentive compensation. As discussed previously, incentive compensation included in TTM June 30, 2025 is calculated at target level, while TTM June 30, 2022 included incentive compensation above target level.

1
2
3

TABLE 7: COMPENSATION & BENEFITS COST TYPE TRENDS

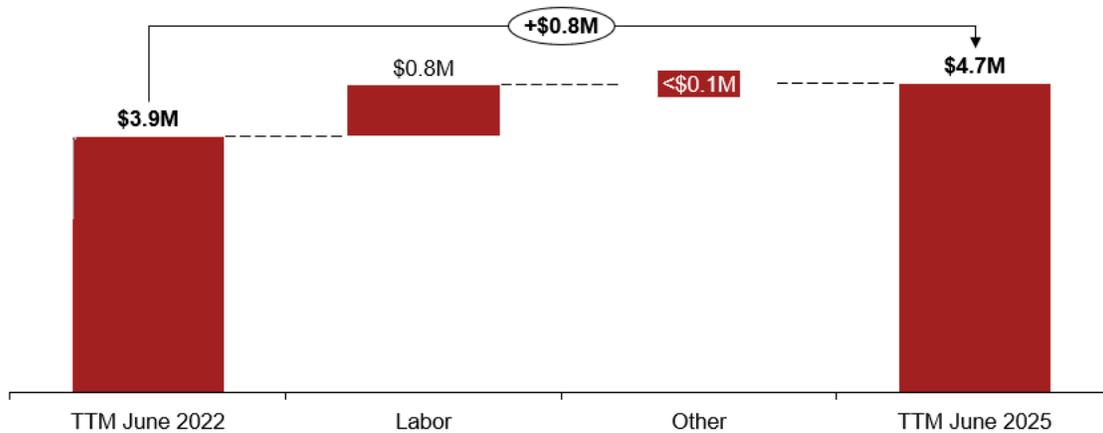


4
5
6
7
8
9
10
11
12

Q. WHAT IS THE TOTAL COSTS OF HUMAN RESOURCES SERVICES PROVIDED DURING THE TEST YEAR?

A. As set forth in Table 8 below, Human Resources Services increased \$0.8 million between TTM June 2022 and the test period, TTM June 2025. The majority of the increase is related to the addition of staff and consulting services to support talent acquisition, an HR business partner in Texas and staff to support employees with leave policies.

TABLE 8: HR SERVICES COST TYPE TRENDS

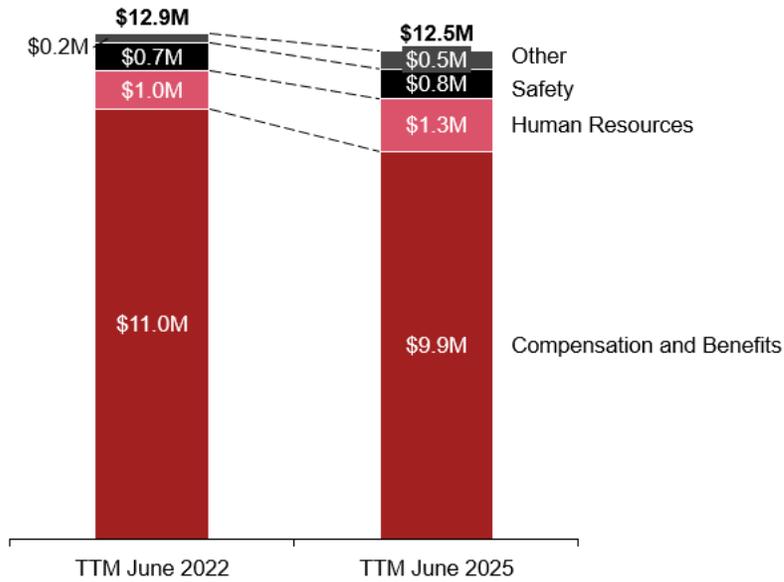


13

1 Q. WHAT ARE THE TOTAL HUMAN RESOURCES COSTS CHARGED TO TNMP
 2 IN THE TEST YEAR?

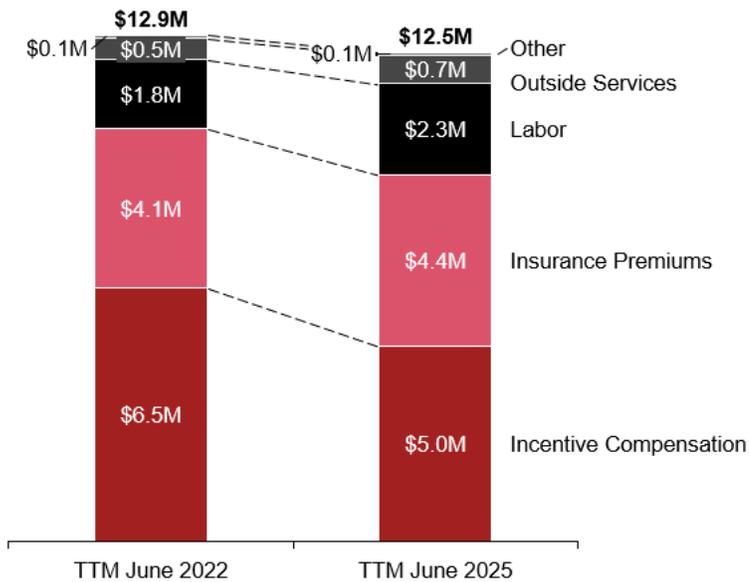
3 A. The total Human Resources costs allocated to TNMP during the test year totaled
 4 \$12.5 million. Tables 9 and 10 below show the TNMP allocated costs by service
 5 and cost type, respectively, from TTM June 2022 to the test period, TTM June
 6 2025.

7 **TABLE 9: HR DEP'T COSTS BY SERVICES: TNMP ALLOCATION**



8
 9

10 **TABLE 10: HR DEP'T COSTS BY COST TYPE: TNMP ALLOCATION**



11

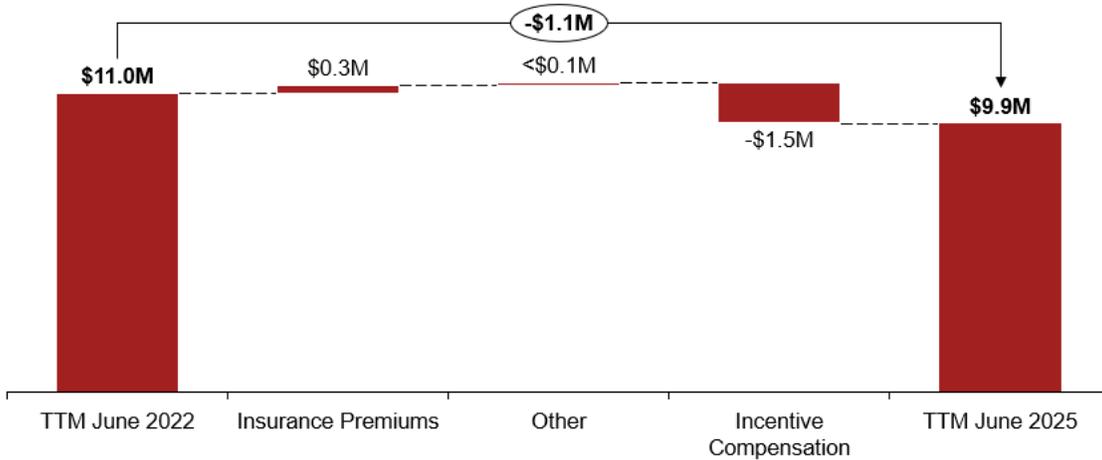
1 **Q. WHAT HAS BEEN THE TREND IN COSTS BILLED TO TNMP BY THE HUMAN**
 2 **RESOURCES DEPARTMENT IN RECENT YEARS?**

3 A. Total costs billed to TNMP for Human Resources has decreased by \$0.4 million.
 4 This decrease is primarily driven by an incentive compensation decrease of \$1.5
 5 million, as discussed previously, incentive compensation included in TTM June 30,
 6 2025 is calculated at target level, while TTM June 30, 2022 included incentive
 7 compensation above target level. The decrease in incentive compensation is offset
 8 by \$0.3 million increase in benefits, including the cost of medical insurance
 9 premiums, and a \$0.5 increase in labor for additional of staff to support talent
 10 acquisition, an HR business partner in Texas and staff to support employees with
 11 leave policies as well as an increase in outside services of \$0.2 million for
 12 consulting support of talent acquisition.

13 **Q. WHAT HAS BEEN THE TREND IN COSTS BILLED TO TNMP FOR**
 14 **COMPENSATION AND BENEFITS COSTS IN RECENT YEARS?**

15 A. As shown in Table 11 below, total costs billed to TNMP for Compensation and
 16 Benefits has decreased by \$1.1M between TTM June 30, 2022 and TTM June 30,
 17 2025. The decrease is driven primarily by an incentive compensation decrease of
 18 \$1.5 million, as discussed previously, incentive compensation included in TTM
 19 June 30, 2025 is calculated at target level, while TTM June 30, 2022 included
 20 incentive compensation above target level. The incentive compensation decrease
 21 is slightly offset by an increase of \$0.3 million in insurance premiums representing
 22 and increase the cost of medical premiums between the periods.

