

PUC DOCKET NO. 58964

BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

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

**PREPARED DIRECT TESTIMONY AND EXHIBITS
OF
JAMES NEAL WALKER**

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

NOVEMBER 14, 2025

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1 **I. INTRODUCTION AND QUALIFICATIONS**

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

4 A. My name is James Neal Walker. I am the President of Texas-New Mexico Power
5 Company. My business address is 577 N. Garden Ridge Blvd., Lewisville, Texas, 75067.

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

7 A. I am testifying on behalf of Texas-New Mexico Power Company ("TNMP" or "Company").

8 **Q. PLEASE PROVIDE A SUMMARY OF YOUR EDUCATIONAL BACKGROUND AND**
9 **PROFESSIONAL EXPERIENCE.**

10 A. Exhibit JNW-1 describes my background and experience.

11 **Q. PLEASE DESCRIBE YOUR DUTIES AS THE PRESIDENT OF TNMP.**

12 A. As the President, I direct all activities related to the planning, design, construction,
13 operation, and maintenance of the TNMP electric transmission and distribution system, as
14 well as TNMP's regulatory and legislative activities, Retail Electric Provider ("REP")
15 relations, and community and media relations.

16 **Q. HAVE YOU TESTIFIED BEFORE IN REGULATORY PROCEEDINGS?**

17 A. Yes. Cases in which I have previously sponsored testimony are listed on page 2 of Exhibit
18 JNW-1.

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

20 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

21 A. I will provide an overview of TNMP's rate request and the principal factors driving the
22 increased cost of service since TNMP's last rate case. I will put TNMP's request in the
23 context of the territories that it serves, its past ratemaking proceedings before this
24 Commission, and its substantial ongoing capital expenditure requirements. I will address
25 the importance of setting base rates that fairly reflect TNMP's true cost of capital and
26 depreciation expense. I will explain how TNMP's proposed rates are reflective of those
27 costs, and how the proposed rates alongside effective cost management will provide the
28 opportunity for TNMP to execute its capital expenditure program and maintain the credit
29 metric performance that TNMP works hard to achieve. In addition, I will provide a
30 description of TNMP's service territory and the business operations TNMP utilizes to
31 provide safe, reliable service to end-use electric customers. Further, I will describe
32 TNMP's performance in the areas of electric service reliability and operations safety.
33 Finally, along with TNMP witnesses Keith Nix, Christopher Gerety, and Stacy Whitehurst,
34 I will provide information that supports the reasonableness and necessity of TNMP's

1 investment in transmission and distribution facilities, as well as its increased operations
2 and maintenance (“O&M”) costs.

3 **Q. DO YOU SPONSOR ANY EXHIBITS OR SCHEDULES INCLUDED WITH THIS RATE**
4 **FILING PACKAGE?**

5 A. Yes. I sponsor Exhibits JNW-1 through JNW-7, which are attached to this testimony.

6 **Q. WERE THESE EXHIBITS PREPARED BY YOU OR UNDER YOUR SUPERVISION?**

7 A. Yes, these exhibits were prepared by me or under my direction and control, and the
8 information contained therein is true and correct to the best of my knowledge and belief.

9 **III. OVERVIEW OF RATE FILING**

10 **Q. WHY HAS THE COMPANY FILED THIS BASE RATE PROCEEDING?**

11 A. TNMP’s current base rates are outdated. More than seven years have passed since the
12 close of the test year from TNMP’s last base rate proceeding (“the 2018 Rate Case”).¹ In
13 those years, TNMP experienced significant growth in its service territory as the Texas
14 economy continued to thrive. As a result, TNMP’s number of customers and demand for
15 electricity substantially increased during this period. TNMP filed this case to address
16 resulting increases in its cost of service, as TNMP has made substantial additional
17 investments in transmission and distribution facilities and experienced increases in O&M
18 expenses and other costs required to fulfill its duty to provide safe and reliable electric
19 service to its customers at a reasonable cost.

20 In addition, TNMP seeks to recover its O&M costs incurred in restoring the damage caused
21 by Hurricane Beryl’s impact on TNMP’s Gulf Coast region. TNMP witnesses Keith Nix
22 and Stacy Whitehurst discuss the restoration costs and proposed recovery in their
23 testimony. TNMP also requests the Commission to approve inclusion in base rates of the
24 costs associated with its cyclical vegetation management program, including the changes
25 to its Vegetation Management (“VM”) program as approved in its System Resiliency Plan
26 (“SRP”).²

27 Finally, TNMP proposes certain modifications to its tariffs apart from revised rates, also
28 described by Keith Nix, Christopher Gerety and Stacy Whitehurst.

29 **Q. ON AUGUST 25, 2025 TNMP FILED THE JOINT REPORT AND APPLICATION OF**
30 **TEXAS-NEW-MEXICO POWER COMPANY AND TROY PARENTCO LLC FOR**
31 **REGULATORY APPROVALS UNDER PURA §§ 14.101, 39.262, AND 39.915. PLEASE**
32 **DESCRIBE THE PROPOSED TRANSACTION.**

¹ Application of Texas-New Mexico Power Company for Authority to Change Rates, Docket No. 48401 (Dec. 20, 2018).

² Application of Texas-New Mexico Power Company for Approval of a System Resiliency Plan, Docket No. 56594, Mar. 26, 2025.

1 A. The proposed transaction is a merger whereby TNMP and the other subsidiaries of
2 TNMP's parent, TXNM Energy, Inc. ("TXNM Energy"), will come under the indirect
3 ownership of Blackstone Infrastructure. Effective May 18, 2025, TNMP's parent, TXNM
4 Energy, entered into an Agreement and Plan of Merger ("Merger Agreement") with
5 TroyParent Co LLC ("Troy") and Troy Merger Sub Inc. ("Merger Sub"), under which,
6 following receipt of regulatory approvals and satisfaction of other closing conditions,
7 Merger Sub will be merged with and into TXNM Energy with TXNM Energy as the surviving
8 corporation and a direct subsidiary of Troy (the "Proposed Transaction"). Troy will remain
9 an affiliate subsidiary of Blackstone Infrastructure.

10 **Q. DOES THIS PROPOSED TRANSACTION HAVE ANY IMPACT ON THIS RATE CASE**
11 **FILING?**

12 A. The Proposed Transaction has one direct impact on this rate case filing. The execution of
13 the Merger Agreement triggered an obligation in TNMP's bond documents that required
14 TNMP to offer its bondholders to prepay their bonds at par value. As a result, \$1.084
15 billion of TNMP's existing First Mortgage Bonds ("FMBs") were tendered back to TNMP,
16 and TNMP subsequently issued \$1.084 billion of new FMBs on July 21, 2025. The newly
17 issued FMBs carry higher interest rates due to the then-current market conditions. The
18 new cost of FMB debt is reflected in this filing. To offset the increased cost of debt
19 associated with the newly issued FMBs, TNMP proposes a refinance adjustment to cost
20 of service in the amount of approximately \$148.2 million over an approximately ten year
21 period. This adjustment is designed to offset the increased cost of debt associated with
22 the new FMBs to ensure that customers are not adversely impacted by the higher cost of
23 debt. This adjustment is fully explained by TNMP witnesses Sabrina Greinel and Kyle
24 Sanders.

25 **Q. PLEASE SUMMARIZE WHAT TNMP SEEKS IN THIS FILING.**

26 A. As presented in the testimony of TNMP's witnesses Kyle Sanders, Ellen Lapson, Sabrina
27 Greinel, and Adrian McKenzie,³ TNMP has a total company cost of service of
28 approximately \$706.5 million, which is based on its reasonable and necessary expenses
29 and a return of 7.88% on its rate base of \$2,788 million. TNMP's cost of service results in
30 a revenue deficiency of \$29.3 million for TNMP's Texas retail business and requires an
31 increase of 6.0% over current annualized revenues at current base rates. To recover its

³ TNMP Witness Sanders addresses total cost of service. TNMP witness Lapson, Greinel, and McKenzie address cost of capital.

1 cost of service, TNMP seeks approval of its wholesale tariff as well as its retail tariff,⁴
 2 several riders, and Discretionary Services fees, as described in detail by TNMP witnesses
 3 Kyle Sanders and Stacy Whitehurst.

4 **Q. WHAT IS THE TEST YEAR UPON WHICH THE COMPANY'S RATE FILING IS BASED?**

5 A. TNMP's rate filing is based on the test year for the twelve months ended June 30, 2025,
 6 adjusted for known and measurable changes.

7 **Q. PLEASE PROVIDE A COMPARISON OF THE RATE BASE, RATE OF RETURN,**
 8 **SALES/OTHER REVENUES, AND OPERATING EXPENSES BY MAJOR CATEGORY**
 9 **AND OPERATING INCOME AS AUTHORIZED IN THE UTILITY'S LAST RATE CASE**
 10 **AND AS PROPOSED?**

11 A. The 2018 Rate Case was based on a twelve-month test year ending December 31, 2017,
 12 with rates effective January 1, 2019, and resolved by settlement. The settlement in that
 13 case authorized a rate base of \$835.2 million on a total company basis, \$520.3 million on
 14 a Texas retail basis. After seven years of very substantial investment in its transmission
 15 and distribution systems, TNMP proposes a total company rate base of \$2,788 million
 16 today, \$1,547 million on a Texas retail basis. The prior case authorized a weighted
 17 average cost of capital ("WACC") of 7.89%, including a return on equity of 9.65%. Here,
 18 TNMP proposes a 7.88% WACC, incorporating a 10.4% return on equity.
 19 The remainder of the comparison is provided below and is also included as Exhibit
 20 JNW-2.

