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November 23, 2020

Ms. Melanie Sandoval
Records Bureau Chief
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New Mexico Public Regulation Commission
P.O. Box 1269
Santa Fe, NM 87504

Subject: *Joint Application of Avangrid, Inc., Avangrid Networks, Inc., NM Green Holdings, Inc., Public Service Company of New Mexico and PNM Resources, Inc. for Approval of the Merger of NM Green Holdings, Inc. with PNM Resources, Inc.; Approval of a General Diversification Plan; and All Other Authorizations and Approvals Required to Consummate and implement This Transaction ("Joint Application")*

Dear Ms. Sandoval:

Please find attached via e-mail the Joint Application and the supporting Direct Testimony and Exhibits of the following witnesses: Pedro Azagra Blazquez, Robert D. Kump, Joseph D. (Don) Tarry, Ronald N. Darnell and Ellen Lapson.

The Joint Application and testimonies provide all necessary representations and regulatory commitments in support of the requested approval of the proposed merger transactions and general diversification plan. A summary list of the specific regulatory commitments being made by the Joint Applicants can be found in exhibit form as part of the Direct Testimony and Exhibits of Robert D. Kump.

Attached with the electronic transmittal is a copy of the check in the amount of $25.00 for the filing fee. The filing fee will be mailed to the Commission's P.O. Box listed above. If you have any questions regarding this filing, please feel free to contact me at 505-241-2498.

Respectfully,

/s/ Mark Fenton

Mark Fenton
Executive Director, PNM Regulatory Policy and Case Management

Cc: Certificate of Service

GCG#527311

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF AVANGRID, INC., AVANGRID NETWORKS, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC. FOR APPROVAL OF THE MERGER OF NM GREEN HOLDINGS, INC. WITH PNM RESOURCES, INC.; APPROVAL OF A GENERAL DIVERSIFICATION PLAN; AND ALL OTHER AUTHORIZATIONS AND APPROVALS REQUIRED TO CONSUMMATE AND IMPLEMENT THIS TRANSACTION	)	**Case No. 20-00_____-UT**
AVANGRID, INC., AVANGRID NETWORKS, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC.,	)	
JOINT APPLICANTS.	)	

JOINT APPLICATION

Avangrid, Inc. ("Avangrid"), a New York corporation, Avangrid Networks, Inc. ("Networks"), a Maine Corporation, NM Green Holdings, Inc. ("NM Green"), a New Mexico corporation, Public Service Company of New Mexico ("PNM"), a New Mexico corporation, and PNM Resources, Inc. ("PNMR"), a New Mexico corporation (collectively, "Joint Applicants") respectfully apply to the New Mexico Public Regulation Commission ("NMPRC" or the "Commission") for approval of (1) the merger of NM Green with and into PNMR, under NMSA 1978, Sections 62-6-12 and 62-6-13, following which PNMR will be the surviving corporation and will be a wholly-owned subsidiary of Avangrid ("Merger"); (2) Avangrid's transfer of 100% ownership in PNMR to Networks subsequent to the Merger (together with the Merger, the "Proposed Transaction"); (3) PNM's 2021 General Diversification Plan ("2021 GDP"), which

replaces any previous diversification plans and is filed in connection with the Class II transaction contemplated by the Proposed Transaction pursuant to 17.6.450 NMAC ("Rule 450"); and (4) such other and further approvals, consents, authorizations, and relief that may be required under the New Mexico Public Utility Act (the "PUA"), including a limited variance to information required to be provided by Rule 450.10(B)(1) and Rule 450.13(A)(2), to consummate and implement the Proposed Transaction.

In support of this Joint Application, the Joint Applicants state as follows:

I. INTRODUCTION AND DESCRIPTION OF THE JOINT APPLICANTS

1. On October 20, 2020, PNMR, Avangrid and NM Green, a wholly owned subsidiary of Avangrid, entered into an Agreement and Plan of Merger (the "Merger Agreement"). The Merger Agreement is attached as JA Exhibit PAB-3 to the Direct Testimony of Joint Applicant Witness Pedro Azagra Blazquez. Under the Merger Agreement, NM Green will merge with and into PNMR, with PNMR surviving the Merger as a wholly-owned subsidiary of Avangrid. Thereafter, Avangrid will transfer all of its ownership in PNMR to Networks. PNM and TNP Enterprises, Inc., which holds Texas-New Mexico Power Company, a Texas corporation ("TNMP"), are wholly owned subsidiaries of PNMR, and will become indirect subsidiaries of Avangrid upon the closing of the Proposed Transaction.

2. **Avangrid.** Avangrid's common stock is publicly traded on the New York Stock Exchange ("NYSE"). Avangrid is a leading, sustainable energy company with approximately $36 billion in assets and operations in 24 U.S. states. Avangrid has two primary lines of business through two intermediate holding companies: (i) Networks and (ii) Avangrid Renewables Holdings, Inc. ("Avangrid Renewables"). Networks indirectly owns eight electric and natural gas

utilities, serving more than 3.3 million customers in New York and New England. Avangrid Renewables indirectly owns and operates a portfolio of renewable energy generation facilities across the United States. Avangrid Renewables is the third largest wind power operator in the United States, and has approximately 7.5 gigawatts of wind and solar energy capacity. Avangrid Renewables owns and operates a portfolio of renewable energy generation facilities across the United States, including in New Mexico, which are separate and distinct from Avangrid's public utility holdings. Avangrid supports the U.N.'s Sustainable Development Goals and was named among the World's Most Ethical Companies in 2019 and 2020 by the Ethisphere Institute. In October of this year, Avangrid was named one of America's Most Just Companies on the annual Forbes JUST 100 list, and was ranked number one within the utility industry for its commitment to the environment and the communities it serves.

3. Iberdrola, S.A. ("Iberdrola") owns 81.5% of Avangrid's stock**.** Iberdrola is a global energy holding company based in Bilbao, Spain, and is a world leader in renewable energy. The Iberdrola companies provide utility services to approximately 32 million points of supply world-wide, and has operations in dozens of countries on four continents.

4. Avangrid is filing as a Joint Applicant because it will become an indirect public utility holding company of PNM if the Proposed Transaction is approved and consummated. Avangrid's principal office is located at 180 Marsh Hill Road, Orange, Connecticut 06477.

5. **Networks.** Networks is wholly owned by Avangrid. Networks owns eight electric and natural gas utilities in the Northeast U.S., and serves approximately 3.3 million customers in New York and New England. Promptly after the Merger is completed, Avangrid will transfer 100% ownership in PNMR to Networks.

6. Networks is filing as a Joint Applicant because it will become an indirect holding company of PNM. Networks' principal office is located at 180 Marsh Hill Road, Orange, Connecticut 06477.

7. **NM Green.** NM Green was formed as a direct and wholly-owned subsidiary of Avangrid for the sole purpose of entering into the Merger Agreement and completing the plan of merger as detailed in the Merger Agreement, whereby NM Green will merge with and into PNMR, with PNMR as the surviving business entity.

8. NM Green is filing as a Joint Applicant because it seeks to merge with PNMR as part of the Merger and Proposed Transaction. NM Green's principal office is located at 180 Marsh Hill Road, Orange, Connecticut 06477.

9. **PNMR.** PNMR is an investor-owned public utility holding company and its common stock is publicly traded on the NYSE. PNMR owns two regulated utility subsidiaries providing electricity and electric services in New Mexico and Texas: PNM and TNMP.

10. PNMR is filing as a Joint Applicant because it is the sole shareholder of and the utility holding company for PNM, and wishes to merge with NM Green as part of the Merger and Proposed Transaction. PNMR's principal office is located at 414 Silver Ave., SW, Albuquerque, New Mexico 87102.