23 **TABLE 11: COMPENSATION & BENEFITS COSTS BY COST TYPES:**
 24 **TNMP ALLOCATION**

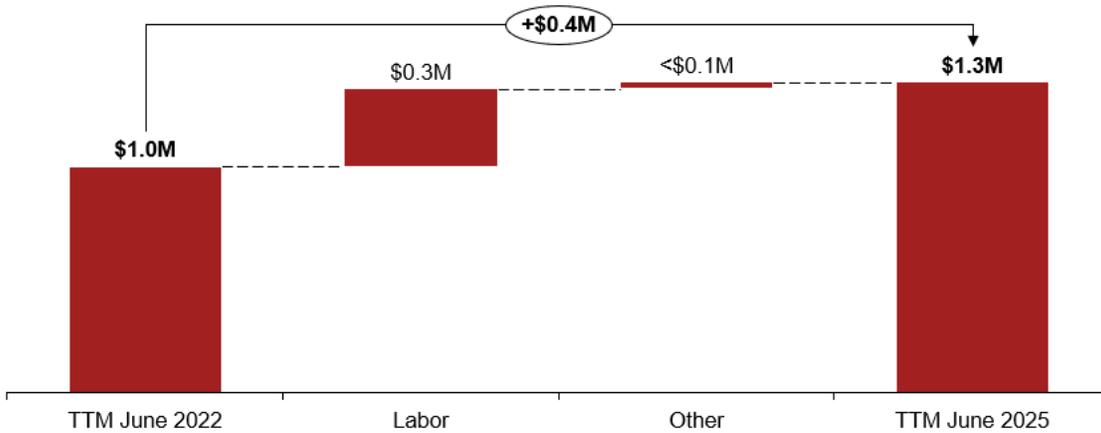


1

2 **Q WHAT HAS BEEN THE TREND IN COSTS BILLED TO TNMP FOR HUMAN**
 3 **RESOURCES SERVICES COSTS IN RECENT YEARS?**

4 A. As shown in Table 12 below, total costs billed to TNMP for Human Resources
 5 Services has increase by \$0.4 million between TTM June, 30 2022 and TTM June
 6 30, 2025. The increase is primarily driven by labor for additional of staff to support
 7 talent acquisition, an HR business partner in Texas and staff to support employees
 8 with leave policies.

9 **TABLE 12: HR Services Costs by Cost Types – TNMP Allocation**



10

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

13 A. The changes in costs are reasonable given TNMP’s business model and growth.

14

4. Cost Allocation

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

3 A. The predominant billing methods used for Human Resources and Safety are the
 4 transactional allocation and the direct methods. The primary transactional
 5 allocation factor for Human Resources is employee headcount, the most cost-
 6 causative factor for Human Resources. The transactional allocation codes are only
 7 used for services that cannot be directly charged to the operating companies.

8
 9 The employee headcount total is composed of all TXNM operating companies’
 10 employees and the allocation percentages are calculated based on the number of
 11 employees in each operating company as a percent of total employees. The
 12 utilization of the employee headcount allocation factor reflects charges for products
 13 and services designed to impact or benefit all employees that cannot be directly
 14 billed to the operating companies.

15 A small percentage of costs are allocated using the general allocation factor.
 16 General allocations are based on a Massachusetts method which is used when
 17 the management activities are not assignable using the other methods, or for
 18 activities which benefit the entire group of TXNM Energy affiliates.

19 Table 13 below shows the PNMR Services’ costs and TNMP billings by allocation
 20 factor:

21 **TABLE 13: HUMAN RESOURCES COSTS BY BILLINGS METHOD – TEST**
 22 **YEAR**

Allocation Method	Location	Allocation Driver	PNMR Allocations	TNMP Allocations
General	941	MMF - Employee Headcount, Gross Margin, Net Plant.	0.8%	1.0%
	948	MMF - Employee Headcount, Gross Margin, Net Plant.	4.2%	-
	951	MMF - Employee Headcount, Gross Margin, Net Plant.	0.1%	-
Direct	942	PNM Electric Services	19.6%	-
	946	PNM Bulk Power Marketing	6.7%	-
	947	PNM Electric Transmission Services	5.3%	-
	953	TNMP – Texas	15.6%	52.2%
	999	TXNM Energy	0.2%	-
Transactional	993	Employee Headcount	47.5%	47.7%

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

3 A. The billing methods used by Human Resources are appropriate since they are cost
4 causative – the allocation factor used is related to the incurrence of Human
5 Resources costs. Direct charging is employed whenever practical. For costs of
6 activities that benefit more than one operating unit, costs are allocated based on
7 transactions that reflect the activity’s primary cost driver (headcount in the case of
8 Human Resources). Using this approach, Human Resources can properly account
9 for its costs and their benefiting locations.

10 **Q. WHICH ENTITIES ARE THE SERVICE COMPANY COSTS FOR HUMAN**
11 **RESOURCES BILLED TO? HOW ARE THE HUMAN RESOURCES COSTS**
12 **BILLED TO THESE ENTITIES?**

13 A. Human Resources bills to the TXNM operating companies that it serves. The costs
14 are directly charged whenever practical or otherwise are allocated based on
15 appropriate allocation factors. Human Resources currently bills to all TXNM
16 operating companies’ business units, which includes TNMP.

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

20 A. For the test year, approximately 47.4% of the Human Resources expenses were
21 directly billed to the operating companies while approximately 47.5% of costs were
22 allocated under a transactional allocation method. Only 5.1% of costs were
23 generally allocated. For Human Resources costs billed to TNMP specifically,
24 52.2% were directly billed to TNMP while 47.7% were allocated to TNMP using the
25 transactional allocation method, and the remaining 1.0% were allocated using the
26 general allocation factor.

27 **Q. EXPLAIN HOW THE HUMAN RESOURCES DEPARTMENT ENSURES THAT**
28 **TNMP IS NOT BILLED FOR THE COST OF HUMAN RESOURCES RENDERED**
29 **TO TNMP’S AFFILIATES.**

30 A. To ensure that TNMP is not billed for the cost of affiliate services rendered to
31 TNMP’s affiliates, the Human Resources Department, in addition to

1 Corporate/Shared Services Accounting, conducts monthly reviews of the affiliate
 2 charges. Additionally, TNMP also has the opportunity to review the billings and
 3 contest any charges.

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

7 A. Yes, under the allocation methods primarily used by Human Resources, costs do
 8 get properly allocated to the jurisdictions responsible for the costs.

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

12 A. My overall conclusion is that the cost allocations and billing methods used by
 13 Human Resources are appropriate. The allocation method encourages direct
 14 billing, the allocation factors used are cost causative and the monthly reporting
 15 provides transparency to benefiting operating companies.

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

17 **Q. ARE THE SERVICES PROVIDED BY THE HUMAN RESOURCES**
 18 **DEPARTMENT FOR TNMP NECESSARY TO SUPPORT THE BUSINESS?**

19 A. Yes, the services provided by the Human Resources Department to TNMP are
 20 critical to the effective management and operation of the business. They are
 21 functions that must be performed in order to attract and retain employees.

- 22 • **Total Rewards** involves the development of a compensation and benefits
 23 package to attract and retain outstanding employees as well as the
 24 development and administration of benefit policies. Compensation
 25 programs align employee incentives with desired operational behaviors to
 26 remain competitive in attracting and retaining employees. Additionally,
 27 effective and competitive benefits policies and programs also help retain
 28 employees by ensuring their well-being.

- 29 • **HR Services include:**
 - 30 • **Acquisition / Workforce Planning and Development** is
 31 responsible for attracting and hiring talent required to sustain efficient

growing operations and for development of workforce plans and succession plans for business units, management and the Board of Directors. provide critical support to operational execution and strategic planning. The benefits derived from these activities are reduced risk, increased employee productivity and enhanced corporate performance.

- 7 • **Talent**
- 8 • **Employee / Labor Relations / Compliance** enable Human
- 9 Resources business partners and labor specialists to promote
- 10 compliance and operational excellence and involve developing
- 11 corporate employee relations strategy for represented and non-
- 12 represented employees and ensure continued operations and legal
- 13 compliance by providing HR-related support across business units
- 14 and managing potential issues for the entire company.
- 15 • **Learning and Development** includes employee onboarding, training and
- 16 leadership effectiveness for TXNM, PNMR Services, and TNMP.
- 17 • **Safety** is responsible for OSHA safety reporting, overall company safety
- 18 programs, safety training and safety field operations support.

19 **Q. WHAT TYPE OF CORPORATE OVERSIGHT OF THE HUMAN RESOURCES**
 20 **DEPARTMENT’S ACTIVITIES IS IN PLACE TO ENSURE THAT ITS SERVICES**
 21 **ARE THOSE THAT ARE MOST BENEFICIAL FOR THE SUPPORT OF TNMP’S**
 22 **UTILITY SERVICE?**

23 A. As discussed above, the Human Resources leadership team, in coordination with
 24 the HR business partners, meets regularly with TNMP management to ensure that
 25 the activities provided by the Human Resources Department are those that are the
 26 most beneficial to support TNMP. The Human Resources leadership team consult
 27 TNMP management as the budgets are developed by Human Resources. The
 28 leadership team and business partners work with key TNMP company personnel
 29 to review the compensation, benefit and other programs supporting the business
 30 unit’s goals and objectives. These programs are reviewed for effectiveness, cost
 31 and any proposed modifications. Any proposed modifications are then modeled to

1 determine impact to cost and are benchmarked against the market parameters to
2 ensure reasonableness and cost effectiveness. Business partners also provide
3 support to operating company projects and are often utilized as consultants to the
4 operating companies related to Human Resources topics.