21 **Table 1 - Docket No. 48401**

Docket No. 48401 - 12 Months Ending 12/31/2017									
			1	2	3	4	5	6	7
			Company	Transmission	Distribution	Metering	T&D Billing	T&D Customer	
Line	Description	Reference	Total	Function	Function	Function	System Services	Service	Total
No.	Schedule	Request	(TRAN)	(DIST)	(MET)	(TBILL)	(TDCS)	TX-Retail	
1	Operating and Maintenance, and A&C	II-D-2	146,130,380	7,064,252	125,889,647	10,124,188	831,289	2,221,004	139,066,128
2	Depreciation & Amortization Expense	II-E-1	68,464,105	18,156,440	39,062,032	10,265,676	80,385	899,572	50,307,665
3	Taxes Other Than Federal Income Tax	II-E-2	32,601,673	6,613,683	24,602,246	1,142,983	28,888	213,872	25,987,990
4	Federal Income Tax	II-E-3	(1,820,720)	(863,641)	(926,274)	(18,926)	(2,355)	(9,523)	(957,079)
5									
6	Return on Rate Base	II-B	65,898,428	24,846,935	37,045,707	3,595,930	72,150	337,705	41,051,493
7									
8	TOTAL COST OF SERVICE		311,273,865	55,817,669	225,673,358	25,109,851	1,010,356	3,662,630	255,456,196
9									
10	Other Non-Bypassable Charges	II-E-4	8,291,383	280,227	6,244,801	1,764,531	386	1,438	8,011,155
11									
12	Minus: Other Revenues	II-E-5	(3,605,560)	(266,633)	(3,317,320)	(9,205)	(2,872)	(9,530)	(3,338,927)
13									
14	TOTAL ADJUSTED REVENUE REQUIREMENT		315,959,687	55,831,263	228,600,839	26,865,177	1,007,870	3,654,538	260,128,424

⁴ The retail tariff includes the following retail classes; Residential Service, Secondary Service less than 5kW, Secondary Service Greater than 5kW, Primary Service, Primary Substation Service, Transmission Service, and Lighting Service.

Table 2 – Current Proceeding

Docket No. - 12 Months Ending 6/30/2025									
	Description	Reference	Company Total	Transmission Function	Distribution Function	Metering Function	Billing Function	T&D Customer Service	Total
Line No.	Schedule	Request	(TRAN)	(DIST)	(MET)	(TBILL)	(TDCS)	TX-Retail	
1	Operating and Maintenance Expense	II-D-2	265,120,086	9,801,525	243,959,146	6,894,248	2,848,303	1,616,863	255,318,560
2	Depreciation & Amortization Expense	II-E-1	146,374,545	58,713,539	82,212,605	5,009,376	65,645	373,382	87,661,007
3	Taxes Other Than Federal Income Tax	II-E-2	53,505,779	15,727,569	36,213,328	1,273,563	153,769	137,550	37,778,210
4	Federal Income Tax	II-E-3	35,939,467	15,991,999	18,604,390	1,251,610	18,895	72,573	19,947,468
5									
6	Return on Rate Base	II-B	219,723,315	97,808,992	113,727,071	7,628,104	115,365	443,783	121,914,323
7									
8	TOTAL COST OF SERVICE		720,663,192	198,043,624	494,716,540	22,056,900	3,201,977	2,644,151	522,619,569
9									
12	Other Non-Bypassable Charges	II-E-4	4,890,568	481,959	1,018,040	3,389,391	228	949	4,408,608
13									
14	Minus: Other Revenues	II-E-5	(19,011,021)	(6,661,295)	(11,803,943)	(501,839)	(9,271)	(34,673)	(12,349,726)
15									
16	TOTAL ADJUSTED REVENUE REQUIREMENT		706,542,739	191,864,288	483,930,636	24,944,452	3,192,934	2,610,428	514,678,451

Table 3- Change

Change									
	Description	Reference	Company Total	Transmission Function	Distribution Function	Metering Function	Billing Function	T&D Customer Service	Total
Line No.	Schedule	Request	(TRAN)	(DIST)	(MET)	(TBILL)	(TDCS)	TX-Retail	
1	Operating and Maintenance Expense	II-D-2	118,989,706	2,737,273	118,069,499	(3,229,940)	2,017,014	(604,141)	116,252,433
2	Depreciation & Amortization Expense	II-E-1	77,910,441	40,557,099	43,150,573	(5,256,301)	(14,740)	(526,190)	37,353,342
3	Taxes Other Than Federal Income Tax	II-E-2	20,904,106	9,113,885	11,611,081	130,580	124,881	(76,322)	11,790,221
4	Federal Income Tax	II-E-3	37,760,188	16,855,640	19,530,664	1,270,536	21,250	82,097	20,904,547
5									
6	Return on Rate Base	II-B	153,824,887	72,962,057	76,681,364	4,032,174	43,215	106,078	80,862,830
7									
8	TOTAL COST OF SERVICE		409,389,327	142,225,954	269,043,181	(3,052,951)	2,191,621	(1,018,479)	267,163,373
9									
12	Other Non-Bypassable Charges	II-E-4	(3,400,815)	201,732	(5,226,761)	1,624,860	(158)	(489)	(3,602,547)
13									
14	Minus: Other Revenues	II-E-5	(15,405,460)	(6,394,661)	(8,486,623)	(492,634)	(6,399)	(25,143)	(9,010,799)
15									
16	TOTAL ADJUSTED REVENUE REQUIREMENT		390,583,052	136,033,025	255,329,797	(1,920,725)	2,185,065	(1,044,110)	254,550,026

Q. PLEASE PROVIDE AN EXPLANATION OF THE KEY COST/REVENUE DRIVERS REQUIRING A CHANGE IN RATES.

A. In the approximately seven years since the 2018 Rate Case, TNMP has experienced substantial growth in customer demand that has driven increased plant investment and operating expenses required to provide safe and reliable service. In addition, as demand for electric infrastructure has increased across the country, the electric utility industry has experienced increased cost pressures unique to its industry. This has resulted in increased costs of goods and services essential to providing safe and reliable electric service to TNMP’s customers.

A portion of TNMP’s increased costs since the 2018 Rate Case have been recognized by the Commission in TCOS and DCRF filings. TCOS filings have brought TNMP’s substantial investments in its transmission system into rate base, with the interim rate adjustments provided by TCOS procedure to recover related depreciation expense and

1 return. Likewise, DCRF filings have allowed interim rate adjustments to recover capital-
2 related costs for its substantial distribution system investments as well.

3 However, these mechanisms have not accounted for increased Operations and
4 Maintenance expenses, which have increased by over \$30 million since the test year
5 utilized in TNMP's previous rate case. The growth in TNMP's system, as well as the higher
6 costs of electric utility goods and services, has resulted in increased costs to operate and
7 maintain the electric system. In addition, the increased O&M expenses represent higher
8 level of costs for TNMP's VM program, increased payroll costs and higher costs for
9 insurance premiums.

10 In addition to the effect of increased O&M expenses, the main drivers for the rate change
11 TNMP seeks in this filing are increased costs for TNMP's requested capital structure and
12 Excess ADFIT tax amortization which are offset by a decrease in depreciation expense
13 and the inclusion of a cost of service adjustment for the merger related debt refinancing.

14 **Q. WHAT CHANGES HAS TNMP MADE TO ITS PAYROLL COSTS?**

15 A. In addition to annualizing current payroll rates, and reflecting planned payroll increases
16 and personnel additions, TNMP has made market adjustments to the salary levels of
17 certain of its exempt payroll positions.

18 **Q. WHY HAS TNMP MADE THESE MARKET-BASED SALARY ADJUSTMENTS?**

19 A. Long-term organizational stability is paramount to TNMP's ability to operate its electric
20 system safely and deliver reliable service to its customers. Proper employee
21 compensation decreases turnover, which allows capital projects to remain on pace, keeps
22 operational costs steady, and allows for organizational efficiencies to be established and
23 maintained.

24 In recent years, the labor market has shifted significantly. It has become increasingly
25 competitive due to the rapid growth in utility infrastructure, grid expansion, and private
26 sector energy investment statewide. In turn, the need for TNMP to both retain critical
27 personnel in which it has made significant investment and attract new personnel in high
28 demand fields has heightened.

29 To ensure its compensation program is competitive, TNMP retained Price Waterhouse
30 Coopers ("PwC") to conduct a detailed compensation study that focused specifically on
31 the Texas market. Specifically, PwC was retained to (1) perform a compensation
32 assessment to develop market range recommendations for benchmarked roles; (2)
33 conduct an employee impact analysis to assess the compensation of current employees

1 based on tenure and responsibility; and (3) evaluate the cost impact of adjusting
2 compensation accordingly.