11. **PNM.** PNM is a wholly-owned subsidiary of PNMR and is an authorized public utility under the PUA. PNM is, and will continue to be, a public utility subject to the jurisdiction and regulatory authority of the Commission. PNM serves approximately 530,000 customers in New Mexico. PNM is a vertically-integrated utility. Its current generation portfolio includes a mix of renewable wind, solar, and geothermal resources and small-scale energy storage, as well as natural gas plants, and partial interests in coal and nuclear facilities.

12. PNM is filing as a Joint Applicant because it is the certificated public utility that is indirectly being acquired by Avangrid. PNM's principal office is located at 414 Silver Ave., SW, Albuquerque, New Mexico 87102.

13. If approved, the Proposed Transaction will result in PNM remaining a wholly-owned and direct subsidiary of PNMR, and a subsidiary of Avangrid. Avangrid recognizes the value that local management's knowledge and expertise bring to serving the communities in which PNM operates, and PNM will continue to be overseen by New Mexico-based management and its headquarters will remain in Albuquerque, New Mexico. PNM will continue providing regulated electric utility service to customers in New Mexico subject to the jurisdiction and regulatory authority of the Commission.

14. The Proposed Transaction provides numerous benefits to PNM's customers, employees, and the communities served by PNM, as more fully described in Section IV below.

15. In support of this Joint Application, Joint Applicants submit the Direct Testimonies and Exhibits of the following witness:

- Pedro Azagra Blazquez, Chief Development Officer of Iberdrola, and a Director on Avangrid's Board of Directors
- Robert D. Kump, Deputy Chief Executive Officer and President of Avangrid
- Joseph D. Tarry, Senior Vice President and Chief Financial Officer for PNMR
- Ronald N. Darnell, Senior Vice President, Public Policy for PNM
- Ellen Lapson, CFA, of Lapson Advisory

16. The following designated corporate representatives and attorneys for Avangrid, Networks, NM Green, PNMR, and PNM should receive all notices, pleadings, discovery requests, objections and responses, briefs, and all other documents related to this case:

For Avangrid, Networks, and NM Green:

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For PNMR and PNM:

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Electronic service should be made as follows:

bjh@keleher-law.com; david.schwartz@lw.com; Scott.Mahoney@avangrid.com;

stacey.goodwin@pnmresources.com; ralvidrez@mstlaw.com; mark.fenton@pnm.com;

carey.salaz@pnm.com.

II. DESCRIPTION OF THE TRANSACTION

17. The Proposed Transaction will occur in two steps. The first step is the Merger, which will occur in accordance with the Merger Agreement. Pursuant to the Merger Agreement, NM Green will merge with and into PNMR, with PNMR as the surviving business entity. PNM will remain the direct and wholly-owned subsidiary of PNMR, and Avangrid will become the indirect parent of PNM.

18. All common stock of PNMR outstanding at the closing of the Merger will be cancelled and converted to the right to receive $50.30 per share in cash, except for any common stock held by Avangrid, NM Green, PNMR, or any wholly-owned subsidiary of Avangrid or PNMR, which stock shall be automatically cancelled. The total payment for the purchase of the PNMR common stock is approximately $4.318 billion. PNMR's common stock will be delisted from the NYSE.

19. The respective boards of directors of Avangrid and PNMR have each unanimously approved the Merger Agreement. The PNMR board of directors recommends that the shareholders of PNMR vote in favor of the Merger.

20. PNM will remain a wholly-owned subsidiary of PNMR and will continue as a New Mexico corporation and public utility subject to the jurisdiction of the Commission.

21. The Merger will close after all regulatory approvals are received and all conditions for closing have been met, including receipt of approval from PNMR's shareholders as set forth in the Merger Agreement. In addition to this Joint Application, jurisdictional approvals are being requested from the Public Utility Commission of Texas, the Federal Energy Regulatory Commission, and the United States Nuclear Regulatory Commission. An antitrust review will be filed pursuant to the Hart-Scott-Rodino Antitrust Improvements Act, to be reviewed by the United

States Department of Justice, and a filing will be made with the inter-agency Committee on Foreign Investment in the United States. A filing with the Federal Communications Commission will also be made regarding the licenses maintained by PNM and TNMP, due to the change in ownership.

22. As the second step in the Proposed Transaction, Avangrid will transfer 100% ownership in PNMR to Networks, which is the corporate entity Avangrid uses to hold all of its public utility interests. This transfer is expected to occur within one week following closing.

23. Joint Applicants seek to have all regulatory approvals (including approval from this Commission) granted as soon as reasonably possible so that they can close the Proposed Transaction as promptly as possible, subject to the approval of PNMR's shareholders and other customary closing conditions.

24. Joint Applicants state and represent that the Proposed Transaction will not:

a. Change PNM's legal status as a public utility that is regulated by the NMPRC under the PUA;

b. Affect PNM's ability to provide reasonable and proper electric utility service at fair, just, and reasonable rates; or

c. Affect the NMPRC's authority and ability to supervise and regulate PNM's rates and service.

III. PNM'S GENERAL DIVERSIFICATION PLAN

25. Joint Applicants also request Commission approval of the 2021 GDP, attached as JA Exhibit RND-2 to the Direct Testimony of Ronald N. Darnell. The 2021 GDP contains the information required by NMPRC Rule 450 for the Class II transaction establishing Avangrid, Networks, and Iberdrola as indirect public utility holding companies of PNM. Joint Applicants seek a limited variance from Rule 450.10(B)(1) and 450.13(A)(2) with regard to Iberdrola

subsidiaries and affiliates. The testimony of Joint Applicant Witness Ronald N. Darnell further addresses the commitments of Rule 450 and the 2021 GDP.

26. Joint Applicants make the following affirmations required by Rule 450:

a. The books and records of PNM will be kept separate from those of non-regulated businesses and other affiliated interests of PNM, including those of PNMR, Networks, Avangrid, and Iberdrola and in accordance with the Uniform System of Accounts;

b. The Commission and its Staff will have access to the books, records, accounts or documents of PNM, its corporate subsidiaries and its holding companies, including PNMR, Networks, Avangrid, and Iberdrola, pursuant to NMSA 1978, §§ 62-6-17 and 62-6-19;

c. The supervision and regulation of PNM pursuant to the PUA will not be obstructed, hindered, diminished, impaired, or unduly complicated;

d. PNM will not pay excessive dividends to PNMR as the public utility holding company for PNM, and PNMR will not take any action which will have an adverse and material effect on PNM's ability to provide reasonable and proper service at fair, just, and reasonable rates;

e. PNM will not without prior approval of the Commission:

i. loan its funds or securities or transfer similar assets to any affiliated interest; or
ii. purchase debt instruments of any affiliated interests or guarantee or assume liabilities of any affiliated interests;

f. All applicable statutes, rules, or regulations, federal or state, have been or will be complied with;

g. If required by the Commission, PNM will have an allocation study (which will not be charged to ratepayers) performed by a consulting firm chosen by and under the direction of the Commission; and

h. If required by the Commission, PNM will have a management audit (which will not be charged to ratepayers) performed by a consulting firm chosen by and under the direction of the Commission to determine whether there are any adverse effects of Class II transactions upon PNM.

27. Joint Applicants affirm that the GDP filed with this Joint Application is in the public interest because the level of investment being made by Avangrid is reasonable; and PNM's

ability to provide reasonable and proper utility service at fair, just, and reasonable rates will not be adversely and materially affected by the Proposed Transaction, or its resulting effects. Joint Applicants further affirm that the standards and representations under Rule 450.10 will be maintained.

28. The Joint Application, supporting testimony and GDP demonstrate that the resulting effect of the requested Class II transaction will not materially and adversely affect PNM's ability to provide reasonable and proper utility service at fair, just and reasonable rates as required pursuant to NMSA 1978, Section 62-6-19(C)(2).