5 **Q. DO THESE SERVICES DUPLICATE SERVICES PROVIDED BY PERSONNEL**
6 **WITHIN TNMP OUTSIDE OF THE HUMAN RESOURCES DEPARTMENT?**

7 A. No, these services do not duplicate services provided by personnel within TNMP.
8 The Human Resources Department is centrally managed by the VP of Human
9 Resources. No human resources activities are performed solely within TNMP.

10 **Q. ARE ANY OR ALL OF THESE SERVICES PROVIDED BY THE HUMAN**
11 **RESOURCES ORGANIZATION PROVIDED DIRECTLY THROUGH TNMP?**

12 A. No, the services provided by the Human Resources organization are not provided
13 directly through TNMP.

14 **Q. IS IT NECESSARY AND REASONABLE FOR THESE ACTIVITIES TO BE**
15 **PROVIDED BY AN AFFILIATE (AS OPPOSED TO TNMP PROVIDING THESE**
16 **SERVICES ITSELF)?**

17 A. Yes, service companies typically provide services that are necessary for the
18 operation of more than one business unit. Centralized support services create
19 economies of scale. As a result, common services that are shared between
20 operating units can be provided more efficiently than if they were only provided to
21 one group or performed separately within multiple operating companies.
22 Centralization also minimizes the potential for duplication of resources and efforts
23 between various operating companies.

24 **Q. IN SUMMARY, ARE THE SERVICES THAT HUMAN RESOURCES PROVIDE**
25 **NECESSARY TO PROVIDE RELIABLE ELECTRIC SERVICE TO TNMP'S**
26 **CUSTOMERS?**

27 A. Yes, Human Resources provides services that are necessary to provide reliable
28 electric service to TNMP's customers. TNMP must provide Human Resources
29 services similar to those of its peers to attract and retain the appropriate skill sets
30 and to maintain employee satisfaction and productivity.

31 **6. Cost Management**

1 **Q. WHAT PROCESSES DO YOU EMPLOY TO ENSURE THAT HUMAN**
2 **RESOURCES EXPENSES INCURRED BY OR ON BEHALF OF TNMP ARE**
3 **REASONABLE?**

4 A. The two primary activities that ensure that Human Resources expenses incurred
5 by or on behalf of TNMP are reasonable are:

- 6 • Human Resources leadership team and business partner regular
7 discussions with TNMP; and
- 8 • Periodic financial reviews.

9 As the budgets are initially developed, TNMP leadership engages in discussions
10 with Human Resources leadership to understand the construct of the Human
11 Resources budget and discusses any material changes to support of projects that
12 need to be included in the budget. This type of interaction allows for TNMP to have
13 input into the budget.

14 After costs are budgeted, there is another mechanism to control costs through the
15 monthly financial review. Human Resources perform monthly budget variance
16 reviews. Budget variances are reviewed monthly by the VP of Human Resources
17 as well as within the individual Human Resources Departments leaders described
18 earlier in my testimony. At these monthly review meetings, Human Resources
19 leadership examines the budget variances, discusses the charges, and proposes
20 adjustments to the current budget to ensure budget targets are met.

21 **Q. DISCUSS HOW THE HUMAN RESOURCES DEPARTMENT UTILIZES**
22 **BUDGETING, PLANNING, COST REVIEW AND REPORTING TO CONTROL**
23 **CHARGES TO TNMP.**

24 A. In Q3, the Human Resources Department begins to develop the annual budget by
25 month using the O&M targets issued in the Annual Operating Plan process. The
26 detailed budgets are created at the home center level by cost type. The Human
27 Resources Department also coordinates with each of the business partners to
28 gather input from the operating companies. Once the budgets are established, the
29 Human Resources Department tracks actual cost levels and makes appropriate
30 adjustments to control its charges through monthly budget variance reviews with
31 the VP of Human Resources.

1 **Q. WHAT TYPES OF CONTROLS ARE IN PLACE WITHIN THE HUMAN**
2 **RESOURCES DEPARTMENT TO ASSURE THAT BUDGETS ARE**
3 **EFFECTIVELY CONTROLLED?**

4 A. Human Resources affiliate costs are controlled through several means. The
5 Human Resources and Accounting Departments perform monthly budget variance
6 reporting and periodic reviews to ensure reasonableness of costs. The variance
7 data is also used for periodic re-forecasting of the budget throughout the year.
8 Billing reports are sent to TNMP on a monthly basis. The reports track Human
9 Resources costs billed to TNMP. Business units, like TNMP, have the opportunity
10 to review the billing reports to ensure that the costs are reasonable.
11 Third, Human Resources conducts reviews to compare its costs such as incentive
12 payout and health benefit cost per employee to those of its peers. These
13 mechanisms are used to control and monitor costs.

14 **Q. HOW HAVE THE BUDGETING AND COST CONTROL METHODS BEEN**
15 **EFFECTIVE IN CONTROLLING COSTS?**

16 A. The budgeting and cost control methods described above are effective in
17 controlling costs by creating a system of checks and balances. These processes
18 provide a method for the flow of information to and from TNMP to effectively
19 manage budgets and costs billed to TNMP.

20 The Human Resources Department routinely monitors and controls its costs,
21 especially for large expense item costs such as health benefits, 401k costs and
22 retiree benefits. This is accomplished through the review process described above
23 as well as effective negotiations with external vendors.

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

25 A. Once budgets are in place, the Human Resources Department leadership
26 conducts monthly budget variance reviews. Actual-to-budget variances require an
27 explanation and are discussed at the monthly review meetings. An action plan to
28 correct any budget overage is required as part of the review.

29 **Q. WHAT OTHER COST MANAGEMENT MECHANISMS ARE UTILIZED TO**
30 **CONTROL HUMAN RESOURCES COSTS?**

1 A. The Human Resources Department is aggressive in negotiating with contracts,
2 especially with healthcare and other program vendors. TXNM utilizes an external
3 third-party consulting firm who performs periodic reviews of the claims data to
4 identify areas of concern, unexpected trends or other issues that can be addressed
5 with the vendors throughout the year. The consulting firm also reviews at least
6 annually critical data points for all of the TXNM health care vendors including
7 overall per employee costs, cost trends, cost per service, administrative expenses,
8 variances and variance drivers, demographic and usage data, and program
9 efficiency. These analyses allow TXNM to focus on Wellness program initiatives
10 to reduce future exposures and to coordinate aggressive disease management
11 and other options with its vendors.

12 **Q. DOES HUMAN RESOURCES UTILIZE OUTSOURCING AS A MEANS TO**
13 **CONTROL COSTS?**

14 A. Outsourcing is evaluated as we continue to look for ways to control costs. Human
15 Resources have used outsourcing when it is cost effective, and value is added.
16 Although outsourcing of complete functions has been considered, it has not been
17 deemed as cost effective. Most cost effective is outsourcing certain processes;
18 they add value to employees and control costs. Examples of outsourced processes
19 include COBRA administration, flexible spending account administration, Family
20 and Medical Leave Act administration, short-term disability administration,
21 401k/Pension administration, and safety scoring of contractors.

22 **Q. WHAT IS YOUR OVERALL CONCLUSION ON THE REASONABLENESS AND**
23 **NECESSITY OF COST CONTROLS IN THIS AFFILIATE CLASS?**

24 A. My conclusion is that Human Resources' cost control practices are reasonable and
25 necessary for reliable TNMP operations.

26 **VII. OVERALL CONCLUSIONS**

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

28 A. The human resource services, compensation and benefits, and safety costs for
29 TNMP employees are reasonable and competitive. These costs are necessary for
30 attracting and retaining qualified employees. The costs associated with the
31 incentive compensation programs benefit customers through the improvement of

1 operational metrics. Further, my overall conclusion is that the costs and services
2 for the Human Resources and Safety departments are necessary. Additionally,
3 due to TXNM's effective cost management practices, including regular
4 communications with the operating companies and frequent review of budgets, the
5 costs for Human Resources and Safety services are reasonable.

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

7 A. Yes, it does.

Rebecca R. Teague**Education Background and Business Experience**

Rebecca R. Teague is the Vice President of Human Resources for PNMR Services Company. Ms. Teague has been employed in the utility industry since 1988 when she joined Gas Company of New Mexico, a subsidiary of Public Service Company of New Mexico.

Ms. Teague worked in various accounting positions for Gas Company of New Mexico, Public Service Company of New Mexico and PNMR Services Company; including Accountant, Supervisor of Accounting, Manager of General Ledger Closing, Director Corporate Accounting, Director Shared Services, and Assistant Controller Shared Services between 1988 and 2014. Throughout this time she was responsible for integrating business entities into the shared services organization's processes, financial systems and services billing and was responsible for shared services accounting functions, the monthly accounting close process, annual shared services budgeting processes, state and local taxes, implementation of integrated accounting systems, and management of corporate-wide shared service allocations and billings.

In December 2014, Ms. Teague moved into the position of Director of Customer Experience where she was responsible for PNM's call center, meter reading, billing, credit and collections and customer performance teams. In July of 2016 she became the Executive Director of External Affairs and in January 2017 became Vice President of External Affairs where she was responsible for PNM's call center, meter reading, billing, credit and collections and customer performance teams, corporate communications, customer programs and marketing, large account management, and community engagement.

In January 2020, Ms. Teague moved into the position of Vice President of Human Resources where she is responsible for talent acquisition, workforce development, labor and employee relations, compensation, benefits, learning and development, utility operations training, and human resources compliance and policies. She is also responsible for corporate safety including managing the overall company safety program, safety policies and compliance, industrial hygiene, OSHA coordination and field safety consultants.