3 The PwC study is distinctly insightful because it captures the unique competitive dynamics
4 of the Texas labor market. Whereas a study based on a regional or national survey is
5 valuable, it may not fully capture the unique competitive dynamics of the Texas utility labor
6 market. Importantly, PwC’s study provided TNMP with compensation data that is current,
7 specific to the Texas market, and specific to the particular roles in TNMP’s organization.

8 After a detailed review of PwC’s recommendations, TNMP proposes a pro forma
9 adjustment to enact certain of PwC’s recommendations related to non-officer and non-
10 union positions. This pro forma adjustment is presented by TNMP Witness Kyle Sanders.

11 **Q. WHAT FACTORS HAVE INCREASED TNMP’S NET PLANT BALANCES?**

12 A. TNMP has experienced significant growth on its system. At the time the 2018 Rate Case
13 was filed, TNMP had 249,226 retail customers on its system and an ERCOT 4CP demand
14 of 1,656.0 MW.⁵ As demonstrated in the RFP, as of June 30, 2025, TNMP has 281,883
15 retail customers and an ERCOT 4CP demand of 2,388.4 MW.⁶

16 **Table 4 - Customer and MW Increase**

	<i>2017 Test</i>	<i>2025 Test</i>	<i>%</i>
	<i>Year</i>	<i>Year</i>	<i>Increase</i>
ESI	249,226	281,883	13.1%
IDs/Customers			
4CP Demand	1,656.0	2,388.4	44.2%

17
18 The total rate base as part of the settlement in the 2018 Rate Case was \$835,214,548.
19 The total rate base included in this proceeding is \$2,788,049,213. This represents an
20 increase in total rate base of 238%. This increased capital spend was required to support
21 growth in West Texas, North Texas and the Gulf Coast. As shown in the table above,
22 while TNMP ESI ID count has increased by 13.1%, 4CP demand has increased by 44.2%,
23 a much larger margin.

24 In fact, TNMP just recently set a new system peak on September 4, 2025 of 3,829 MW.
25 This rapid increase in peak demand reflects the fact that TNMP has experienced a very
26 high rate of growth in its larger customers in the last several years. These include data

⁵ Commission Staff’s Application To Set 2018 Wholesale Transmission Service Charges For The Electric Reliability Council Of Texas, Docket No. 47777, Mar. 29, 2018.

⁶ Commission Staff’s Application To Set 2025 Wholesale Transmission Service Charges For The Electric Reliability Council Of Texas, Docket No. 57491, Jun. 5, 2025

1 centers, large scale batteries, and oil and gas load. At the time the 2018 Rate Case was
2 filed, TNMP served 47 transmission service customers and 446 primary service
3 customers. Today, as shown in Schedule H, TNMP serves 89 transmission service
4 customers and 701 primary service customers. This represents a growth of 89.4% in
5 transmission service customers and 57.2% in primary service customers over a 7-year
6 period. The rapid growth of these very large customers has required substantial additional
7 investment in transmission and distribution facilities as reflected in the rate base figures
8 above.

9 **Q. PLEASE SUMMARIZE THE COMPANY'S REQUEST RELATED TO DEPRECIATION.**

10 A. TNMP's depreciation rates were last updated in the 2018 Rate Case, calculated on plant
11 balances as of December 31, 2017. TNMP contracted with Dane Watson of Alliance
12 Consulting to perform a depreciation study to update these rates. TNMP Witness
13 Watson's depreciation study shows that the Company is experiencing both longer service
14 lives for many assets and an increased cost of removal resulting in increasingly negative
15 net salvage values. The net result is a decrease in depreciation rates. Applied to the
16 Company's property account balances at the end of the test year, these updated
17 depreciation rates result in a decrease in annualized depreciation expense of
18 approximately \$5.2 million.

19 **Q. PLEASE SUMMARIZE THE COMPANY'S REQUEST REGARDING VEGETATION
20 MANAGEMENT.**

21 A. TNMP is requesting the Commission approve a pro forma adjustment that reflects (1) the
22 hiring of additional VM employees and (2) full implementation of a cyclical vegetation
23 management program.

24 With respect to implementation of a cyclical vegetation management program, TNMP's
25 transition to a cyclical, proactive vegetation management cycle with respect to its
26 distribution system was approved by the Commission as presented in its SRP earlier this
27 year.⁷ However, as explained in the testimony of TNMP witness Keith Nix, only a portion
28 of the costs requested for cyclical vegetation management in the SRP were recovered in
29 that proceeding, although the substance of the program approved was unchanged. In
30 addition, the cyclical vegetation management program necessitates that cyclical work also
31 be performed on TNMP's transmission system. Therefore, TNMP proposes a pro forma
32 adjustment to test year VM expenses with respect to the plan approved in SRP

⁷ Ibid, 3.

1 proceedings and with respect to the related work performed on TNMP's transmission
2 system. TNMP Witness Keith Nix addresses this request in detail.

3 **Q. WHAT IS THE CAPITAL STRUCTURE AND COST OF CAPITAL THE COMPANY IS**
4 **PROPOSING IN THIS PROCEEDING?**

5 A. As presented by TNMP witness Sabrina Greinel, TNMP's actual debt/equity ratio as of
6 June 30, 2025 was 52.46/47.54. The Company proposes to set its weighted average cost
7 of capital using a 52.46/47.54 debt/equity ratio, for reasons that TNMP Witness Greinel,
8 along with TNMP witnesses Adrian McKenzie and Ellen Lapson, present in detail. The
9 average cost of debt as of June 30, 2025, as adjusted for the FMB refinance discussed
10 earlier in my testimony, was 5.60%. As TNMP Witness McKenzie explains, the requested
11 return on equity is 10.40%. Accordingly, the WACC requested in this filing is 7.88%.

12 **Q. WHAT IS THE IMPACT OF THE COMPANY'S PROPOSED RATE INCREASE TO**
13 **RETAIL ELECTRIC PROVIDERS ("REPS") FOR SERVICE TO RESIDENTIAL**
14 **CUSTOMERS?**

15 A. As developed in the testimony of TNMP witness Stacy Whitehurst, the requested increase
16 will result in an increase of \$5.47 per month to the REP for a residential customer using
17 1000 kWh per month. As TNMP Witness Whitehurst explains, a substantial portion of the
18 increase to residential customers is the result of the reassignment of costs across
19 customer classes based on cost causation to reduce current subsidies and bring all
20 classes toward equalized rates of return. Recognizing the dramatic growth of the large
21 customer classes in this case, and bringing returns by class toward parity, results in a
22 smaller adjustment to residential rates.

23 As shown on TNMP Witness Whitehurst's Exhibit SRW-4, TNMP's total charges on a
24 residential end use customer bill at 1,000 kWh are \$72.43 at today's rates. As an
25 illustration, this amounts to approximately 41.1% of a total REP bill of \$176.38, based on
26 a 9.95 cents/kWh energy charge. TNMP's proposed rates would add \$5.47 and result in
27 a monthly charge of \$77.90 or approximately 42.8% of a total REP bill of \$181.85 at this
28 same energy charge.

29 **IV. RATE FILING PACKAGE**

30 **Q. WHAT ARE THE GENERAL PUCT RATE SETTING STANDARDS UPON WHICH TNMP**
31 **RELIED IN PREPARING THIS FILING?**

32 A. TNMP has adhered to the rate setting standards set out in Chapter 36 of PURA and the
33 Commission's substantive rules, including the requirement that rates be set based on
34 historical test year costs, adjusted for known and measurable changes. TNMP is filing the

1 rate case filing package with a test year of July 1, 2024 through June 30, 2025. This
2 represents the most recent twelve months for which operating and financial data is
3 available for TNMP and commences with a fiscal year quarter. Rates established
4 consistent with TNMP's request should allow TNMP the opportunity to recover a
5 reasonable return on its used and useful invested capital, in excess of its reasonable and
6 necessary operating expenses, consistent with the requirements of PURA § 36.051.

7 **Q. HAS TNMP PROVIDED ALL THE SCHEDULES AND WORKPAPERS TO COMPLY**
8 **WITH THE COMMISSION'S REQUIREMENTS FOR T&D BASE RATE**
9 **PROCEEDINGS?**

10 A. Yes. As presented in the testimony of TNMP witness Kyle Sanders, TNMP has made its
11 filing consistent with the Commission's RFP and the requirements of 16 Tex. Admin. Code
12 ("TAC") § 22.243. TNMP's witnesses have also pre-filed supporting direct testimony,
13 consistent with 16 TAC § 22.225(a)(6).

14 **Q. PLEASE PROVIDE A DESCRIPTION OF TNMP'S FILING PACKAGE.**

15 A. TNMP's filing package has been prepared and assembled in compliance with PURA and
16 the Commission's Substantive and Procedural Rules. In addition to my own testimony,
17 the filing includes the direct testimony, exhibits, and related schedules prepared and
18 sponsored by the witnesses listed below. I have also included a brief overview of the topics
19 discussed in each witness's testimony.