IV. BENEFITS OF THE PROPOSED TRANSACTION AND ASSURANCE OF CONTINUED REASONABLE AND PROPER SERVICE AT FAIR, JUST, AND REASONABLE RATES

29. The Proposed Transaction provides the following benefits and protections to PNM's customers, employees, and the communities PNM serves:

A. PNM will provide rate credits to its customers in the total amount of $24.6 million over a three-year period following closing of the Proposed Transaction.

B. PNM and PNMR's charitable contributions in New Mexico will be maintained at historical levels for a minimum of three years following the closing of the Proposed Transaction, with a similar expectation for the PNM Resources Foundation's separate charitable activities.

C. PNM will maintain its existing low-income customer assistance programs, including PNM's contributions to the Good Neighbor Fund, for a minimum of three years following the closing of the Proposed Transaction.

D. Joint Applicants will create or bring an additional 100 full-time jobs to New Mexico over the three years following the closing of the Proposed Transaction.

E. There will be no involuntary employee terminations except for cause or performance (other than reductions associated with the planned closure of the San Juan Generating Station) for a minimum of two years following the closing of the Proposed Transaction.

F. Joint Applicants will not implement any reductions in wages or terms and conditions of non-union employment in effect prior to the Proposed Transaction for a minimum of two years following the closing of the Proposed Transaction.

G. Joint Applicants will honor current collective bargaining agreements.

H. Joint Applicants will make contributions to economic development projects or programs in New Mexico, at shareholder expense, totaling $2.5 million over the two-year period following closing of the Proposed Transaction.

I. PNM will invest in its system to ensure reliability and safety.

J. Avangrid will maintain the indirect controlling ownership interest in PNM for not less than five years following the closing of the Proposed Transaction.

K. Avangrid will extinguish all debt at PNMR after closing, which will improve the credit metrics at PNMR;

L. Joint Applicants are committed to local management and will implement the following after the closing of the Proposed Transaction:

i The board of directors for PNM will include at least two local leaders from New Mexico;

ii. PNM board of directors meetings will be held in New Mexico or virtually;

iii. PNM's day-to-day operations will be conducted by PNM's local management and employees, and PNM's local management will continue to establish company priorities and respond to local conditions; and

iv. PNM's headquarters will remain in Albuquerque, New Mexico, for so long as Avangrid owns PNM.

30. Joint Applicants further commit and agree to the following financial and regulatory oversight protections following the closing of the Proposed Transaction:

A. PNM will maintain a separate name and logo from Avangrid, Iberdrola and their respective subsidiaries and affiliates. However, the Avangrid name and logo may be appended for branding purposes, *e.g.,* "An Avangrid Company" or other words to similar effect.

B. Neither PNM's assets nor revenues will be pledged by any affiliates for the benefit of any entity other than PNM.

C. PNM will not lend to or borrow funds from any affiliates, other than as permitted by the Commission.

D. PNM will not share credit facilities with any affiliates, other than as approved by the Commission.

E. PNM will not include in any of its debt or credit agreements any cross-default provisions relating to any affiliates.

F. The Joint Applicants will take such actions as necessary to ensure the existence of PNM's stand-alone bond credit and debt ratings.

G. PNM will maintain accurate, appropriate, and detailed books, financial records and accounts, including checking and other bank accounts, and custodial and other securities safekeeping accounts that are separate and distinct from those of any other entity.

H. PNM will not pay dividends, except for contractual tax payments, at any time that PNM's debt rating is below investment grade with any one of the credit agencies rating PNM, absent Commission approval.

I. PNM will provide at least 15 days' notice to the Commission before making any dividend payments.

J. PNM will not acquire or transfer any material assets from or to any affiliates, except in an arm's length transaction and in accordance with the Commission's affiliate transaction standards and requirements.

K. Joint Applicants commit that PNM will not, directly or indirectly, seek to recover in any future rate case, any acquisition premium, transaction costs, or merger transition costs resulting from the Proposed Transaction and allocated to PNM.

L. Neither PNM nor PNMR will take on any new debt in conjunction with the Proposed Transaction.

M. The Commission and its staff will have access to the books, records, accounts or documents of PNM, its corporate subsidiaries and its holding companies, including PNMR, Networks, Avangrid, and Iberdrola, pursuant to NMSA 1978, Sections 62-6-17 and 62-6-19.

N. Commission jurisdiction over PNM remains and will not be adversely affected in any manner by the Proposed Transaction, as PNM will continue to abide and to be bound by existing applicable NMPRC rules, regulations, and orders.

O. PNM will continue to abide and be bound by the commitments set forth in all stipulations that are currently in effect until the commitments expire on their own accord or the Commission enters orders that supersede such commitments.

31. The Proposed Transaction and related commitments maintain or strengthen existing benefits and protections to ensure PNM will continue to provide reasonable and proper utility service at fair, just, and reasonable rates.

32. With its strong track record of the development of renewable and sustainable energy, Avangrid is uniquely situated to support PNM's transformation of its generation portfolio to carbon-free resources. The Proposed Transaction will enhance PNM's ability to transform its generation portfolio to meet the requirements of the Energy Transition Act and other renewable energy and sustainability initiatives.

33. As part of Avangrid, PNM will have the support of a well-qualified, financially strong parent with greater access to capital markets, which may provide additional indirect financial benefits to PNM's operations, which will, in turn, help secure PNM's ability to provide cost-effective and reliable service to the communities it serves.

34. As a part of Avangrid, PNM may have access to more efficient and cost-effective procurement of necessary materials, equipment, and services.

35. PNM will have access to best practices from Avangrid and Iberdrola.

36. PNM will continue to provide reasonable and proper utility service at fair, just, and reasonable rates because the Proposed Transaction will not result in any material or adverse effect on the operations of PNM.

37. The specific commitments of the Joint Applicants and benefits of the Proposed Transaction are identified in the Merger Agreement, GDP, and witness testimonies.

V. SERVICE AND NOTICE OF APPLICATION

38. Joint Applicants will serve a copy of this Joint Application and supporting direct testimony and Exhibits on the parties to PNM's last rate case: NMPRC Case No. 16-00276-UT, including the New Mexico Attorney General, and will provide public notice of this filing in accordance with the requirements of the PUA, the Commission's Rules of Practice and Procedure, and the directives of the Commission. Joint Applicant's Proposed Form of Notice to Customers is attached as Exhibit A.

VI. REQUESTED APPROVALS AND AUTHORIZATIONS FOR THE TRANSACTION

39. Pursuant to NMSA 1978, Section 62-6-13, upon the filing of an Application for merger, "the commission shall promptly investigate the same, with such hearing and upon such notice as the commission may prescribe, and unless the commission shall find that the proposed transaction is unlawful or is inconsistent with the public interest, it shall give its consent and approval in writing."

40. Joint Applicants request that the Commission approve the Proposed Transaction, pursuant to NMSA 1978, Sections 62-6-12 and 62-6-13, of the merger of NM Green with and into PNMR, the acquisition of PNMR by Avangrid under the Merger Agreement, and the transfer of PNMR to Networks as lawful and not inconsistent with the public interest.

41. Pursuant to Rule 450.10 and NMSA 1978, Section 62-6-19(C)(2), Joint Applicants request approval of PNM's 2021 GDP in order to engage in the proposed merger and associated Class II transaction of forming new indirect public utility holding companies of PNM. Approval of the 2021 GDP is in the public interest because PNM's ability to provide reasonable and proper utility service at fair, just, and reasonable rates will not be adversely and materially affected by the

proposed Class II transaction or its resulting effect; the representations required by Rule 450.10 have been made; the information required by Rule 450.10 has been provided; and the level of investment for the proposed Class II transaction is reasonable.