Ms. Teague holds a bachelor's degree in accounting from the University of New Mexico.

BILL ANALYSIS

Senate Research Center

S.B. 1016
By: King
Business & Commerce
4/28/2023
Enrolled**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

In 2019, the Texas Legislature passed a law, H.B. 1767 (which passed the Senate 30-1), that directed the Railroad Commission of Texas to presume as reasonable when establishing a gas utility's rates the total compensation paid to the gas utility's employees as long as that pay is consistent with recent market compensation studies. The presumption of reasonableness applies only to employees such as front-line workers, support personnel, and back-office support. The presumption of reasonableness does not apply to named executive officers of the gas utility. Importantly, H.B. 1767 does not allow for the recovery of one-time or supplemental bonus payments to employees or executives.

H.B. 1767 was aimed at reducing litigation in gas utility rate cases at the Railroad Commission of Texas over how gas utility employees are paid (that is, what company goals might affect a portion of employee compensation), and not how much they are paid, which is rarely litigated. H.B. 1767 has had the desired effect of reducing litigation at the Railroad Commission over how gas utility employees are paid.

Similar to H.B. 1767, S.B. 1016 is aimed at reducing litigation in electric utility cases at the Public Utility Commission of Texas over how electric utility employees are paid. S.B. 1016 would direct the Public Utility Commission of Texas to presume as reasonable when establishing an electric utility's rates, the total compensation paid to the electric utility's employees as long as that pay is consistent with recent market compensation studies. Total compensation, defined as "employee compensation benefits," includes base salaries, wages, incentive compensation, and benefits. Total compensation does not include pensions, other postemployment benefits, or incentive compensation for officers of an electric utility related to attaining financial metrics or attaining metrics that are adverse to customers, as determined by the Public Utility Commission of Texas.

S.B. 1016 amends current law relating to the consideration of employee compensation and benefits in establishing the rates of electric utilities.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 36, Utilities Code, by adding Section 36.067, as follows:

Sec. 36.067. CONSIDERATION OF COMPENSATION AND BENEFIT EXPENSES.

(a) Provides that "employee compensation and benefits" in this section includes base salaries, wages, incentive compensation, and benefits. Provides that the term does not include:

(1) pension or other postemployment benefits; and

(2) incentive compensation for an officer of an electric utility related to attaining:

(A) financial metrics; or

(B) metrics adverse to customers' interests as determined by the Public Utility Commission of Texas.

(b) Requires the regulatory authority, when establishing an electric utility's rates, to presume that employee compensation and benefits expenses are reasonable and necessary if the expenses are consistent with market compensation studies issued not earlier than three years before the initiation of the proceeding to establish the rates.

SECTION 2. (a) Provides that Section 36.067, Utilities Code, as added by this Act, applies only to a proceeding for the establishment of rates for which the regulatory authority has not issued a final order or decision before the effective date of this Act.

(b) Provides that a proceeding for which the regulatory authority has issued a final order or decision before the effective date of this Act is governed by the law in effect immediately before that date, and that law is continued in effect for that purpose.

SECTION 3. Effective date: upon passage or September 1, 2023.

BILL ANALYSIS

Senate Research Center
88R19724 DIO-D

C.S.S.B. 1016
By: King
Business & Commerce
3/22/2023
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2019, the Texas Legislature passed a law, H.B. 1767 (which passed the Senate 30-1), that directed the Railroad Commission of Texas to presume as reasonable when establishing a gas utility's rates the total compensation paid to the gas utility's employees as long as that pay is consistent with recent market compensation studies. The presumption of reasonableness applies only to employees such as front-line workers, support personnel, and back-office support. The presumption of reasonableness does not apply to named executive officers of the gas utility. Importantly, H.B. 1767 does not allow for the recovery of one-time or supplemental bonus payments to employees or executives.

H.B. 1767 was aimed at reducing litigation in gas utility rate cases at the Railroad Commission of Texas over how gas utility employees are paid (that is, what company goals might affect a portion of employee compensation), and not how much they are paid, which is rarely litigated. H.B. 1767 has had the desired effect of reducing litigation at the Railroad Commission over how gas utility employees are paid.

Similar to H.B. 1767, S.B. 1016 is aimed at reducing litigation in electric utility cases at the Public Utility Commission of Texas over how electric utility employees are paid. S.B. 1016 would direct the Public Utility Commission of Texas to presume as reasonable when establishing an electric utility's rates, the total compensation paid to the electric utility's employees as long as that pay is consistent with recent market compensation studies. Total compensation, defined as "employee compensation benefits," includes base salaries, wages, incentive compensation, and benefits. Total compensation does not include pensions, other postemployment benefits, or incentive compensation for officers of an electric utility related to attaining financial metrics or attaining metrics that are adverse to customers, as determined by the Public Utility Commission of Texas.

C.S.S.B. 1016 amends current law relating to the consideration of employee compensation and benefits in establishing the rates of electric utilities.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 36, Utilities Code, by adding Section 36.067, as follows:

Sec. 36.067. CONSIDERATION OF COMPENSATION AND BENEFIT EXPENSES.

(a) Provides that "employee compensation and benefits" in this section includes base salaries, wages, incentive compensation, and benefits. Provides that the term does not include:

(1) pension or other postemployment benefits; and

(2) incentive compensation for an officer of an electric utility related to attaining:

(A) financial metrics; or

(B) metrics adverse to customers' interests as determined by the Public Utility Commission of Texas.

(b) Requires the regulatory authority, when establishing an electric utility's rates, to presume that employee compensation and benefits expenses are reasonable and necessary if the expenses are consistent with market compensation studies issued not earlier than three years before the initiation of the proceeding to establish the rates.

SECTION 2. (a) Provides that Section 36.067, Utilities Code, as added by this Act, applies only to a proceeding for the establishment of rates for which the regulatory authority has not issued a final order or decision before the effective date of this Act.

(b) Provides that a proceeding for which the regulatory authority has issued a final order or decision before the effective date of this Act is governed by the law in effect immediately before that date, and that law is continued in effect for that purpose.

SECTION 3. Effective date: upon passage or September 1, 2023.

BILL ANALYSIS

S.B. 1016
By: King
State Affairs
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Electric utilities are constantly competing with other industries for qualified employees. Large businesses in many industries offer employee compensation packages that include a base salary and additional incentive pay tied to performance metrics. S.B. 1016 seeks to ensure that electric utilities are able to attract, develop, and retain high-performing employees by establishing a presumption that, for rate-setting purposes, a utility employee's total compensation and benefit expenses are presumed to be reasonable and necessary, provided the expenses are consistent with recent market compensation studies.

CRIMINAL JUSTICE IMPACT

- It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

- It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 1016 amends the Utilities Code to require a regulatory authority, when establishing an electric utility's rates, to presume that employee compensation and benefits expenses are reasonable and necessary if the expenses are consistent with market compensation studies issued not earlier than three years before the initiation of the proceeding to establish the rates. For this purpose, "employee compensation and benefits" includes base salaries, wages, incentive compensation, and benefits, but does not include pension or other postemployment benefits or incentive compensation for an officer of an electric utility related to attaining financial metrics or metrics adverse to customers' interests as determined by the Public Utility Commission of Texas. The bill's provisions apply only to a proceeding for the establishment of rates for which the regulatory authority has not issued a final order or decision before the bill's effective date.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2023.

This information contains highly sensitive protected material and will be made available only after execution of a certification to be bound by the protective order set forth in Section VII of this Rate Filing Package or a protective order issued in this docket.

This information contains highly sensitive protected material and will be made available only after execution of a certification to be bound by the protective order set forth in Section VII of this Rate Filing Package or a protective order issued in this docket.

This information contains highly sensitive protected material and will be made available only after execution of a certification to be bound by the protective order set forth in Section VII of this Rate Filing Package or a protective order issued in this docket.

TXNM ENERGY, INC.
2025 OFFICER ANNUAL INCENTIVE PLAN

Introduction

TXNM Energy, Inc. (the “Company” or “TXNM”) has adopted this 2025 Officer Annual Incentive Plan (the “Plan”) for the purpose of providing annual cash-based incentive awards (each an “Award”) to eligible Officers (as defined below).

Capitalized terms that are used, but not defined, in this Plan document shall have the meanings given to them in the TXNM Energy, Inc. 2023 Performance Equity Plan (the “PEP”), as amended.

Eligibility

All Officers of the Company are eligible to participate in the Plan. For purposes of the Plan, the term “Officer” means any employee who: (1) has the title of Chief Executive Officer, President, Senior Vice President, Vice President or higher; and (2) who is in salary grade H18 or higher.

Award Determinations in General

Awards are based on: (1) the Incentive Earnings Per Share (“Incentive EPS”) levels (as described below and as set forth in Table 1 of Attachment A) for the Performance Period; (2) the weighting between Corporate and Business Area Goals (as set forth in Table 2 of Attachment A); and (3) Award levels (as set forth in Table 3 of Attachment A) achieved during the Performance Period. For purposes of the Plan, the “Performance Period” means the period beginning on January 1, 2025 and ending on December 31, 2025.

An Officer’s Award will equal the Officer’s share of the Incentive EPS Award Pool as described below. If, however, the Officer’s share of the appropriate Performance Award Pool as described below is less than the Officer’s share of the Incentive EPS Award Pool, the Officer will receive the smaller amount.