20 **Keith Nix** (TNMP Vice President Operations) – TNMP operations; transmission and
21 distribution investment; direct Operations O&M expenses; Hurricane Beryl restoration
22 costs; vegetation management expenses; self-insurance reserve

23 **Christopher Gerety** (TNMP Vice President Technical Service & System Reliability) –
24 TNMP capital spending; system operations; transmission and distribution investment;
25 direct Technical Service O&M expenses

26 **Adrian McKenzie** (FINCAP, Inc.) – Return on equity; capital structure

27 **Ellen Lapson** (Lapson Advisory) – Capital structure; credit agency expectations; investor
28 perception

29 **Sabrina Greinel** (Vice President, Treasurer) – Capital structure; cost of debt; services
30 provided to TNMP by Treasury and Risk Department

31 **Kyle Sanders** (Vice President, Senior Manager Cost of Service) – Revenue requirement
32 and affiliate transactions

33 **Dane A. Watson** (Alliance Consulting Group) – Depreciation study

34 **Greg Wilson** (Lewis & Elkin) – Self-Insurance reserve

1 **Earl Simpkins** (Strategy&) – Independent review of affiliate transactions and call center
2 costs

3 **Jay Joyce** (Expergy) – Lead lag study

4 **E.J. Lopez** (Assistant Controller) – Affiliate transactions, RFP Schedule K

5 **Rebecca Teague** (Vice President Human Resources) – Benefits, Compensation, Affiliate
6 transactions

7 **Dr. Tobe C. Phelps** (Assoc. Director IT) – Services provided to TNMP by Business
8 Technology Services and NERC Compliance

9 **Larry Morris** (Director of Tax) – Federal income taxes, other taxes; RFP Schedule E;
10 services provided to TNMP by Tax department

11 **Rebecca Tafoya** (Director, Corporate Risk) – Third-party insurance and claims

12 **Leonard Sanchez** (Associate General Counsel) – External legal costs; Legal services
13 provided to TNMP by the General Counsel Group

14 **Stacy Whitehurst** (Vice President, TNMP Regulatory Affairs) - Customer class cost-of-
15 service; rate design

16 **Stuart McMenamin** (Managing Director of Forecasting - Itron) – Load study and weather
17 normalization

18 **Patrick Pearsall** (Duggins Wren Mann & Romero, LLP) – Rate case legal expenses

19 **Claudette Horn** (Executive Director of Environment & Safety) – Services provided to
20 TNMP by Environment & Safety department

21 **Carter Cherry** (Director of Supply Chain) – Services provided to TNMP by Supply Chain
22 and General Services

23 **Brian Arnell** (Willis Towers Watson) – Pension and other post-employment benefits

24 In accordance with General Instruction No. 19, TNMP will provide page numbering under
25 separate cover.

26 **V. OVERVIEW OF TNMP'S TRANSMISSION AND DISTRIBUTION SYSTEM**

27 **Q. PLEASE DESCRIBE THE LOCATION OF THE TNMP SERVICE TERRITORY IN THE**
28 **STATE OF TEXAS.**

29 A. TNMP's service territory covers 13,163 square miles comprised of four non-contiguous
30 areas in Texas. One portion of this territory extends from Lewisville, which is
31 approximately 10 miles northeast of the Dallas-Fort Worth International Airport, eastward
32 to municipalities located near the Red River, and to communities north and west of
33 Lewisville. The second portion is south and west of the Dallas-Fort Worth Metroplex in
34 the area surrounding Clifton. The third portion of the service territory includes the area

1 along the Texas Gulf Coast between Houston and Galveston and extending west into
2 Brazoria County, and the fourth portion of the service territory includes areas of far west
3 Texas between Midland and El Paso. TNMP's Texas operations lie entirely within the
4 Electric Reliability Council of Texas ("ERCOT") region. Attached as Exhibit JNW-3 is a
5 map of TNMP's service territory.

6 **Q. PLEASE DESCRIBE THE NATURE OF TNMP'S SERVICE TERRITORY.**

7 A. The TNMP service territory is very diverse, consisting of different types of population
8 centers, weather conditions, industrial facilities, and geographical locations. Most of
9 TNMP's service territory consists of small communities and rural areas. However, TNMP
10 serves the largely metropolitan area of Lewisville, a number of the suburban communities
11 south of Houston, and the industrial load of the Texas City Industrial Park, which includes
12 large refineries and chemical plants, as well as substantial customer-owned generation.
13 TNMP's west Texas service area is sparsely populated and covers a large geographic
14 area, with a large number of oil and gas related customers. TNMP faces increasing
15 electric demands from the high level of activity and development among oil and gas
16 exploration, production, and associated processing businesses in this area. More
17 recently, TNMP's west Texas territory has added large-scale data centers and battery
18 storage facilities that have dramatically increased the load in this area.

19 **Q. WHAT IS THE PRIMARY NATURE OF THE SERVICES THAT TNMP PROVIDES?**

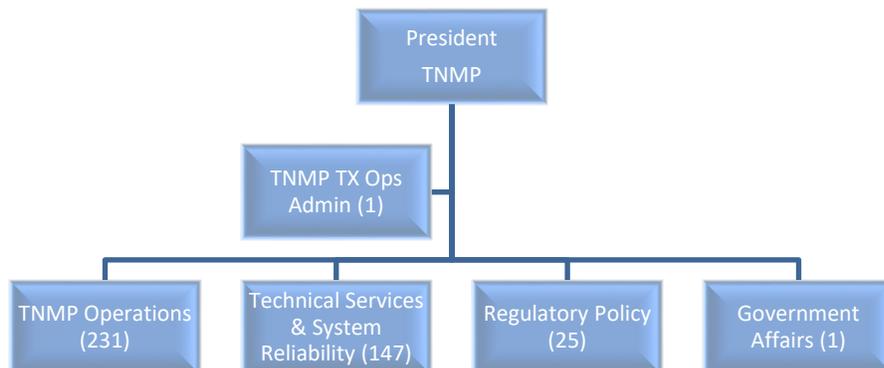
20 A. TNMP provides electric transmission and distribution delivery services at regulated rates
21 to various REPs that, in turn, provide retail electric service within TNMP's service territory.
22 TNMP operates 1,022 miles of transmission lines and delivers power through 13,954 miles
23 of distribution lines. TNMP's facilities include 117 load serving stations and 54 switching
24 stations. As of June 30, 2025 TNMP serves 281,883 end-use ESI IDs. A new peak load
25 of 3,829 MW occurred in September 2025.

26 **VI. OVERVIEW OF THE TNMP ORGANIZATION**

27 **Q. PLEASE DESCRIBE THE ORGANIZATIONAL STRUCTURE OF TNMP.**

28 A. TNMP is a subsidiary of TNP Enterprises, Inc., which is wholly owned by TXNM Energy,
29 based in Albuquerque, New Mexico. TNMP shares no physical distribution or
30 transmission operations with any other utility operations owned by TXNM Energy and is
31 only under the jurisdiction of the Public Utility Commission and the cities in its service area
32 that have retained original jurisdiction. TXNM Energy has a shared services organization
33 ("PNMR Services") that supports its subsidiary companies.

1

Table 5 TNMP Texas Organization Structure

2

3 Table 5 shows the organizational structure of TNMP. The people responsible for day-to-
 4 day executive management and operation of TNMP reside in Texas and report to me as
 5 President. PNMR Services also supports TNMP with general and administrative
 6 functions. Shared services employees are located in both Texas and New Mexico.

7 **Q. WHAT SPECIFIC FUNCTIONS ARE PROVIDED BY TNMP IN THE ORGANIZATION**
 8 **DESCRIBED ABOVE?**

9 A. TNMP Operations is responsible for line extensions, distribution line construction and
 10 maintenance, service installation and community liaison functions provided at the local
 11 level by local personnel in each business unit. TNMP Operations personnel report to Vice
 12 President Keith Nix and are strategically placed throughout TNMP's service territory to
 13 ensure safe and reliable electric service to end-use customers. This organization is
 14 discussed in more detail in the testimony of TNMP Witness Keith Nix.

15 Technical Service & System Reliability, which is led by Vice President Chris Gerety,
 16 provides transmission and distribution engineering and design, transmission construction
 17 and maintenance, substation maintenance, system operations, capital budgeting, long-
 18 range system planning and reliability, emergency operations planning, ERCOT/NERC
 19 compliance and meter testing services. Technical Service and System Reliability
 20 personnel are also located throughout TNMP's service area. These services are
 21 discussed in more detail in the testimony of TNMP Witness Chris Gerety.

22 The TNMP Regulatory Policy department is led by Vice President Stacy Whitehurst. This
 23 department is responsible for TNMP's regulatory policy and procedures, retail electric
 24 provider billings and transactions, communications and media relations. TNMP Witness
 25 Stacy Whitehurst discusses these functions in his testimony.

1 TNMP employs one government affairs representative in Austin, Texas who serves as a
2 contact for legislators, their staff, and PUCT government affairs to address constituent and
3 customer issues, and any issues or meetings that need immediate attention at the
4 Commission and Texas Capitol. In addition, TNMP employs one ERCOT market
5 specialist in Austin, Texas to participate in ERCOT matters.