42. Pursuant to Rule 450.19(D), Joint Applicants request approval of a limited variance from Rule 450.10(B)(1) and Rule 450.13(A)(2), with respect to the provision of information pertaining to affiliates and subsidiaries of Iberdrola.

WHEREFORE, in order to complete the Proposed Transaction and related merger, Joint Applicants request that the Commission grant the following approvals and authorizations:

A. Approve the Proposed Transaction authorizing: (1) NM Green to merge with and into PNMR, with PNMR as the surviving business entity; and (2) PNMR to be transferred to Networks, such that PNMR would become a direct wholly-owned subsidiary of Networks and an indirect wholly-owned subsidiary of Avangrid;

B. Approve PNM's 2021 GDP pursuant to Rule 450, and the requested variance thereto, thereby allowing the requested Class II transaction; and

C. Grant such other approvals, authorizations, consents, and relief as the Commission deems necessary and appropriate to consummate and implement to Proposed Transaction, PNM's GDP, and related transactions.

Respectfully submitted this 23rd day of November 2020,

AVANGRID, INC., AVANGRID NETWORKS, INC., AND NM GREEN HOLDINGS, INC.

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PUBLIC SERVICE COMPANY OF NEW MEXICO

/s/ Stacey Goodwin
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GCG#527320

EXHIBIT A

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF AVANGRID, INC., AVANGRID NETWORKS, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC. FOR APPROVAL OF THE MERGER OF NM GREEN HOLDINGS, INC. WITH PNM RESOURCES, INC.; APPROVAL OF A GENERAL DIVERSIFICATION PLAN; AND ALL OTHER AUTHORIZATIONS AND APPROVALS REQUIRED TO CONSUMMATE AND IMPLEMENT THIS TRANSACTION	)	**Case No. 20-___-UT**
AVANGRID, INC., AVANGRID NETWORKS, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC.,	)	
JOINT APPLICANTS.	)	

NOTICE

NOTICE is hereby given of the following proceeding and hearing pertaining to proposed merger and acquisition actions involving Public Service Company of New Mexico ("PNM") in the above-captioned case pending before the New Mexico Public Regulation Commission ("Commission" or NMPRC):

On November 23, 2020, the Joint Applicants identified hereafter filed a Joint Application with the Commission requesting approval of a Merger Agreement (together with related action and documents, the "Proposed Transaction"). The Joint Applicants are: Avangrid, Inc. ("Avangrid"), a New York corporation; Avangrid Networks, Inc. ("Networks"), a Maine Corporation; NM Green Holdings, Inc. ("NM Green"), a New Mexico corporation; PNM, a New Mexico corporation; and PNM Resources, Inc. ("PNMR"), a New Mexico corporation. Specifically, approvals are sought for (1) the

merger of NM Green with and into PNMR, under NMSA 1978, Sections 62-6-12 and 62-6-13, following which PNMR will be the surviving corporation and will be a wholly-owned subsidiary of Avangrid ("Merger"); (2) Avangrid's transfer of 100% ownership in PNMR to Networks subsequent to the Merger; (3) PNM's 2021 General Diversification Plan ("2021 GDP"), which replaces any previous diversification plans and is filed in connection with the Class II transaction contemplated by the Proposed Transaction pursuant to 17.6.450 NMAC ("Rule 450"), together with requested limited variances to Rule 450; and (4) such other and further approvals, consents, authorizations, and relief that may be required under the New Mexico Public Utility Act.

The approval of the Commission is required for the Merger and the Proposed Transaction, and PNM's 2021 GDP and limited variances to Rule 450, all as fully described in the Application and supporting testimonies and exhibits.

PNM is certified and authorized to conduct the business of providing public utility service within the State of New Mexico, provides electric utility service within the State of New Mexico, and is a public utility as defined by the Public Utility Act.

The Commission has assigned Case No. 20-_____-UT to the Joint Application and all correspondence, pleadings, and other communications shall refer to that case number. The present schedule for this case is as follows:

Any person desiring to intervene to become a party ("intervenor") shall file a motion for leave to intervene in conformity with Commission Rules of Procedure l.2.2.23(A) and l.2.2.23(B) NMAC on or before <<Month Day, Year>>.

The Commission's Utility Division Staff shall, and any intervenor may, file Direct Testimony on or before <<Month Day, Year>>.

Rebuttal Testimony may be filed on or before <<Month Day, Year>>.

Any person whose testimony has been filed shall attend the hearing and submit to examination under oath. Parties and interested persons should read the Procedural Order issued on <<Month Day, Year>>, to learn more procedural deadlines for this case.

Public comment shall be taken at the commencement of the public hearing in this matter on <<Month Day, Year>> at 9:00 a.m. MST. As part of the public hearing, public comment will be taken via the Zoom platform. Therefore, persons interested in providing public comment must request a Zoom invitation by emailing Ana Kippenbrock at Ana.Kippenbrock@state.nm.us by no later than 5:00 p.m. MDT on <<Month Day, Year>>. Public comments shall be limited to 3 minutes per speaker. Public comment shall not be considered as evidence in this case.

In lieu of public comment, interested persons may also submit written comments to the Commission at the email address specified below. Written comments shall reference NMPRC Case No. 20-_____-UT, and shall be to the Commission via its Records Bureau's email address, as set out on the Commission's webpage, at: prc.records@state.nm.us. Written comments will not be considered as evidence in this proceeding. See 1.2.2.23(F) NMAC. New Mexico Public Regulation Commission. Interested persons may also send written comments, which shall reference Case No. 20-_____ -UT, to the Commission at the following mailing address:

New Mexico Public Regulation Commission
P.O. Box 1269 Santa Fe
NM 87504-1269

The procedural dates and requirements provided herein are subject to further order of the Commission or Hearing Examiner. Interested persons should contact the

Commission at 505-827-6956 for confirmation of the hearing date, time and place since hearings are occasionally rescheduled.

The Commission's Rules of Procedure, 1.2.2 NMAC, apply except as modified by order of the Commission or Hearing Examiner. A copy of such Rules may be obtained from the offices of the Commission at the address set out below and are available at the official NMAC website, http://www.nmprc.state.nm.us/nmac/.

Any interested person may examine the Joint Application filed in this case at PNM's offices, 414 Silver Avenue, SW, Albuquerque, New Mexico, telephone number 505-241-2700, on PNM's website https://pnm.com/regulatory or contact the Commission, telephone number 505-827-1269, 888-427-5772; or access the Commission's website at https://edocket.nmprc.state.nm.us. This case has been docketed as Case No. 20-_____-UT and any inquiries should refer to that number.

Anyone filing pleadings, documents or testimony in this case shall, until further notice, comply with the Commission's electronic filing policy, as amended from time to time. This includes filings in .pdf format, with electronic signatures, sent to the Records Bureau's email address, as set out on the Commission's website, at: prc.records@state.nm.us within regular business hours of the due date, in order to be considered timely filed. Documents received after regular business hours will be considered as being filed the next business day. Regular business hours are from 8:00 a.m. to 5:00 p.m. Mountain Time (MT). Parties shall serve a copy on all parties of record and Staff. All filings shall be emailed on the date they are filed with the Commission. In addition, all filings shall be emailed to the Hearing Examiner on the date filed at <<Hearing Examiner E-mail Address>> by no later than 5:00 p.m. MT. Such emailing shall include the Word or other native version of the filing (e.g.,

Excel or Power Point) if created in such format. Any filings not emailed to the Hearing Examiner in compliance with the requirements of this Order are subject to being summarily rejected and stricken from the record in the Hearing Examiner's discretion.