An Officer’s share of the Incentive EPS Award Pool or the Performance Award Pool (each, an “Award Pool”), as applicable, will be based upon the amount potentially payable to the Officer for the attained level of performance (Threshold, Target or Maximum, as determined in accordance with Table 3 of Attachment A), as compared to the aggregate amounts potentially payable for the attained level of performance to all of the Officers who are entitled to share in that Award Pool. In determining the amount potentially payable to an Officer, the Officer’s base salary will be determined as of December 31, 2025. In no event will the amount payable to an Officer exceed the indicated percentage of the Officer’s base salary for the attained performance level set forth in Table 3 of Attachment A. In addition, in no event will the amount payable to one Officer be increased due to a decrease in the amount payable to any other Officer.

Incentive EPS Award Pool

In order for any Awards to be payable to eligible Officers, the Company must achieve the Threshold Incentive EPS level set forth in Table 1 of Attachment A. If the Company does not achieve the Threshold Incentive EPS level (calculated before any charges for amounts due pursuant to this Plan), no Awards are payable under the Plan to any Officer. If the Company achieves the Threshold Incentive EPS level (calculated before any charges for amounts due pursuant to this Plan), but the charges for amounts due pursuant to this Plan reduce the Incentive EPS to an amount below the Threshold Incentive EPS level, the Threshold level Incentive EPS Award Pool shall be reduced by the amount necessary to assure that the Incentive EPS is equal to the Threshold Incentive EPS level, unless the Committee, in the exercise of its discretion concludes that no Awards should be payable.

If the Threshold, Target or Maximum Incentive EPS levels set forth in Table 1 of Attachment A are achieved, the aggregate potential Awards payable to the Officers at that level of performance (*e.g.*, the aggregate level of Awards payable at Threshold, Target or Maximum set forth in Table 3 of Attachment A) will make up the “Incentive EPS Award Pool.” If the actual Incentive EPS exceeds the minimum level for a performance level by at least \$0.01, but is less than the maximum level for that performance level (*e.g.*, if the actual Incentive EPS exceeds \$2.65 but is less than \$2.70), the Incentive EPS Award Pool will be increased by using straight-line interpolation between the size of the Incentive EPS Award Pool based on the attained level (*e.g.*, Threshold) and the size of the Incentive EPS Award Pool at the next higher level (*e.g.*, Target). The Committee has the discretion to increase the Incentive EPS Award Pool by a lesser amount than would otherwise apply under straight-line interpolation. The Incentive EPS Award Pool is capped by the aggregate Maximum Awards set forth in Table 3 of Attachment A for all eligible Officers.

Performance Award Pool

A Corporate Goals Scorecard and an Officer Business Area Goals Scorecard listing each performance measure established by the Committee will be maintained by the PNMR Services Company Human Resources Department. As set forth in Table 2 of Attachment A, the performance of the Chief Executive Officer and the Senior Officers (*i.e.*, Officers with the title of Senior Vice President or higher) are measured 100% on the Corporate Goals Scorecard. Vice Presidents are measured 60% on the Corporate Goals Scorecard and 40% on the Officer Business Area Goals Scorecard.

The “Performance Award Pool” for each Business Area is the amount that could be paid in the aggregate to the Vice Presidents assigned to that Business Area based on performance alone, determined by using the following multi-step process:

- a) Select the scorecard results from the appropriate Corporate Goals Scorecard and Officer Business Area Goals Scorecard;
- b) Then multiply each result by the appropriate weighting for the scorecard as set forth in Table 2 of Attachment A;
- c) Then multiply the total Vice President salaries for that Business Area by the Target Award Level as set forth in Table 3 of Attachment A;

- d) Then multiply the result of each scorecard (Step b), expressed as a percentage of Target, by the aggregate base salaries of the Vice Presidents included in that Business Area (Step c); and
- e) Sum the results for the Vice President participants.

The Performance Award Pool for the Chief Executive Officer and the Senior Officers will be constructed by using the same process but will be based solely upon the Corporate Goals Scorecard.

Award Approval and Payout Timing

In early 2026, management will review the level of Awards, if any, and will provide the final Awards calculation to the Committee. The Committee will review the level of Awards and the Awards calculation and will approve the Awards for all Officers, other than the Chief Executive Officer. The independent directors of the Board will approve the Chief Executive Officer's Award. To the extent Awards are payable under the Plan, the Company will make the payment on or before March 15, 2026 in a single lump sum cash payment, subject to applicable withholding.

The Committee shall retain the authority to adjust the Incentive EPS Award Pool and the Performance Award Pool, to adjust the level of attainment of the Incentive EPS or Corporate Goals and Officer Business Area Goals Scorecards or to otherwise increase or decrease the amount payable with respect to any Award made pursuant to this Plan.

Pro-rata Awards for Partial Service Periods

In certain circumstances (as set forth below and in the above "Award Approval and Payout Timing" section) Officers may or may not be eligible for a pro-rata Award under the Plan.

The following Officers are **not eligible** for any Award, including a pro-rata Award:

- Officers who terminate employment with the Company or an Affiliate on or before the date on which Awards are distributed for the Performance Period for any reason other than death, Impaction, Retirement, or Disability. Officers who terminate employment with the Company or an Affiliate during the Performance Period due to a Qualifying Change in Control Termination may be entitled to receive a special payment pursuant to the TXNM Energy, Inc. Officer Retention Plan in lieu of any payments under this Plan.
- Officers who elect voluntary separation or Retirement in lieu of termination for performance or misconduct.

The following Officers may be eligible for a pro-rata Award:

- Officers who are newly hired during the Performance Period and are employed by the Company or an Affiliate on the day on which Awards are distributed for the Performance Period.
- Employees or Officers who are promoted, transferred or demoted during the Performance Period and are employed by the Company or an Affiliate on the day on which Awards are distributed for the Performance Period. An employee or Officer who is promoted, transferred

or demoted during the Performance Period and subsequently terminates employment due to death, Impaction, Retirement or Disability during the Performance Period will remain eligible for a pro-rata Award.

- Officers who are on leave of absence for any full month(s) during the Performance Period and are employed by the Company or an Affiliate on the day on which Awards are distributed for the Performance Period.
- Officers who terminate employment with the Company or an Affiliate during the Performance Period due to Impaction, Retirement or Disability.
- Officers who die during the Performance Period, in which case the Award will be paid to the spouse of a married Officer or the estate of an unmarried Officer.

If an Officer is eligible for a pro-rata Award under this section, it will be calculated based on the number of days that the Officer was actively employed at each eligibility level during the Performance Period compared to the number of days included in the Performance Period. If an Officer who is eligible for a pro-rata Award is not employed on December 31, 2025, the pro-rata Award for the eligible Officer will be calculated using the Officer's base salary on the date of his termination of employment. Any pro-rata Award to which an Officer becomes eligible pursuant to this paragraph will be paid to the Officer in accordance with the "Award Approval and Payout Timing" section above.

Provisions for a Change in Control

If a Change in Control occurs during the Performance Period and the Officer remains employed by the Company or an Affiliate at the end of the Performance Period, the Officer may be entitled to receive an Award for the Performance Period as determined in accordance with the provisions of this Plan.

If the Plan is modified after the occurrence of a Change in Control in a manner that has the effect of reducing the amounts otherwise payable under the Plan, an Officer who remains employed by the Company or an Affiliate at the end of the Performance Period will receive, at a minimum, an Award equal to the Target Award available under this Plan for the Performance Period.

If an Officer terminates employment with the Company or an Affiliate during the Performance Period due to a Qualifying Change in Control Termination, the Officer may be entitled to receive a special payment pursuant to the TXNM Energy, Inc. Officer Retention Plan in lieu of any payments under this Plan.

Ethics

The purpose of the Plan is to fairly reward performance achievement. Any Officer who manipulates or attempts to manipulate the Plan for personal gain at the expense of customers, shareholders, other employees or the Company or its Affiliates will be subject to disciplinary action, up to and including termination of employment, and will forfeit and be ineligible to receive any Award under the Plan.

Continuation of Employment

This Plan does not confer upon any Officer any right to continue in the employment of the Company or any Affiliate and does not limit the right of the Company or any Affiliate, in its sole discretion, to terminate the employment of any Officer at any time. This Plan also does not limit any right that the Company or any Affiliate has to terminate the employment of any Officer in accordance with any written employment agreement the Company and Officer may have.

Clawbacks

All Awards issued under this Plan are subject to potential forfeiture or recovery to the fullest extent called for by the Company's Clawback Policy. By accepting an Award, an Officer consents to the Clawback Policy and agrees to be bound by and comply with the Clawback Policy and to return the full amount required by the Clawback Policy.

Amendments

The Committee, in its sole discretion, reserves the right to adjust, amend or suspend the Plan during the Performance Period. The Company's General Counsel is hereby authorized to correct any typographical or similar errors in the Plan and any other documents issued in connection with the Plan.