6 **Q. WHAT SPECIFIC SERVICES ARE PROVIDED BY THE TXNM ENERGY SHARED**
7 **SERVICES ORGANIZATION?**

8 A. PNMR Services provides a variety of general and administrative services for TNMP.
9 These include legal, human resources, business technology services, supply chain, safety
10 services, financial and accounting functions, as well as overall required corporate
11 functions such as treasury, strategic business planning, and auditing. Employee health
12 insurance, supplier contracts for transformers and other necessary infrastructure
13 purchases, payroll services, and communications technology equipment are but a few
14 examples of using the purchasing power of the shared services organization to reduce
15 TNMP's, and ultimately, the customer's costs. TNMP witness EJ Lopez describes specific
16 PNMR Services functions and provides support for the associated costs that are allocated
17 to TNMP in more detail, with further support for TNMP affiliate expenses provided by
18 several witnesses on a department-by-department basis. In addition, TNMP Witness Earl
19 Simpkins provides an independent review of TNMP affiliate expenses, including a
20 comparison of the costs it incurs being supported by a service company versus the costs
21 of implementing and staffing all the shared service functions directly within TNMP.

22 **Q. ARE ANY SERVICES PROVIDED TO TNMP BY TXNM ENERGY'S NEW MEXICO**
23 **UTILITY, PNM?**

24 A. TNMP utilizes the PNM call center and after hours call center to support TNMP's
25 operations. TNMP witness Stacy Whitehurst discusses the advantages and costs of using
26 PNM's call center. Earl Simpkins provides an independent review of PNM's support of
27 TNMP compared to implementing and staffing a call center directly within TNMP. During
28 the test year, TNMP received forestry services management from PNM, but these
29 positions have since been transitioned to TNMP as described in the testimony of TNMP
30 Witness Keith Nix.

31 **Q. PLEASE DESCRIBE THE BENEFITS OF THIS ORGANIZATIONAL STRUCTURE TO**
32 **TNMP'S CUSTOMERS.**

33 A. The organizational structure of TNMP is geared toward providing safe, reliable electric
34 service to customers in the most cost-effective manner. With PNMR Services providing

1 most general business functions, TNMP can focus on its core competency of providing
2 electric delivery service to customers. The shared services concept allows for financial
3 efficiency across the organization and increases the level of expertise that TNMP receives
4 on a daily basis from the shared services group. Maintaining a local, competent and
5 focused operations team provides hands-on technical services, a local presence in the
6 community and with regulatory authorities, and local expertise to handle operations issues
7 and planning. In general, local operations focus on customer service by providing safe
8 and reliable electric service, while PNMR Services supports TNMP through its expertise
9 in general corporate utility business activities.

10 **VII. TRANSMISSION AND DISTRIBUTION SYSTEM SERVICE RELIABILITY**

11 **Q. PLEASE EXPLAIN WHY THE RELIABILITY OF THE COMPANY'S ELECTRIC
12 TRANSMISSION AND DISTRIBUTION SYSTEM IS IMPORTANT TO TNMP.**

13 A. TNMP customers, the retail electric providers, rely on the Company to provide safe and
14 reliable transmission and distribution of electricity to the end-users' homes and
15 businesses, as is TNMP's fundamental obligation as a utility. Maintaining a safe and
16 reliable system is the core focus of TNMP's business, as it is essential both for the public
17 safety of those who live and work around the elements of TNMP's system and to provide
18 TNMP's customers the service they expect. Electric utility service is an essential service,
19 and necessary for routine electric service for private and home use, public safety purposes
20 and essential industrial services.

21 **Q. WHAT PROGRAMS AND ACTIVITIES DOES TNMP USE TO MAINTAIN THE SERVICE
22 RELIABILITY OF ITS TRANSMISSION AND DISTRIBUTION SYSTEM?**

23 A. TNMP uses a number of programs to help maintain reliable electric service. Operations
24 personnel routinely inspect facilities and perform maintenance as required. Vegetation
25 Management is performed on an ongoing basis, and TNMP has Emergency Operations
26 Plans in place to ensure personnel are prepared to execute effective service restoration
27 strategies when outages do occur.

28 TNMP also routinely performs engineering studies such as increased loading studies,
29 contingency analyses and review of transmission and distribution outage events to ensure
30 that necessary system upgrades are identified and that problem areas are corrected as
31 soon as possible. In addition, each operational area develops individual reliability plans
32 to address worst performing circuits within their areas of responsibility.

33 **Q. IS TNMP PROPOSING ANY CHANGES TO ITS VEGETATION MANAGEMENT
34 PROGRAM?**

1 A. Yes. As I discussed earlier in my testimony, TNMP is implementing changes to its VM
2 program in line with those presented in its SRP. These changes include expansion of the
3 VM program to a proactive cycle-based system and moving management of TNMP's VM
4 program to completely within TNMP's organization. Mr. Nix discusses the proposed
5 changes to TNMP's Vegetation Management program in his testimony.

6 **Q. HOW DOES TNMP MEASURE DISTRIBUTION SYSTEM SERVICE RELIABILITY AND**
7 **QUALITY OF SERVICE?**

8 A. TNMP uses electric reliability standards established in accordance with the PUCT, as
9 defined in P.U.C. Subst. R. § 25.52 – Reliability and Continuity of Service. Specifically,
10 for system-wide performance, the Company uses the industry standard reliability indices:
11 the System Average Interruption Frequency Index ("SAIFI") and the System Average
12 Interruption Duration Index ("SAIDI"). SAIFI is used as a metric for the average number
13 of times that a customer's service is interrupted during the reporting period, while SAIDI
14 is the average amount of time that a customer's service is interrupted during the reporting
15 period.

16 TNMP also monitors distribution feeder performance. Distribution feeder performance is
17 the measure of how individual feeders perform in relation to the other distribution feeders.
18 The PUC's Substantive Rules require that a utility maintain its system so that no feeder
19 has a SAIFI or SAIDI value that is among the worst 10 percent of the feeders for two
20 consecutive reporting years. The standard also requires that a utility maintain its system
21 so that no distribution feeder shall have a SAIDI or SAIFI value that is more than three
22 times (300%) greater than the system average of all feeders during two consecutive years.
23 TNMP develops and executes plans to improve the performance of feeders that do not
24 meet these criteria.

25 **Q. PLEASE BRIEFLY DISCUSS TNMP'S SERVICE RELIABILITY PERFORMANCE.**

26 A. Attached as Exhibit JNW-4 is a graph which depicts TNMP's five-year history of reliability
27 performance. This graph shows TNMP's distribution SAIDI and SAIFI for forced
28 interruptions on an annual basis for the last 5 years. Page 2 of this Exhibit shows the
29 same data in tabular form. As shown on this graph and table, TNMP has largely
30 maintained a consistent level of service reliability in both SAIFI and SAIDI. Also shown
31 on the graph and table is a five-year history of the average annual SAIDI and SAIFI for
32 forced interruptions for the other electric utilities who report these indices to the PUCT.
33 TNMP's five-year average for SAIDI is 98.18 minutes, and the five-year average for SAIDI
34 for the other Texas reporting companies is 144.02 minutes. TNMP's five-year average for

1 SAIFI is 1.11, and the five-year average for SAIFI for the other Texas reporting companies
 2 is 1.17. This data demonstrates that TNMP’s electric system has provided a level of
 3 service quality that is comparable to or better than most of the other utilities providing
 4 electric service in Texas.

5 **VIII. TNMP OPERATIONS SAFETY PERFORMANCE**

6 **Q. PLEASE PROVIDE AN OVERVIEW OF TNMP’S OPERATIONS SAFETY
 7 PERFORMANCE.**

8 A. Attached as Exhibit JNW-5 is a graph that depicts the five-year history of the OSHA
 9 Recordable Incident Rate (“ORIR”) for TNMP and the companies in the Southwest
 10 Electrical Exchange (SWESE) group. This SWESE group is made up of sixteen regional
 11 electric utilities that meet bi-annually in an effort to reduce accidents among electric
 12 utilities. TNMP’s Safety Programs are jointly facilitated by employees, supervisors, and
 13 safety professionals. Programs include joint employee management safety committees,
 14 rules committees, investigation training, behavior-based work observations, policy
 15 committees, technical training, and recognition programs.

16 **IX. TRANSMISSION AND DISTRIBUTION SYSTEM O&M COSTS**

17 **Q. WHAT WERE TNMP’S TRANSMISSION AND DISTRIBUTION O&M COSTS DURING
 18 THE TEST YEAR?**

19 A. During the test year ended June 30, 2025, TNMP’s per-books direct transmission and
 20 distribution O&M costs were:

Transmission Operations	\$3,150,393
Transmission Maintenance	870,067
Distribution Operations	13,391,841
Distribution Maintenance	<u>21,941,463</u>
Total	\$39,353,764⁸

21
 22 **Q. HAS TNMP EXPERIENCED A CHANGE IN TRANSMISSION AND DISTRIBUTION
 23 O&M COSTS SINCE THE FINAL ORDER IN THE 2018 RATE CASE, DOCKET
 24 NO. 48401?**

25 A. Yes. The 2018 Rate Case was prepared using a test period of December 2017 and
 26 included \$29,206,460 of total T&D O&M costs. The current test year total costs of

⁸ These amounts are taken from Schedule II-D-1 O&M in the Rate Filing Package. The transmission operations expense here excludes the amount shown on the Schedule for account A565, “Wheeling Expense 23.67 Payments,” which represents wholesale charges to TNMP from other utilities.