Any person with a disability requiring special assistance in order to participate in this proceeding should contact the offices of the Commission at least 24 hours prior to the commencement of the hearing.

ISSUED at Santa Fe, New Mexico, this _____ day of _____, 2020.

NEW MEXICO PUBLIC REGULATION COMMISSION

_____

Hearing Examiner

GCG#527328

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF AVANGRID, INC., AVANGRID NETWORKS, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC. FOR APPROVAL OF THE MERGER OF NM GREEN HOLDINGS, INC. WITH PNM RESOURCES, INC.; APPROVAL OF A GENERAL DIVERSIFICATION PLAN; AND ALL OTHER AUTHORIZATIONS AND APPROVALS REQUIRED TO CONSUMMATE AND IMPLEMENT THIS TRANSACTION	)	**Case No. 20-_____-UT**
AVANGRID, INC., AVANGRID NETWORKS, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC.,	)	
JOINT APPLICANTS.	)	

DIRECT TESTIMONY AND EXHIBITS

OF

PEDRO AZAGRA BLAZQUEZ

November 23, 2020

NMPRC CASE NO. 20-00____-UT
INDEX TO THE DIRECT TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ

DIRECT TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE No. 20 -_____-UT

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Pedro Azagra Blazquez. I am the Chief Development Officer and a Member of the Executive Committee of Iberdrola, S.A. ("Iberdrola"). I am also a member of the Board of Directors for Avangrid, Inc. ("Avangrid").

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of the Joint Applicants, Avangrid, Avangrid Networks, Inc., ("Networks") and NM Green Holdings, Inc. ("NM Green").

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND, PROFESSIONAL QUALIFICATIONS, EXPERIENCE AND RESPONSIBILITIES.

A. I have a business degree and a law degree from Icade University in Madrid, and a Master of Business Administration from the University of Chicago. I am currently a professor of Corporate Finance and Mergers and Acquisitions at Universidad Pontificia de Comillas – ICADE, Madrid, Spain.

I worked at Morgan Stanley from 1992 to 1996 in the Investment Banking Division in London. I then joined Iberdrola where I have worked in various positions over the last twenty-four years, until my current position. As Chief Development Officer, I am

responsible for many of Iberdrola's corporate activities, including all non-organic growth transactions, such as mergers, acquisitions and divestitures, as well as the strategic planning of such transactions. I have been responsible for the execution and integration of certain large Iberdrola transactions, including the acquisition of Energy East, the acquisition of UIL Corp, the acquisition of ScottishPower, and the acquisition of Elektro, a Brazilian utility company. I led the effort to negotiate the merger agreement with PNM Resources, Inc. ("PNMR"). I previously managed Iberdrola's businesses in the United States, and was Director of Strategy at Iberdrola.

I currently am a Director on Avangrid's Board of Directors, and I have been appointed by the Board of Directors to lead the regulatory process for obtaining approval of Avangrid's acquisition of PNMR and its subsidiaries, which include Public Service Company of New Mexico ("PNM") and Texas New Mexico Power Company ("TNMP"). My resume is attached as JA Exhibit PAB-1.[1]

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN A CASE BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION ("COMMISSION")?

A. No. However, I have previously given testimony before the New York State Public Service Commission, the Maine Public Utilities Commission, the Connecticut Public Utility Regulatory Authority, and the Massachusetts Department of Public Utilities in many state merger approval proceedings.

[1] The Joint Applicants' exhibits are identified as "JA Exhibit" with the individual witness's initials. For example, JA Exhibit PAB-1 refers to a Joint Applicant exhibit sponsored by Joint Applicant Witness Pedro Azagra Blazquez.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to support the Joint Application filed by PNM, PNMR, Networks, NM Green and Avangrid for approval of 1) the merger of NM Green with PNMR ("Merger"), as set forth in the Agreement and Plan of Merger dated as of October 20, 2020 ("Merger Agreement") among PNMR, NM Green, and Avangrid; 2) Avangrid's proposed transfer of PNMR to Networks after the merger is consummated (collectively with the Merger, the "Proposed Transaction"); and 3) PNM's 2021 General Diversification Plan ("2021 GDP") to add Networks, Avangrid, and Iberdrola as indirect public utility holding companies of PNM. Under the Proposed Transaction, PNMR will be acquired by, and become a direct wholly-owned subsidiary of, Networks, and an indirect wholly-owned subsidiary of Avangrid, which is the sole shareholder of NM Green. When the Proposed Transaction is completed, PNM will remain wholly-owned by PNMR.

In my testimony I will: (1) introduce Iberdrola and Avangrid, and explain each company's underlying business philosophy and the financial strength of both companies, (2) describe the Proposed Transaction, (3) describe the other regulatory filings and approvals that will be made in connection with the Proposed Transaction, (4) highlight some of the benefits of the Proposed Transaction, and (5) make certain representations on behalf of Iberdrola pursuant to the Commission's regulations governing Class II transactions.

Q. PLEASE INTRODUCE THE OTHER WITNESSES WHO ARE FILING TESTIMONY IN SUPPORT OF THE JOINT APPLICATION AND IDENTIFY THE TOPICS THEY ADDRESS.

A. The other witnesses who have filed testimony in support of this Joint Application are:

- Robert "Bob" D. Kump: Bob is Avangrid's Deputy Chief Executive Officer and President. Bob will discuss Network's corporate structure and how public utilities owned by Networks are managed, and will describe how PNM will be managed after the Proposed Transaction closes. Bob will explain why the Proposed Transaction satisfies the factors the Commission historically uses when assessing a proposed acquisition of a New Mexico public utility, and will describe the benefits the Proposed Transaction will provide. Bob will also describe the financial protection measures that Avangrid has implemented in previous acquisitions and that it proposes for PNM, as well as Avangrid's emphasis on local control.
- Joseph D. "Don" Tarry: Don is the Senior Vice President and Chief Financial Officer of PNMR. Don will describe PNM, discuss the challenges PNM faces as a smaller, stand-alone utility transitioning to carbon-free generation, and detail PNM's community involvement in New Mexico.
- Ronald N. Darnell: Ron is the Senior Vice President of Public Policy for PNM. Ron will discuss the proposed Class II Transaction and the proposed 2021 GDP that replaces PNM's previous GDP.

- Ellen Lapson, CFA: Ellen is an expert financial witness. She assesses the positive impact of the Proposed Transaction on the ongoing financial well-being of PNM and its future access to debt and equity capital.

II. INTRODUCTION TO COMPANIES

Q. PLEASE DESCRIBE IBERDROLA.

A. Iberdrola, Avangrid's ultimate parent, is a corporation (*Sociedad Anónima*) organized under the Laws of the Kingdom of Spain. Iberdrola's shares are publicly traded on the Madrid Stock Exchange. Iberdrola's headquarters is located in Bilbao, Spain. Iberdrola is a global utility that has over 170 years of experience in the electricity and gas business, including experience as a provider of electric transmission and distribution services. It is one of the largest energy companies in the world with a market capitalization of over $85 billion. Iberdrola and its subsidiaries provide regulated utility services in the United States, Spain, the United Kingdom, Brazil, and Mexico. The Iberdrola companies provide utility services to approximately 32 million points of supply world-wide. Attached as Exhibit JA PAB-2 is an organization chart showing Iberdrola and its country subholding companies with key subsidiaries.

Iberdrola is committed to helping the world address climate change through its investments in renewable electric generation and storage projects. At of the end of 2019, Iberdrola had approximately 32 gigawatts of renewable installed capacity with approximately 70 gigawatts of additional renewable capacity in the pipeline.