Brian G. Iverson
General Counsel, Senior Vice President Regulatory
and Public Policy, and Corporate Secretary

Dated: April 17, 2025

ATTACHMENT A**Incentive EPS Table
(Table 1)**

	Incentive EPS¹
No Award	Less than \$2.74
Threshold	Greater than or equal to \$2.74 and less than \$2.79
Target	Greater than or equal to \$2.79 and less than \$2.86
Maximum	Greater than or equal to \$2.86

**Scorecard Weighting Table
(Table 2)**

Scorecard Results		
Scorecard Level	Corporate Weighting	Officer Business Area Scorecard Weighting
CEO & Senior Officers	100%	0%
Vice Presidents	60%	40%

¹ Equals TXNM's diluted EPS for the fiscal years ending December 31, 2025 calculated in accordance with Generally Accepted Accounting Principles and reported in the Company's Form 10-K for TXNM adjusted to exclude the following items. (1) mark-to-market impact of economic hedges, (2) regulatory disallowances, (3) net change in unrealized gains and losses on investment securities, (4) gains or losses on reacquired debt, (5) goodwill or other asset impairments, (6) impacts of acquisition and disposition activities, including but not limited to pension expense or income associated with Public Service Company of New Mexico's ("PNM") former gas utility operations, (7) impact of the Company's adoption of an accounting pronouncement or the Company's adoption of a change in accounting pronouncement on or after February 25, 2025, (8) the loss, impairment, or write-up of any deferred tax asset or liability that was earned and recognized in a prior tax year, but that must be revalued in the current year, (9) judgments entered or settlements reached in litigation or other regulatory proceedings, (10) increases or decreases in the liabilities associated with PNM's retired generating stations, including but not limited to expenses incurred in demolition or environmental work of such generating stations, (11) costs associated with process improvement initiatives, (12) expected credit loss allowances or reversals, (13) impact of extraordinary and non-recurring events, and (14) changes to the liabilities associated with mine reclamation costs including but not limited to: (a) changes in the discount rate used to measure those liabilities, (b) an early retirement of generating stations, or (c) actions taken by the New Mexico Public Regulation Commission

**Award Levels Table
(Table 3)**

Award Levels	Threshold	Target	Maximum
CEO	57.5%	115%	230%
President and COO	45%	90%	180%
General Counsel, SVP Regulatory and Public Policy	35%	70%	140%
SVP and CFO; SVP, Corporate Services	32.5%	65%	130%
VP, NM Operations; VP, Human Resources; VP and CIO; and VP, TNMP	25%	50%	100%
All other VPs	22.5%	45%	90%

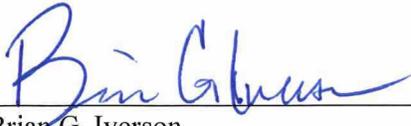
**FIRST AMENDMENT
TO THE
TXNM ENERGY, INC.
2025 OFFICER ANNUAL INCENTIVE PLAN**

TXNM Energy, Inc. (the “Company”) previously adopted the TXNM Energy, Inc. 2025 Officer Annual Incentive Plan (the “Plan”). By this instrument, the Company desires to amend the Plan as set forth below.

1. This First Amendment shall be effective as of April 14, 2025.
2. Table 3 (Award Levels Table) of Attachment A to the Plan is hereby amended and restated to read as attached as Exhibit 1 hereto.
3. This First Amendment amends only the provisions of the Plan as noted above, and those provisions not expressly amended shall be considered in full force and effect. Notwithstanding the foregoing, this First Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions and intent of this First Amendment.

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed by its duly authorized representative on this 29th day of July, 2025.

TXNM ENERGY, INC.

By: 

Brian G. Iverson
General Counsel, Senior Vice President Regulatory
and Public Policy, and Corporate Secretary

Exhibit 1**Award Levels Table
(Table 3)**

Award Levels	Threshold	Target	Maximum
Chief Executive Officer; Executive Chair	57.5%	115%	230%
President and COO ¹	45%	90%	180%
General Counsel, SVP Regulatory and Public Policy	35%	70%	140%
All other SVPs	32.5%	65%	130%
VP, NM Operations; VP, Human Resources; VP and CIO; and VP, TNMP	25%	50%	100%
All other VPs	22.5%	45%	90%

¹ For January 1, 2025 to June 30, 2025, prior to promotion to CEO and President.

This information contains highly sensitive protected material and will be made available only after execution of a certification to be bound by the protective order set forth in Section VII of this Rate Filing Package or a protective order issued in this docket.

TXNM ENERGY, INC. 2025 LONG-TERM INCENTIVE PLAN

Introduction

- The 2025 Long-Term Incentive Plan (the “Plan” or the “2025 Plan”) provides eligible Officers of TXNM Energy, Inc. (the “Company” or “TXNM”) with the opportunity to earn Performance Share Awards (70% of the total opportunity) and time-vested Restricted Stock Rights Awards (30% of the total opportunity). For purposes of the Plan, “Officer” means any Officer of the Company who: (1) has the title of Chief Executive Officer, President, Senior Vice President, Vice President or higher; and (2) who is in salary grade H18 or higher.
- The number of Performance Shares earned by an Officer for the Performance Period (as described below) will depend on the Officer’s position (*e.g.*, Chief Executive Officer, President, Senior Vice President or Vice President), the Officer’s base salary and the Company’s level of attainment of (1) an Earnings Growth Goal, (2) a Relative TSR Goal and (3) a FFO/Debt Ratio Goal, as described below and in Attachment A.
- The number of time-vested Restricted Stock Rights granted to an Officer for the Performance Period will depend on the Officer’s position, the Officer’s base salary and the discretion of the Committee.

Performance Period

- The Performance Period began on January 1, 2025 and will end on December 31, 2027.

Performance Goals

- The number of Performance Shares that an Officer will receive for the Performance Period will depend on the Company’s level of attainment of an Earnings Growth Goal, a Relative TSR Goal and a FFO/Debt Ratio Goal.
- These goals and the corresponding Awards are described in the Performance Goal Table (Attachment A).

Performance Share Award Opportunities

- The Company’s level of attainment (Threshold, Target or Maximum) of the Earnings Growth Goal, Relative TSR Goal and the FFO/Debt Ratio Goal determines the level of the Officer’s Performance Share Awards.
- An Officer’s Performance Share Award opportunities also will vary depending on the Officer’s position and the Officer’s base salary, all as determined in accordance with the Performance Share Award Opportunity Table (Attachment B).
- For purposes of determining the number of Performance Shares to which an Officer is entitled at any particular Award level, the value of one Performance Share shall be equal to the Fair Market Value of one share of the Company’s Stock on the relevant Grant Date and the Officer’s base salary shall equal the Officer’s base salary as of the first day of the Performance Period.

Time-Vested Restricted Stock Rights Award Opportunities

- The Board approved the grant of time-vested Restricted Stock Rights Awards to Officers on the Grant Date, as defined below.
- An Officer's time-vested Restricted Stock Rights Award will vary depending on the Officer's position and the Officer's base salary, all as determined in accordance with the attached Time-Vested Restricted Stock Rights Award Opportunity Table (Attachment C).
- For purposes of determining the number of time-vested Restricted Stock Rights an Officer is granted, the value of one time-vested Restricted Stock Right shall be equal to the Fair Market Value of one share of the Company's Stock on the Grant Date and the Officer's base salary shall equal the Officer's base salary on the Grant Date.
- As a condition to receiving a time-vested Restricted Stock Rights Award (if any) under this 2025 Plan, a participating Officer acknowledges and agrees that the Officer is not entitled to receive a time-vested Restricted Stock Rights Award pursuant to the Company's 2022 Long-Term Incentive Plan (the "2022 Plan").

Other Provisions

- All of the Awards will be made pursuant to the TXNM Energy, Inc. 2023 Performance Equity Plan, as amended (the "PEP") or any successor to the PEP. Any references in the Plan to the PEP shall be deemed to be a reference to the corresponding provisions of any successor to the PEP.
- All of the Awards will be subject to the standard Terms and Conditions attached hereto as Attachment D.
- The Grant Date for the Performance Share Awards and the time-vested Restricted Stock Rights Awards is February 26, 2025.
- A full Performance Share Award will be provided to an Officer upon an Officer's Separation from Service at any time during the Performance Period due to a Qualifying Change in Control Termination. In addition, a prorated Performance Share Award will be provided to an Officer who has a Separation from Service in the second half of the Performance Period (in other words, between July 1, 2026 and December 31, 2027) due to death, Disability, Retirement or Impaction. A prorated Performance Share Award will not be paid to an Officer who incurs a Separation from Service for any of these reasons during the first half of the Performance Period or to an Officer who incurs a Separation from Service for any other reason other than a Qualifying Change in Control Termination prior to the last day of the Performance Period.
- The prorated Performance Share Award will be calculated at the end of the Performance Period based on actual performance during the Performance Period. The proration will be made based on the number of full months of service completed by the Officer during the Performance Period, using the proration rules described in Section 10.1(a)(iv)(2) of the PEP. The prorated Performance Share Award then will be paid at the same time as Awards are paid to other participants in the Plan.
- Upon an Officer's Separation from Service at any time during the Performance Period due to a Qualifying Change in Control Termination, all Performance Shares will vest at the end of the Performance Period, or such earlier time as determined under the terms of the PEP,

based on the level of achievement of the performance goals in accordance with the applicable provisions of the PEP.