1 \$39,353,764 are \$10.1 million, or 34.7 percent higher. These increased costs reflect the
2 growth of TNMP's transmission and distribution systems, as well as increased costs in
3 electric utility industry goods and services over the seven years since the last test year.
4 TNMP witnesses Keith Nix and Chris Gerety discuss the O&M costs within their
5 departments.

6 **Q. DO YOU BELIEVE THAT TNMP'S TRANSMISSION AND DISTRIBUTION O&M COSTS**
7 **ARE REASONABLE?**

8 A. Yes. TNMP's total O&M expenses per customer are in line with the costs of the other
9 regulated electric utilities in the state of Texas, especially given the size and service
10 territory constraints of TNMP. Exhibit JNW-6 shows a comparison of 2024 T&D O&M
11 expenses per customer reported on 2024 PUCT Earnings Monitoring Reports for TNMP
12 and each of the other large reporting energy delivery utilities in Texas.

13 **X. TRANSMISSION AND DISTRIBUTION CAPITAL COSTS**

14 **Q. HAS THE NUMBER OF TNMP TRANSMISSION AND DISTRIBUTION CUSTOMERS**
15 **GROWN IN RECENT YEARS?**

16 A. Yes. As I discussed earlier in my testimony, TNMP has seen growth in customers and
17 substantial growth in electric demand since the 2018 Rate Case. TNMP has made
18 substantial capital expenditures during this period to upgrade its system to provide electric
19 service to this increased load.

20 **Q. PLEASE DESCRIBE TNMP CAPITAL EXPENDITURES FROM 2018 TO 2024.**

21 A. Exhibit JNW-7 shows TNMP actual and budgeted capital expenditures by function for the
22 years 2018 through 2029. Between 2018 and 2024 TNMP actual total annual capital
23 expenditures steadily increased from \$223.9 million to approximately \$560.9 million. Over
24 this 6-year period, the capital expenditures that were required to provide reliable electric
25 service to new customers and replace aging infrastructure to serve existing customers
26 more than doubled.

27 **Q. DOES TNMP ANTICIPATE MAKING SIGNIFICANT CAPITAL INVESTMENTS OVER**
28 **THE COMING YEARS?**

29 A. Yes. TNMP will need to continue to make additional investments in its transmission,
30 distribution and general plant to address continued customer growth and to address
31 elements of its aging distribution infrastructure in its service territory. Between 2025 and
32 2029 capital expenditures are forecast to be between \$609 million and \$1,008 million per
33 year (see Exhibit JNW-7).

1 **XI. SUMMARY AND CONCLUSION**

2 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

3 A. TNMP has brought this case to provide for a full review of its cost of service, to update its
4 base rates after over seven years, to provide for recovery of its reasonable and necessary
5 expenses and a reasonable opportunity to recover its full cost of capital, including a fair
6 rate of return, that has been invested to provide safe and reliable utility service.

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

8 A. Yes, it does.

AFFIDAVIT

STATE OF TEXAS §
 §
COUNTY OF DENTON §

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

“My name is James Neal Walker. I am of legal age, a resident of the State of Texas, and have never been convicted of a felony. I certify that the foregoing testimony, offered by me on behalf of Texas-New Mexico Power Company, is true and correct and based upon my personal knowledge and experience.”

James Neal Walker
Witness

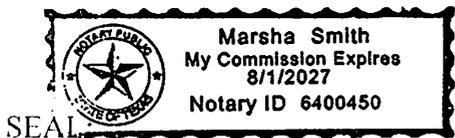
SWORN TO AND SUBSCRIBED before me, Notary Public, on this 10th day of November 2025, to certify which witness my hand and seal of office.

Marsha Smith
NOTARY PUBLIC in and for the
State of Texas

Printed Name: Marsha Smith

My Commission expires: 8/1/27

Notary ID# 0400450



J. NEAL WALKER

EDUCATION BACKGROUND AND BUSINESS EXPERIENCE

Neal Walker is currently the President of Texas-New Mexico Power Company (TNMP). Mr. Walker graduated from Texas Christian University in 1989 with a Bachelor's Degree in Business Administration. He graduated from LeTourneau University in 1995 with a Master's Degree in Business Administration. He has also completed executive education courses at Darden Graduate School, at University of Virginia, and Neeley School of Business at Texas Christian University. Mr. Walker has been employed by TNMP since 1990. He has worked at TNMP as a Contracts and Regulatory Projects Analyst, Pricing Analyst, Regulatory Affairs Specialist, Area Manager, Business Unit Manager, Director of Customer Operations, and Vice President of Operations. In 2011, Mr. Walker was promoted to President. In this capacity he directs all activities related to the planning, design, construction, operation and maintenance of the TNMP electric transmission and distribution system, as well as TNMP's regulatory and legislative activities, Retail Electric Provider ("REP") relations, community and media relations.

Prior Testimony

PUCT:

35460, PETITION OF PNM RESOURCES, INC. AND CAP ROCK ENERGY CORPORATION REGARDING PROPOSED MERGER AND ACQUISITION OF STOCK

36025, APPLICATION OF TEXAS-NEW MEXICO POWER COMPANY FOR AUTHORITY TO CHANGE RATES

38480, APPLICATION OF TEXAS-NEW MEXICO POWER COMPANY FOR AUTHORITY TO CHANGE RATES

48401, APPLICATION OF TEXAS-NEW MEXICO POWER COMPANY FOR AUTHORITY TO CHANGE RATES

51547, JOINT REPORT AND APPLICATION OF TEXAS-NEW MEXICO POWER COMPANY, NM GREEN HOLDINGS, INC., AND AVANGRID, INC. FOR REGULATORY APPROVALS UNDER PURA §§ 14.101, 39.262, AND 39.915

58536, JOINT REPORT AND APPLICATION OF TEXAS-NEW MEXICO POWER COMPANY AND TROY PARENTCO LLC FOR REGULATORY APPROVALS UNDER PURA §§ 14.101, 39.262, AND 39.915

TEXAS-NEW MEXICO POWER COMPANY
TEST YEAR ENDING 6/30/2025
DOCKET NO. 58964
SUMMARY OF RATE CASE CHANGES
SPONSOR: NEAL WALKER

EXHIBIT JNW-2
PAGE 1 OF 3

Docket No. 48401 - 12 Months Ending 12/31/2017

			1	2	3	4	5	6	7
			Company	Transmission	Distribution	Metering	T&D Billing	T&D Customer	
Line	Description	Reference	Total	Function	Function	Function	System Services	Service	Total
No.		Schedule	Request	(TRAN)	(DIST)	(MET)	(TBILL)	(TDCS)	TX-Retail
1	Operating and Maintenance, and A&G Expenses	II-D-2	146,130,380	7,064,252	125,889,647	10,124,188	831,289	2,221,004	139,066,128
2	Depreciation & Amortization Expenses	II-E-1	68,464,105	18,156,440	39,062,032	10,265,676	80,385	899,572	50,307,665
3	Taxes Other Than Federal Income Tax	II-E-2	32,601,673	6,613,683	24,602,246	1,142,983	28,888	213,872	25,987,990
4	Federal Income Tax	II-E-3	(1,820,720)	(863,641)	(926,274)	(18,926)	(2,355)	(9,523)	(957,079)
5									
6	Return on Rate Base	II-B	65,898,428	24,846,935	37,045,707	3,595,930	72,150	337,705	41,051,493
7									
8	TOTAL COST OF SERVICE		311,273,865	55,817,669	225,673,358	25,109,851	1,010,356	3,662,630	255,456,196
9									
10	Other Non-Bypassable Charges	II-E-4	8,291,383	280,227	6,244,801	1,764,531	386	1,438	8,011,155
11									
12	Minus: Other Revenues	II-E-5	(3,605,560)	(266,633)	(3,317,320)	(9,205)	(2,872)	(9,530)	(3,338,927)
13									
14	TOTAL ADJUSTED REVENUE REQUIREMENT		315,959,687	55,831,263	228,600,839	26,865,177	1,007,870	3,654,538	260,128,424

TEXAS-NEW MEXICO POWER COMPANY
TEST YEAR ENDING 6/30/2025
DOCKET NO. 58964
SUMMARY OF RATE CASE CHANGES
SPONSOR: NEAL WALKER