Avangrid and Iberdrola have a long track record of commitment to the local communities they serve through their subsidiaries and cooperation with stakeholders. The Avangrid Foundation is committed to supporting initiatives that enhance the quality of life where Avangrid and its subsidiaries operate, with a focus on energy sustainability, the environment, art and culture. Iberdrola also has a history of philanthropy in New Mexico. In 2000, Iberdrola worked with the University of New Mexico ("UNM") to create the King Felipe VI Endowed Chair in Information Science and Related Technologies within UNM's Department of Electrical and Computer Engineering, which is sponsored by the Iberdrola Foundation. This chair is intended to establish meaningful partnerships among Spain, Latin America, and UNM. The Iberdrola Foundation also provides three scholarships for Spanish students to pursue post-graduate studies in UNM's Department of Electrical and Computer Engineering.

Q. PLEASE DESCRIBE IBERDROLA'S GENERAL BUSINESS PHILOSOPHY.

A. Iberdrola's mission and purpose is to become the leading multinational company in the energy sector, creating sustainable value by providing quality service for citizens, customers, and shareholders, and for the communities in which we operate. We are committed to ethical principles, good corporate governance and transparency, customer focus, the safety of people and supplies, operational excellence, innovation, protection of the environment, and the Sustainable Development Goals approved by the United Nations. Iberdrola works to recruit, retain and promote talent and to encourage the personal and professional growth of its workforce.

Q. PLEASE DESCRIBE IBERDROLA'S FINANCIAL PROFILE.

A. Iberdrola is a financially strong entity. Iberdrola currently owns assets valued at approximately $143 billion. Its market capitalization is over $85 billion and its credit ratings are BBB+ from Standard & Poor's, BBB+ from Fitch, and Baa1 from Moody's. In 2019, Iberdrola had a net profit in excess of $3.8 billion.

Q. PLEASE DESCRIBE AVANGRID AS WELL AS IBERDROLA'S RELATIONSHIP WITH AVANGRID.

A. Avangrid is one of the largest energy companies in the United States. It has approximately $36 billion in assets, and currently has operations in 24 states. It has two primary lines of business. First, it invests in regulated public utilities, and currently owns eight electric and natural gas utilities in the Northeast U.S. Second, it invests in renewable energy generation, and owns and operates approximately 7.5 gigawatts of electricity generation from renewable sources in 22 states, including New Mexico. Joint Applicants Witness Bob Kump will provide additional details about Avangrid in his testimony.

Avangrid's common stock is traded on the New York Stock Exchange (stock symbol: AGR). Iberdrola currently owns 81.5% of Avangrid's common stock. Avangrid constitutes a country-level holding company for Iberdrola. Outside of Avangrid, Iberdrola has an indirect subsidiary that is registered as a Retail Electric Provider authorized to provide competitive retail electric service to customers in Texas.

Q. HOW DID IBERDROLA COME TO OWN A SIGNIFICANT PORTION OF AVANGRID?

A. In the 2000's, Iberdrola made the strategic decision to establish a substantial presence in the United States, as it saw significant growth opportunities here in general and, more specifically, a favorable environment for wind-power development. In 2008, Iberdrola acquired Energy East, a public utility holding company that owned electric and gas utilities in New York, Maine, Connecticut, Massachusetts and New Hampshire. After the acquisition, Energy East was renamed Iberdrola USA. In 2015, Iberdrola USA acquired UIL Holdings Corporation, which owned utilities in Connecticut and Massachusetts. The result of the UIL transaction was a new company, Avangrid, that was 81.5% owned by Iberdrola and was listed on the New York Stock Exchange.

Q. PLEASE DESCRIBE HOW IBERDROLA INTERACTS WITH ITS COUNTRY-LEVEL HOLDING COMPANIES SUCH AS AVANGRID.

A. Iberdrola relies upon each country-specific holding company to manage its own business. Avangrid, in turn, relies upon the local management at each of its regulated utilities in the United States. Both Avangrid and Iberdrola value the skills and experience of the management teams and the employees at each operating utility. Each utility makes its own day-to-day operational decisions.

Q. ARE ANY OF THE OPERATING UTILITY ASSETS PLEDGED AS COLLATERAL FOR ANY AVANGRID OR IBERDROLA DEBT OBLIGATIONS?

A. No.

Q. PLEASE BRIEFLY DESCRIBE AVANGRID'S FINANCIAL PROFILE.

A. Avangrid is a financially strong company. Avangrid's market capitalization is over $15.5 billion, and enjoys credit ratings of BBB+ from Standard & Poor's, BBB+ from Fitch, and Baa1 from Moody's. Avangrid's net income in 2019 was $700 million. Avangrid also has a strong liquidity position, with approximately $2.5 billion of existing liquidity instruments currently in place.

Q. PLEASE DESCRIBE NM GREEN.

A. NM Green is a New Mexico corporation that is wholly-owned by Avangrid. It was incorporated for the sole purpose of merging with PNMR. Once the Merger is completed, NM Green will no longer exist.

III. THE PROPOSED TRANSACTION

Q. PLEASE DESCRIBE THE PROPOSED TRANSACTION.

A. The Proposed Transaction will occur in two phases. First, pursuant to the Merger Agreement, PNMR will merge with NM Green. During this process, PNMR's common stock outstanding at the closing of the Merger will be canceled, and PNMR's common stock will no longer be listed on the New York Stock Exchange. The canceled shares

will be converted to the right to receive $50.30 per share in cash. The total payment for the canceled common stock of PNMR will be approximately $4.318 billion. PNMR, as the surviving entity of the Merger, will become wholly-owned by Avangrid. A copy of the Merger Agreement is attached to my testimony as JA Exhibit PAB-3. The Merger will not change the direct ownership of PNM, which will remain wholly-owned by PNMR.

In the second phase, shortly after closing, Avangrid will transfer 100% of its ownership interest in PNMR to Networks, which is a wholly-owned subsidiary of Avangrid. Networks acts as an intermediate holding company for all of Avangrid's public utility companies. Again, Networks' ownership of PNMR will not change the direct ownership of PNM, which will remain wholly-owned by PNMR. Bob Kump will discuss in his testimony how Networks manages its public utilities.

Q. IS THE PROPOSED TRANSACTION INTENDED TO CREATE SYNERGISTIC SAVINGS?

A. No. Avangrid and PNMR are not entering into the Proposed Transaction in order to create specific synergy savings or operational efficiencies.

Q. PLEASE EXPLAIN WHY THIS TRANSACTION IS GOOD FOR AVANGRID AND PNM.

A. This transaction is a good strategic fit for both companies. New Mexico's aggressive clean energy goals are well-aligned with Avangrid's and Iberdrola's vision for the future.

For Avangrid, this is a strategic transaction that creates a significant regulated utility and renewable energy platform. Avangrid has already made significant renewable energy investments in New Mexico, and believes that the Proposed Transaction will allow New Mexico to consider new efficient integrated alternatives for replacing aging fossil generation with renewable alternatives. Avangrid foresees excellent growth opportunities in the Southwest, including New Mexico. Additionally, New Mexico's commitment to clean energy and climate change aligns with Avangrid's and Iberdrola's core values. Accordingly, we see New Mexico as an attractive place to invest.

For PNM and its customers, being part of the Avangrid family of companies will give it financial strength, technical expertise, and access to information regarding utility best practices. In particular, Avangrid's financial resources will allow PNM to invest in new technologies and support an accelerated transition to clean energy, and will assist PNM with its plans to exit its coal generation sooner.

Our companies share the same values, as both are passionate about our customers, employees, and the communities we serve. The combined company will have access to extensive financial resources to support this growth profile. In addition, both Avangrid and PNMR are leaders in environmental, social and governance issues that impact our stakeholders. The combined companies' robust financial profile will provide flexibility to pursue near- and long-term growth opportunities, particularly in electric transmission and renewable energy.