- If an individual ceases to be an Officer during a Performance Period but remains employed by the Company or its Affiliates, the Committee may pay a prorated Performance Share Award to the former Officer on such terms and conditions as the Committee deems to be appropriate as long as the individual was an Officer for at least half of the Performance Period. If an individual ceases to be an Officer during the Performance Period and subsequently terminates employment due to death, Disability, Retirement or Impaction, the Committee may pay a prorated Performance Share Award to the former Officer, provided the individual was an Officer for at least half of the Performance Period.
- If an individual becomes an Officer or is promoted to a new Officer position during the Performance Period, the Committee and/or Board may grant a prorated Performance Share Award to the new Officer on such terms and conditions as the Committee deems to be appropriate. Unless otherwise approved by the Committee and/or Board, if an Officer is promoted during the Performance Period and becomes eligible for the Plan at a higher level, the increase will take effect on the first day of the month following the promotion. For example, if a VP is promoted to SVP level on July 15, 2026, the individual will receive performance shares for 19 months at the VP level (January 1, 2025-July 31, 2026) and for 17 months at the SVP level (August 1, 2025-December 31, 2027).
- All Awards issued under this Plan are subject to potential forfeiture or recovery to the fullest extent called for by the Company's Clawback Policy. By accepting an Award, an Officer consents to the Clawback Policy and agrees to be bound by and comply with the Clawback Policy and to return the full amount required by the Clawback Policy. To satisfy any recoupment obligation arising under the Clawback Policy or otherwise under applicable laws, rules, or stock exchange listing standards, among other things, the Officer expressly and explicitly authorizes the Company to issue instructions, on the Officer's behalf, to any brokerage firm or service provider engaged by the Company to hold any shares of Stock or other amounts required pursuant to the Award to re-convey, transfer or otherwise return such shares of Stock and/or other amounts to the Company upon the Company's enforcement of the Clawback Policy.



Brian G. Iverson
General Counsel, Senior Vice President Regulatory
and Public Policy

Dated: April 17, 2025

ATTACHMENT A
Performance Goal Table

Goal	Threshold Level¹	Target Level¹	Maximum Level^{1,2}
<p>Earnings Growth³</p> <p>If the Company's Earnings Growth on the last day of the Performance Period places it in the Threshold, Target or Maximum Level range for the Performance Period, the Officer will be entitled to receive 40% of the Threshold, Target or Maximum Award as determined in accordance with the Performance Share Award Opportunity Table.</p>	At least 4% but less than 8%	At least 8%, but less than 12%	At least 12%
<p>Relative TSR⁴</p> <p>If the Company's Relative TSR for the Performance Period places it in the Threshold, Target or Maximum Level range shown to the right, the Officer will be entitled to receive 40% of the Threshold, Target or Maximum Award as determined in accordance with the Performance Share Award Opportunity Table.</p>	Greater than or equal to the 35 th percentile and less than the 50 th percentile	Greater than or equal to the 50 th percentile and less than the 90 th percentile	Greater than or equal to the 90 th percentile
<p>FFO/Debt Ratio⁵</p> <p>If the Company's FFO/Debt Ratio on the last day of the Performance Period places it in the Threshold, Target or Maximum Level range for the Performance Period, the Officer will be entitled to receive 20% of the Threshold, Target or Maximum Award as determined in accordance with the Performance Share Award Opportunity Table.</p>	At least 13% but less than 14%	At least 14%, but less than 16%	At least 16%

¹ If the Company's Earnings Growth, Relative TSR or FFO/Debt Ratio falls between two Award levels (e.g., the Threshold Level and the Target Level shown in the Performance Goal Table), the number of Performance Shares to which an Officer is entitled will be interpolated between the two Award levels in accordance with uniform procedures prescribed by the Committee

² In no event will an Officer receive more than the Maximum Award for an Officer of his or her level as listed in the Performance Share Award Opportunity Table

³ Earnings Growth, for the Performance Period, will be calculated by measuring the compounded annual growth rate by dividing the Earnings Per Share (as defined below) for the year ended December 31, 2027 by the Midpoint Earnings

Per Share of \$2.79 included in 2025 earnings guidance dated February 21, 2025. The resulting earnings growth multiple will then be multiplied to the 1/3 power and subtract 1. The calculation would be as follows. $[(2027 \text{ Earnings Per Share}/\$2.79)^{(1/3)} - 1]$

Earnings Per Share for the above calculation equals TXNM's diluted EPS for the fiscal year ending December 31, 2027 calculated in accordance with Generally Accepted Accounting Principles and reported in the Company's Form 10-K for TXNM adjusted to exclude the following items: (1) mark-to-market impact of economic hedges, (2) regulatory disallowances, (3) net change in unrealized gains and losses on investment securities, (4) gains or losses on reacquired debt, (5) goodwill or other asset impairments, (6) impacts of acquisition and disposition activities, including but not limited to pension expense or income associated with Public Service Company of New Mexico's ("PNM") former gas utility operations, (7) impact of the Company's adoption of an accounting pronouncement or the Company's adoption of a change in accounting pronouncement on or after February 25, 2025, (8) the loss, impairment, or write-up of any deferred tax asset or liability that was earned and recognized in a prior tax year, but that must be revalued in the current year, (9) judgments entered or settlements reached in litigation or other regulatory proceedings, (10) increases or decreases in the liabilities associated with PNM's retired generating stations, including but not limited to expenses incurred in demolition or environmental work of such generating stations, (11) costs associated with process improvement initiatives, (12) expected credit loss allowances or reversals, (13) impact of extraordinary or non-recurring events, and (14) changes to the liabilities associated with mine reclamation costs including but not limited to: (a) changes in the discount rate used to measure those liabilities, (b) an early retirement of generating stations, or (c) actions taken by the New Mexico Public Regulation Commission

⁴ The "Relative TSR" Goal refers to the Company's "Total Shareholder Return" for the Performance Period as compared to the "Total Shareholder Return" of the other utilities included in the EEI Index

For this purpose, the Total Shareholder Return of the Company and the other utilities included in the Index will be determined by adding any dividends paid by the Company (or such other utilities) to the change in value of the Company's Stock (or the other utilities' common stock). The change in value shall be measured by comparing the "Beginning Stock Price" and "Ending Stock Price." The "Beginning Stock Price" is the average closing price of the Company's Stock (or the common stock of the other utilities) on the 20 trading days immediately preceding the first day of the Performance Period. The "Ending Stock Price" is the average closing price of the Company's Stock (or the common stock of the other utilities) on the last 20 trading days of the Performance Period.

⁵ The FFO/Debt Goal equals TXNM's funds from operations for the fiscal year ending December 31, 2027 divided by TXNM's total debt outstanding (including any long-term leases other than battery storage agreements and unfunded pension plan obligations, excluding any outstanding debt associated with securitization and the applicable credit for hybrid or equity-linked securities) as of December 31, 2027. Funds from operations are equal to the amount of TXNM's net cash flow from operating activities (as reflected on the Consolidated Statement of Cash Flows) as reported in the Company's Form 10-K for TXNM adjusted by the following items: (1) including amounts attributable to principal payments on imputed debt from long-term leases other than battery storage agreements, (2) excluding changes in TXNM's working capital, (3) excluding impacts on material changes to the federal and state tax rate, (4) excluding any contributions to the PNMR or TNMP qualified pension plans, (5) excluding cash invested in cloud computing projects that are treated as operating cash flows, (6) excluding impacts of securitization and the applicable credit for hybrid or equity-linked securities, (7) impact of extraordinary or non-recurring events, and (8) impacts of acquisition activities. Notwithstanding the above adjustments, the calculation is intended to be consistent with Moody's calculation of FFO/Debt (which Moody's refers to as "CFO Pre-WC/Debt") and includes any other adjustments be consistent with Moody's methodology as updated from time to time

ATTACHMENT B
Performance Share Award Opportunity Table

Officer Level	Threshold Award	Target Award	Maximum Award
CEO	Performance Shares = 113.75% of base salary	Performance Shares = 227.5% of base salary	Performance Shares = 455% of base salary
President and COO	Performance Shares = 78.75% of base salary	Performance Shares = 157.5% of base salary	Performance Shares = 315% of base salary
General Counsel, Senior Vice President Regulatory and Public Policy	Performance Shares = 47.25% of base salary	Performance Shares = 94.5% of base salary	Performance Shares = 189% of base salary
SVP and CFO	Performance Shares = 29.75% of base salary	Performance Shares = 59.5% of base salary	Performance Shares = 119% of base salary
SVP, Corporate Services	Performance Shares = 28% of base salary	Performance Shares = 56% of base salary	Performance Shares = 112% of base salary
VP, NM Operations; VP, Human Resources; VP and CIO; and VP, TNMP	Performance Shares = 26.25% of base salary	Performance Shares = 52.5% of base salary	Performance Shares = 105% of base salary
All other VPs	Performance Shares = 22.75% of base salary	Performance Shares = 45.5% of base salary	Performance Shares = 91% of base salary

ATTACHMENT C**Time-Vested Restricted Stock Rights Award Opportunity Table**

Officer Level	Award
CEO	Restricted Stock Rights = 97.5% of base salary
President and COO	Restricted Stock Rights = 67.5% of base salary
General Counsel, Senior Vice President Regulatory and Public Policy	Restricted Stock Rights = 40.5% of base salary
SVP and CFO	Restricted Stock Rights = 25.5% of base salary
SVP, Corporate Services	Restricted Stock Rights = 24% of base salary
VP, NM Operations; VP, Human Resources; VP and CIO; and VP, TNMP	Restricted Stock Rights = 22.5% of base salary
All other VPs	Restricted Stock Rights = 19.5% of base salary

ATTACHMENT D
2025 LONG-TERM INCENTIVE PLAN
TERMS AND CONDITIONS

TXNM Energy, Inc. (the “Company” or “TXNM”) has adopted the TXNM Energy, Inc. 2023 Performance Equity Plan, as amended (the “PEP”) or any successor to the PEP. Pursuant to the PEP, the Committee has developed the TXNM Energy, Inc. 2025 Long-Term Incentive Plan (the “Plan” or the “2025 Plan”) pursuant to which eligible Officers may receive Performance Share Awards and time-vested Restricted Stock Rights Awards.