EXHIBIT JNW-2
PAGE 2 OF 3

Docket No. 58964 - 12 Months Ending 6/30/2025

			Company	Transmission	Distribution	Metering	Billing	T&D Customer	
Line	Description	Reference	Total	Function	Function	Function	Function	Service	Total
No.		Schedule	Request	(TRAN)	(DIST)	(MET)	(TBILL)	(TDCS)	TX-Retail
1	Operating and Maintenance Expenses	II-D-2	265,120,086	9,801,525	243,959,146	6,894,248	2,848,303	1,616,863	255,318,560
2	Depreciation & Amortization Expenses	II-E-1	146,374,545	58,713,539	82,212,605	5,009,376	65,645	373,382	87,661,007
3	Taxes Other Than Federal Income Tax	II-E-2	53,505,779	15,727,569	36,213,328	1,273,563	153,769	137,550	37,778,210
4	Federal Income Tax	II-E-3	35,939,467	15,991,999	18,604,390	1,251,610	18,895	72,573	19,947,468
5									
6	Return on Rate Base	II-B	219,723,315	97,808,992	113,727,071	7,628,104	115,365	443,783	121,914,323
7									
8	TOTAL COST OF SERVICE		720,663,192	198,043,624	494,716,540	22,056,900	3,201,977	2,644,151	522,619,569
9									
12	Other Non-Bypassable Charges	II-E-4	4,890,568	481,959	1,018,040	3,389,391	228	949	4,408,608
13									
14	Minus: Other Revenues	II-E-5	(19,011,021)	(6,661,295)	(11,803,943)	(501,839)	(9,271)	(34,673)	(12,349,726)
15									
16	TOTAL ADJUSTED REVENUE REQUIREMENT		706,542,739	191,864,288	483,930,636	24,944,452	3,192,934	2,610,428	514,678,451

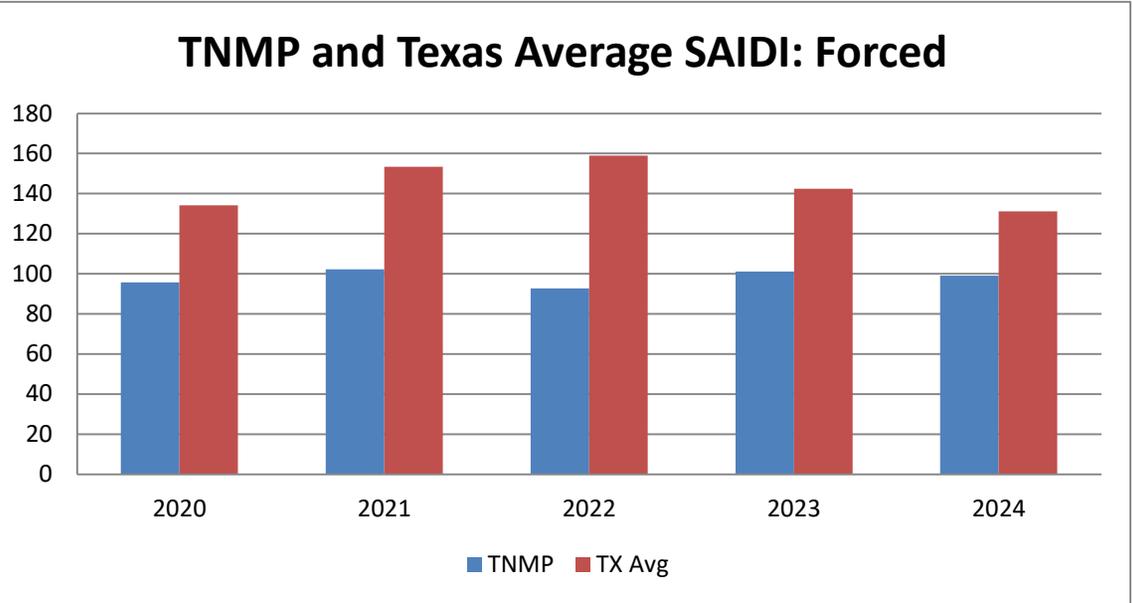
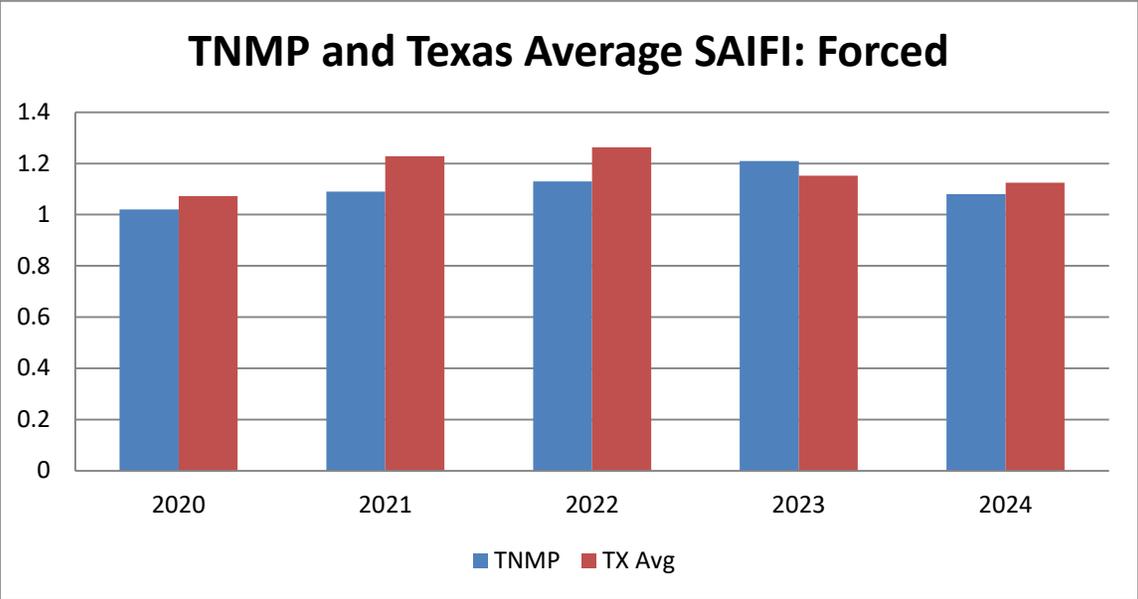
TEXAS-NEW MEXICO POWER COMPANY
TEST YEAR ENDING 6/30/2025
DOCKET NO. 58964
SUMMARY OF RATE CASE CHANGES
SPONSOR: NEAL WALKER