Finally, for customers specifically, the rate credits of $24.6 million that we are proposing over three years are also beneficial.

Q. WILL PNM OR PNMR ISSUE ANY DEBT TO FINANCE THE PURCHASE OF PNMR'S COMMON STOCK?

A. No. Iberdrola and Avangrid are well capitalized and have low debt ratios. Accordingly, there is no financing contingency for the Proposed Transaction. Iberdrola has provided a financing commitment letter in conjunction with the Proposed Transaction, and neither PNM nor PNMR will issue any debt to finance the Proposed Transaction.

Q. HAS THE AVANGRID BOARD OF DIRECTORS APPROVED THE MERGER?

A. Yes, the Avangrid Board of Directors unanimously approved the Merger Agreement.

Q. WHAT ADDITIONAL APPROVALS ARE NECESSARY FOR AVANGRID TO ACQUIRE PNMR?

A. There are a number of approvals that are required before the Proposed Transaction can be completed. First, PNMR's shareholders must vote to approve the Merger at a duly called shareholder meeting. We anticipate that PNMR's shareholders will approve the Merger in early 2021.

In addition to the New Mexico PRC's approval, there are a number of regulatory filings that must be made and approved

- The Public Utility Commission of Texas ("PUCT") must approve the Merger as it relates to TNMP. An application for approval of the Merger is being filed with the PUCT.
- The Federal Energy Regulatory Commission ("FERC") must approve the transaction pursuant to the Federal Power Act, and therefore, an application for approval is being filed with FERC.
- The Nuclear Regulatory Commission ("NRC") must approve any upstream changes in ownership of a nuclear licensee. PNM is a nuclear licensee through its ownership of a minority interest in the Palo Verde Nuclear Generating Station, and therefore, an application for approval is being filed with the NRC.
- The Federal Communications Commission ("FCC") must approve changes in ownership of the ultimate parent entity holding FCC licenses. An application will be filed shortly.
- Review by the Committee on Foreign Investment in the United States ("CFIUS") is not required. However, Iberdrola and Avangrid routinely submit for CFIUS review their proposed acquisitions of U.S. companies, and have never experienced any issue with the CFIUS review.
- Finally, pursuant to the Hart-Scott-Rodino Antitrust Improvements Act, Joint Applicants will be seeking pre-merger clearance from either the U.S. Department of Justice or the Federal Trade Commission.

We expect all of these regulatory approvals to be obtained within approximately six months.

Q. IS THERE A DATE BY WHICH THE JOINT APPLICANTS WANT TO COMPLETE THE PROPOSED TRANSACTION?

A. We are hoping to secure all regulatory approvals as promptly as possible so we can close as early as possible in 2021.

Q. ARE THERE ANY OTHER CONTINGENCIES THAT MUST BE SATISFIED UNDER THE MERGER AGREEMENT?

A. Yes. Avangrid is committed to moving as quickly as possible to the clean generation of power. To that end, the Merger Agreement requires that prior to consummation of the Merger, PNM must execute agreements to divest itself of its ownership interest in the Four Corners Power Plant, and file for the necessary regulatory approvals to abandon that interest. PNM has executed an agreement with the Navajo Transitional Energy Company that will allow PNM to divest its 13% interest in the Four Corners Power Plant in 2024. I understand that PNM is preparing the necessary applications for regulatory approval in a separate proceeding. Joint Applicants are not seeking any approvals in this proceeding with respect to the Four Corners Power Plant.

Q. IF THE PROPOSED TRANSACTION IS APPROVED, WILL AVANGRID CAUSE PNM TO SEEK TO RECOVER FROM NEW MEXICO RATEPAYERS ANY ACQUISITION PREMIUM OR ANY OF THE COSTS ASSOCIATED WITH THE PROPOSED TRANSACTION?

A. No. On behalf of Avangrid, I commit that, if the Proposed Transaction is approved and consummated, PNM will not directly or indirectly seek to recover from New Mexico ratepayers in any future rate case: 1) any acquisition premium or good will resulting from the Proposed Transaction; 2) any transaction costs related to the Proposed Transaction; or 3) any merger transition costs related to the Proposed Transaction.

IV. BENEFITS AND PROTECTIONS

Q. ARE THERE ANY BENEFITS THAT PNM AND ITS CUSTOMERS WILL LIKELY EXPERIENCE AS A RESULT OF BEING AFFILIATED WITH IBERDROLA?

A. Yes. First, Iberdrola is a world leader in both the provision of electricity to customers and the generation of electricity from renewable sources. Iberdrola can bring this vast experience and expertise to assist PNM with its transition to renewable electric generation. Second, Iberdrola has the ability to purchase equipment and machinery on a large scale. This helps Iberdrola obtain better prices from suppliers than PNM would be able to obtain on its own. Third, Iberdrola's financial profile and strong credit can help PNM access the capital it requires in the future at more favorable rates.

Q. CAN YOU PROVIDE AN EXAMPLE OF AVANGRID OR IBERDROLA PROVIDING SIGNIFICANT ASSISTANCE TO ONE OF THEIR PUBLIC UTILITIES IN THE UNITED STATES?

A. Yes. Avangrid's predecessor entity, Iberdrola USA, acquired Energy East during the financial crisis of 2007 and 2008. Rochester Gas and Electric Corp. ("RG&E") was

facing certain credit rating issues and needed equity to assist it with its current capital structure. Iberdrola USA worked closely with RG&E to develop a plan to improve its credit profile, including foregoing dividends, infusing equity and meeting with rating agencies. Within a year, RG&E's credit ratings and financial profile improved.

Q. ARE YOU AUTHORIZED TO MAKE ON BEHALF OF IBERDROLA, AVANGRID, AND NETWORKS THE AFFIRMATIONS REQUIRED BY 17.6.450 NMAC?

A. Yes. On behalf of Iberdrola, Avangrid, and Networks I affirm that:

a. The books and records of PNM will be kept separate from those of non-regulated businesses and other affiliated interests of PNM, including those of PNMR, Networks, Avangrid, and Iberdrola and in accordance with the Uniform System of Accounts;

b. The Commission and its Staff will have access to the books, records, accounts or documents of PNM, its corporate subsidiaries and its holding companies, including PNMR, Networks, Avangrid, and Iberdrola, pursuant to NMSA 1978, Sections 62-6-17 and 62-6-19;

c. The supervision and regulation of PNM pursuant to the PUA will not be obstructed, hindered, diminished, impaired, or unduly complicated;

d. PNM will not pay excessive dividends to PNMR as the public utility holding company for PNM, and PNMR will not take any action which will have an adverse and material effect on PNM's ability to provide reasonable and proper service at fair, just, and reasonable rates;

e. PNM will not without prior approval of the Commission:

   i. loan its funds or securities or transfer similar assets to any affiliated interest; or
   ii. purchase debt instruments of any affiliated interests or guarantee or assume liabilities of any affiliated interests;

f. All applicable statutes, rules, or regulations, federal or state, have been or will be complied with;

g. If required by the Commission, PNM will have an allocation study (which will not be charged to ratepayers) performed by a consulting firm chosen by and under the direction of the Commission; and

h. If required by the Commission, PNM will have a management audit (which will not be charged to ratepayers) performed by a consulting firm chosen by and under the direction of the Commission to determine whether there are any adverse effects of Class II transactions upon PNM.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

GCG#527332

Resume

JA Exhibit PAB-1

Is contained in the following 1 page.

Pedro Azagra Blázquez

Member of the Board of Directors of Avangrid, Inc.