All of the Awards granted under the 2025 Plan are made pursuant to the PEP and are subject to the provisions of the PEP. In addition, all of the Awards under the 2025 Plan are made subject to these Terms and Conditions. All of the terms of the PEP are incorporated into this document by reference.

Capitalized terms used in but not otherwise defined in this document shall have the meanings given to them in the PEP. Any references in the Plan to the PEP shall be deemed to be a reference to the corresponding provisions of any successor to the PEP.

1. **Performance Share Awards.**

(a) **Determination of Earnings Growth Goal, Relative TSR Goal and FFO/Debt Ratio Goal.** The Committee will determine the Earnings Growth, Relative TSR and the FFO/Debt Ratio for the Performance Period and the Officer’s corresponding Performance Share Award, if any, by March 6, 2028. The Committee then will submit its recommendations to the Board of Directors for review and approval. The Performance Shares to which an Officer is entitled shall become payable at the times described below.

(b) **Separation from Service; Forfeiture.** Unless an Officer qualifies for a full or prorated Award as described in the Plan due to a Qualifying Change in Control Termination or a Separation from Service during the second half of the Performance Period due to death, Disability, Retirement, or Impaction, or as otherwise described in the Plan, the Officer’s Award will be forfeited upon the Officer’s Separation from Service prior to the end of the Performance Period. If the Company terminates an Officer’s employment for Cause during or following the expiration of the Performance Period, all vested and unvested Performance Shares shall be canceled and forfeited immediately, regardless of whether the Officer elects Retirement.

(c) **Form and Timing of Delivery of Stock.** All of the Performance Shares awarded and vested pursuant to the Plan will be paid in Stock on or before March 15 of the calendar year following the calendar year in which the Performance Period ends (in other words, by March 15, 2028). The Performance Shares granted under this Plan are intended to fit within the short-term deferral exception to Section 409A of the Code. If the Company determines that the Performance Shares do not qualify for the short-term deferral exception to Section 409A, the restrictions described in Section 17.3 of the PEP will apply to the Performance Shares.

2. **Time-Vested Restricted Stock Rights Awards.**

(a) **Vesting.**

(1) Except as set forth below, the time-vested Restricted Stock Rights shall vest in the following manner: (i) 33% of the time-vested Restricted Stock Rights will vest on March 7, 2026; (ii) an additional 34% of the time-vested Restricted Stock Rights will vest on March 7, 2027; and (iii) the final 33% of the time-vested Restricted Stock Rights will vest on March 7, 2028 (each a “Vesting Date”).

(2) Upon an Officer’s involuntary or voluntary Separation from Service for any reason other than those set forth in Section 2(a)(3), the time-vested Restricted Stock Rights, if not previously vested, shall be canceled and forfeited immediately.

(3) Upon an Officer’s Separation from Service due to death, Disability, Retirement, Impaction or a Qualifying Change in Control Termination, any unvested time-vested Restricted Stock Rights shall become 100% vested in accordance with the applicable provisions of the PEP.

(b) **Form and Timing of Delivery of Certificate.** All of the time-vested Restricted Stock Rights awarded pursuant to this Plan will be paid in Stock in accordance with the following provisions:

(1) If any time-vested Restricted Stock Rights vest in accordance with Section 2(a)(1), the Officer will generally receive the Stock payable with respect to such vested time-vested Restricted Stock Rights within 90 days following each Vesting Date and in all cases by December 31 following the applicable Vesting Date.

(2) If any time-vested Restricted Stock Rights vest in accordance with Section 2(a)(3), the Officer will receive the Stock payable with respect to such time-vested Restricted Stock Rights within 90 days following the date of the Officer’s Separation from Service, subject to the provisions of Section 17.3 of the PEP.

(3) If the 90-day period during which payments may be made pursuant to Section 2(a)(1) or (3) begins in one calendar year and ends in another, the Officer will receive the Stock in the second calendar year.

(4) All Stock will be awarded in accordance with the requirements of Section 409A of the Code and Section 17.3 of the PEP.

3. **Adjustments.** Neither the existence of the Plan nor the Awards shall affect, in any way, the right or power of the Company to make or authorize: any or all adjustments, recapitalizations, reorganizations, or other changes in the Company’s capital structure or its business; or any merger or consolidation of the Company; or any corporate act or proceeding, whether of a similar character or otherwise; all of which, and the resulting adjustments in, or impact on, the Awards are more fully described in Section 4.3 of the PEP.

4. **Dividend Equivalents.** An Officer will not be entitled to receive a dividend equivalent for any of the Performance Shares or time-vested Restricted Stock Rights granted under the Plan.

5. **Withholding.** The Company shall have the power to withhold, or require an Officer to remit to the Company, up to the maximum amount necessary to satisfy federal, state, and local tax withholding requirements in the applicable jurisdiction on any Award under the Plan, all in accordance with the provisions of the PEP.

6. **Securities Law Compliance.** The delivery of the time-vested Restricted Stock Rights or earned Performance Shares may be delayed to the extent necessary to comply with Federal securities laws.

7. **Status of Plan and Administration.** The Plan and these Terms and Conditions shall at all times be subject to the terms and conditions of the PEP and shall in all respects be administered by the Committee in accordance with the terms of and as provided in the PEP. The Committee shall have the sole and complete discretion with respect to the interpretation of the Plan, these Terms and Conditions and the PEP, and all matters reserved to it by the PEP. The decisions of the majority of the Committee shall be final and binding upon an Officer and the Company. In the event of any conflict between the terms and conditions of the Plan or these Terms and Conditions and the PEP, the provisions of the PEP shall control.

8. **Waiver and Modification.** The provisions of the Plan and these Terms and Conditions may not be waived or modified unless such waiver or modification is in writing signed by an authorized representative of the Committee.

9. **Amendment or Suspension.** The Committee, in its sole discretion, reserves the right to adjust, amend or suspend the Plan and these Terms and Conditions during the Performance Period except as otherwise provided in the PEP. The President and Chief Operating Officer or the Company's General Counsel is hereby authorized to correct any typographical or similar errors in the Plan, the Terms and Conditions and any other documents issued in connection with the Plan.

10. **Ethics.** The purpose of the Plan is to fairly reward performance achievement. Any Officer who manipulates or attempts to manipulate the Plan for personal gain at the expense of customers, shareholders, other employees, or the Company or its Affiliates will be subject to disciplinary action, up to and including termination of employment, and will forfeit and be ineligible to receive any Award under the Plan.

**FIRST AMENDMENT
TO THE
TXNM ENERGY, INC.
2025 LONG-TERM INCENTIVE PLAN**

TXNM Energy, Inc. (the “Company”) previously adopted the TXNM Energy, Inc. 2025 Long-Term Incentive Plan (the “Plan”) pursuant to the TXNM Energy, Inc. 2023 Performance Equity Plan (the “PEP”). By this instrument, the Company desires to amend the Plan as set forth below.

1. This First Amendment shall be effective as of April 14, 2025.
2. Attachment B to the Plan is hereby amended and restated to read as attached as Exhibit 1 hereto.
3. This First Amendment amends only the provisions of the Plan as noted above, and those provisions not expressly amended shall be considered in full force and effect. Notwithstanding the foregoing, this First Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions and intent of this First Amendment.

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed by its duly authorized representative on this 29th day of July, 2025.

TXNM ENERGY, INC.

By: 
Brian G. Iverson
General Counsel, Senior Vice President Regulatory
and Public Policy, and Corporate Secretary

Exhibit 1ATTACHMENT B
Performance Share Award Opportunity Table

Officer Level	Threshold Award	Target Award	Maximum Award
Executive Chair ¹	Performance Shares = 75.25% of base salary	Performance Shares = 150.5% of base salary	Performance Shares = 301% of base salary
CEO	Performance Shares = 113.75% of base salary	Performance Shares = 227.5% of base salary	Performance Shares = 455% of base salary
President and COO ²	Performance Shares = 78.75% of base salary	Performance Shares = 157.5% of base salary	Performance Shares = 315% of base salary
General Counsel, Senior Vice President Regulatory and Public Policy	Performance Shares = 47.25% of base salary	Performance Shares = 94.5% of base salary	Performance Shares = 189% of base salary
SVP and CFO; SVP, Finance	Performance Shares = 29.75% of base salary	Performance Shares = 59.5% of base salary	Performance Shares = 119% of base salary
SVP, Corporate Services	Performance Shares = 28% of base salary	Performance Shares = 56% of base salary	Performance Shares = 112% of base salary
VP, NM Operations; VP, Human Resources; VP and CIO; and VP, TNMP	Performance Shares = 26.25% of base salary	Performance Shares = 52.5% of base salary	Performance Shares = 105% of base salary
All other VPs	Performance Shares = 22.75% of base salary	Performance Shares = 45.5% of base salary	Performance Shares = 91% of base salary

¹ Pro-rated to reflect change in role effective July 1, 2025.

² For January 1, 2025 to June 30, 2025, prior to promotion to CEO and President.

This information contains highly sensitive protected material and will be made available only after execution of a certification to be bound by the protective order set forth in Section VII of this Rate Filing Package or a protective order issued in this docket.

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

WORKPAPERS FOR
THE DIRECT TESTIMONY OF
REBECCA TEAGUE

TNMP Witness Rebecca Teague has no supporting workpapers for her direct testimony.