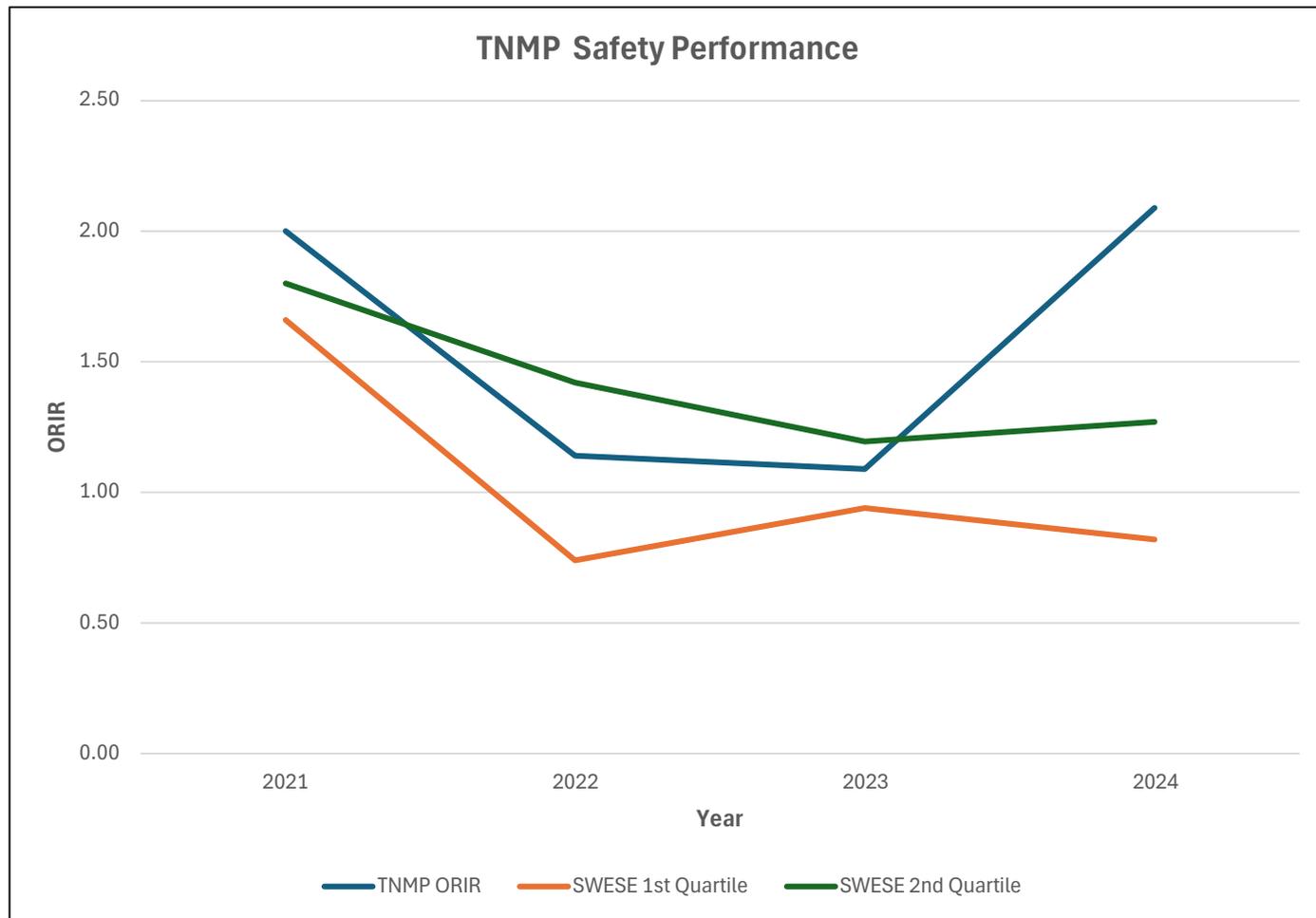
EXHIBIT JNW-2
PAGE 3 OF 3

Change

			Company	Transmission	Distribution	Metering	Billing	T&D Customer	
	Description	Reference	Total	Function	Function	Function	Function	Service	Total
Line		Schedule	Request	(TRAN)	(DIST)	(MET)	(TBILL)	(TDCS)	TX-Retail
No.									
1	Operating and Maintenance Expenses	II-D-2	118,989,706	2,737,273	118,069,499	(3,229,940)	2,017,014	(604,141)	116,252,433
2	Depreciation & Amortization Expenses	II-E-1	77,910,441	40,557,099	43,150,573	(5,256,301)	(14,740)	(526,190)	37,353,342
3	Taxes Other Than Federal Income Tax	II-E-2	20,904,106	9,113,885	11,611,081	130,580	124,881	(76,322)	11,790,221
4	Federal Income Tax	II-E-3	37,760,188	16,855,640	19,530,664	1,270,536	21,250	82,097	20,904,547
5									
6	Return on Rate Base	II-B	153,824,887	72,962,057	76,681,364	4,032,174	43,215	106,078	80,862,830
7									
8	TOTAL COST OF SERVICE		409,389,327	142,225,954	269,043,181	(3,052,951)	2,191,621	(1,018,479)	267,163,373
12	Other Non-Bypassable Charges	II-E-4	(3,400,815)	201,732	(5,226,761)	1,624,860	(158)	(489)	(3,602,547)
13									
14	Minus: Other Revenues	II-E-5	(15,405,460)	(6,394,661)	(8,486,623)	(492,634)	(6,399)	(25,143)	(9,010,799)
15									
16	TOTAL ADJUSTED REVENUE REQUIREMENT		390,583,052	136,033,025	255,329,797	(1,920,725)	2,185,065	(1,044,110)	254,550,026

TNMP Reliability Performance



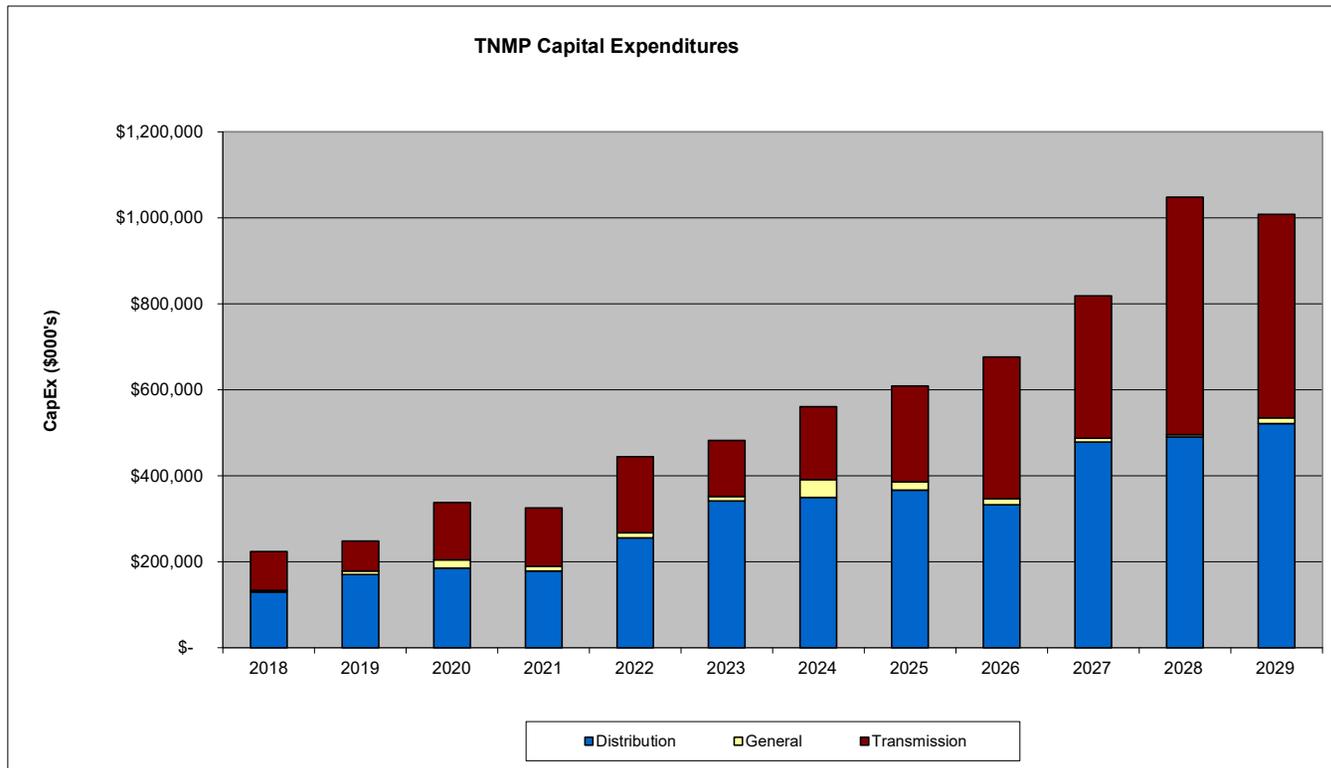


Company	Transmission Operations	Transmission Maintenance	Distribution Operations	Distribution Maintenance	Total T&D O&M	Points of Delivery	T&D O&M per POD
TNMP	3,833,552	622,437	13,547,165	20,369,134	38,372,288	279,346	137.36
AEP Texas	45,473,996	135,098	89,364,055	53,626,207	188,599,355	1,122,118	168.07
Centerpoint	24,012,064	24,470,338	106,100,153	231,101,696	385,684,251	2,812,185	137.15
Oncor	103,071,595	28,781,722	187,831,046	210,608,082	530,292,445	4,045,801	131.07

Source: Docket No. 57406
Earnings Monitoring Reports

**Texas-New Mexico Power Company
Capital Expenditures
2018 - 2029
\$ x 1,000**

	2018	2019	2020	2021	2022	2023	2024	-----Budget-----				
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Transmission	\$ 90,118	\$ 69,856	\$ 132,996	\$ 135,583	\$ 177,231	\$ 129,790	\$ 169,668	\$ 223,421	\$ 330,025	\$ 330,903	\$ 552,688	\$ 473,351
Distribution	\$ 129,254	\$ 170,714	\$ 185,443	\$ 178,070	\$ 255,720	\$ 341,275	\$ 349,362	\$ 366,621	\$ 332,870	\$ 478,823	\$ 490,191	\$ 521,348
General Plant	\$ 4,514	\$ 7,381	\$ 19,120	\$ 11,342	\$ 11,558	\$ 10,980	\$ 41,872	\$ 19,063	\$ 13,537	\$ 8,730	\$ 5,185	\$ 13,080
Total	\$ 223,886	\$ 247,952	\$ 337,559	\$ 324,996	\$ 444,510	\$ 482,045	\$ 560,902	\$ 609,106	\$ 676,432	\$ 818,456	\$ 1,048,064	\$ 1,007,780



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

WORKPAPERS FOR
THE DIRECT TESTIMONY OF
JAMES NEAL WALKER

None of Mr. Walker's workpapers are voluminous under RFP General Instruction No. 12(c).

TNMP Reliability Performance

<u>SAIFI</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Avg.</u>
TNMP	1.02	1.09	1.13	1.21	1.08	1.11
AEP Texas Inc.	1.25	1.26	1.26	1.24	1.24	1.25
Centerpoint	1.14	1.21	1.41	1.38	1.48	1.32
Entergy	1.32	1.46	1.73	1.41	1.36	1.46
El Paso	0.53	0.66	0.55	0.79	0.53	0.61
Oncor	0.81	0.82	0.78	0.68	0.77	0.77
Oncor - Sharyland	1.32	1.99	1.77	1.32	1.41	1.56
SPS	0.63	0.74	0.78	0.76	0.84	0.75
SWEPCO	1.58	1.68	1.82	1.64	1.37	1.62
TX Avg	1.07	1.23	1.26	1.15	1.12	1.17

<u>SAIDI</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Avg.</u>
TNMP	95.67	102.31	92.73	101.20	98.99	98.18
AEP Texas Inc.	146.54	148.40	140.15	147.14	138.79	144.20
Centerpoint	122.03	135.94	164.65	140.16	138.53	140.26
Entergy	228.90	220.70	274.60	239.40	213.20	235.36
El Paso	48.57	118.74	47.16	81.16	44.67	68.06
Oncor	71.23	68.75	67.45	62.38	67.28	67.42
Oncor - Sharyland	170.57	236.05	227.92	165.42	186.36	197.26
SPS	71.64	84.01	84.76	86.34	97.39	84.83
SWEPCO	214.02	214.31	264.85	217.22	163.43	214.77
TX Avg	134.19	153.36	158.94	142.40	131.21	144.02

Source: Docket Nos. 51730 52946 54467 56005 57478