He earned a Business Degree and a Law Degree from Universidad Pontificia de Comillas - ICADE and a Master in Business Administration from the University of Chicago, Graduate School of Business. Mr. Azagra Blázquez previously served as a member of the Board from January 2014 until June 2019 and serves as a member of the board of directors and audit committee of Neoenergia, S.A., a subsidiary of Iberdrola, S.A.

NOTEWORTHY EXPERIENCE:

Energy sector

Since 2008 he has been the Chief Development Officer and a member of the Executive Committee of Iberdrola, S.A. Among other roles, he previously was in charge of the US businesses of Iberdrola Group and served as Director of Strategy, responsible for the M&A activities of the Iberdrola Group. He also served as Member of the Board of Directors of Energy East, Rochester Gas and Electric, New York State Electric and Gas Corporation, Iberdrola Portugal and Rokas.

Other Sectors

Before joining Iberdrola, he served in the Investment Banking Division at Morgan Stanley executing mergers, advisory mandates, equity offerings and debt offerings. He is also a Professor of Corporate Finance and Mergers and Acquisitions at Universidad Pontificia de Comillas - ICADE, Madrid Spain

OTHER INFORMATION:

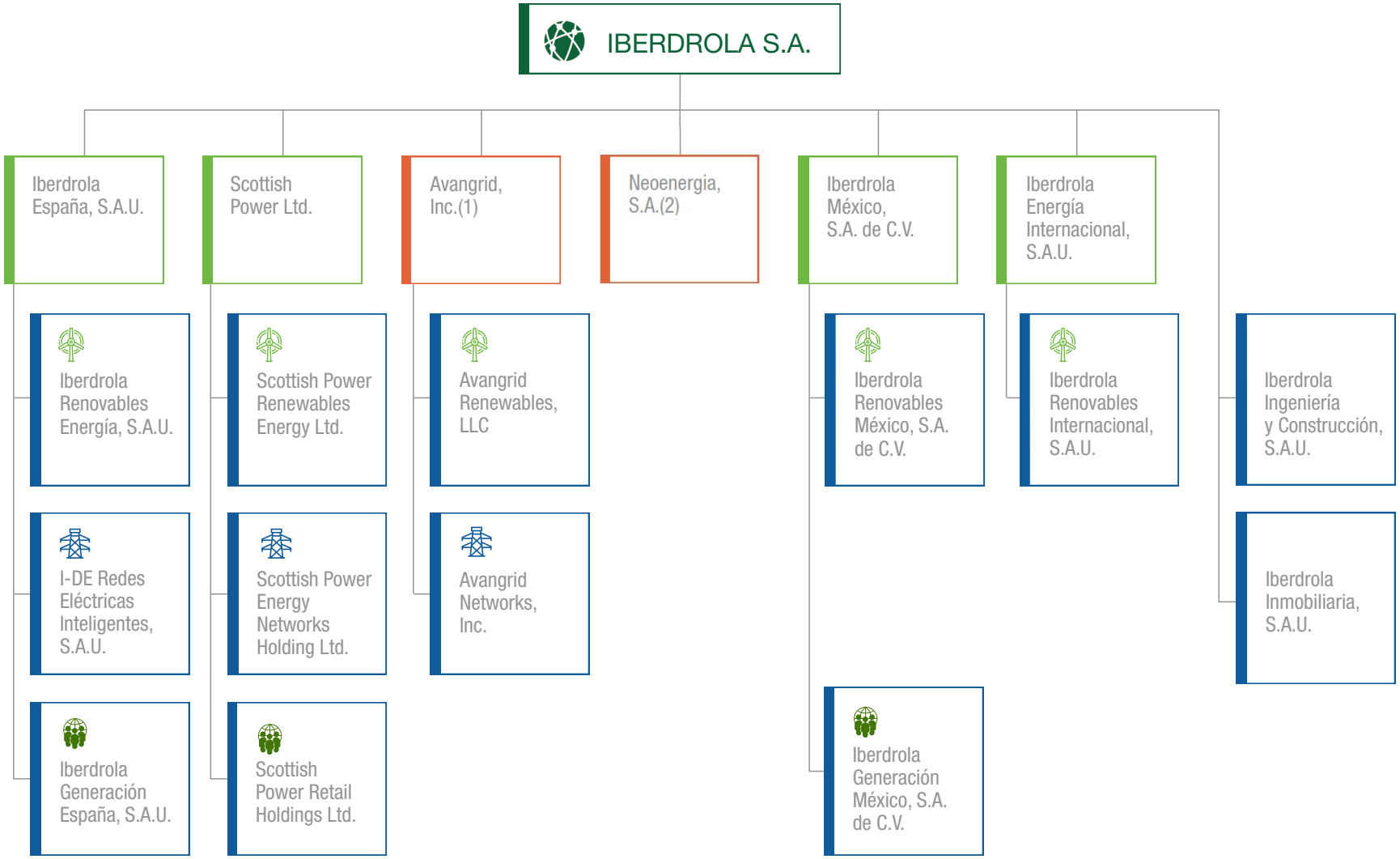
He served as Second Lieutenant in the Spanish Army ranked 1st in the Academy. He was also member of Estudiantes Basketball team which was second in 1985 and 1986 Spanish High School League.

Organization chart of entities and organizations currently owned and operated by Iberdrola

JA Exhibit PAB-2

Is contained in the following 1 page.

SIMPLIFIED SCHEME OF THE CORPORATE STRUCTURE OF THE GROUP



Holding company

Head of business companies

Country subholding companies

Listed country subholding company

[1] Avangrid, Inc. is 81.50% owned by Iberdrola, S.A.

[2] Neoenergia, S.A. is 50% + 1 share indirectly owned by Iberdrola, S.A.

Wholesale and Retail

Networks

Renewables

Merger Agreement

JA Exhibit PAB-3

Is contained in the following 97 pages.

EXECUTION VERSION

AGREEMENT AND PLAN OF MERGER

among

AVANGRID, INC.

NM GREEN HOLDINGS, INC.,

and

PNM RESOURCES, INC.

Dated as of October 20, 2020

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER, dated as of October 20, 2020 (this "Agreement"), is entered into among Avangrid, Inc., a New York corporation ("Parent"), NM Green Holdings, Inc., a New Mexico corporation and a direct subsidiary of Parent ("Merger Sub"), and PNM Resources, Inc., a New Mexico corporation (the "Company" and, together with Parent and Merger Sub, the "Parties" and each, a "Party").

RECITALS

WHEREAS, the board of directors of the Company (the "Company Board of Directors"), at a meeting duly called and held, has unanimously (i) determined, in good faith, that this Agreement and the transactions contemplated by this Agreement, including the merger of Merger Sub with and into the Company (the "Merger"), are fair to, and in the best interests of, the Company and its shareholders, (ii) approved and adopted this Agreement and the transactions contemplated by this Agreement, including the Merger, (iii) declared this Agreement and the transactions contemplated by this Agreement, including the Merger, advisable, consistent with and in furtherance of the Company's business strategies and in the best interests of the Company and its shareholders and (iv) resolved to recommend the approval of this Agreement and the transactions contemplated hereby, including the Merger, by the shareholders of the Company;

WHEREAS, the board of directors of Parent (the "Parent Board of Directors") has (i) determined that this Agreement and the transactions contemplated by this Agreement, including the Merger, are fair to, and in the best interests of, Parent and its shareholders, (ii) approved and adopted this Agreement and the transactions contemplated by this Agreement, including the Merger, and (iii) declared this Agreement and the transactions contemplated by this Agreement, including the Merger, advisable and in the best interests of Parent and its shareholders;

WHEREAS, the board of directors of Merger Sub has (i) determined that this Agreement and the transactions contemplated by this Agreement, including the Merger, are fair to, and in the best interests of, Merger Sub, (ii) approved and adopted this Agreement and the transactions contemplated by this Agreement, including the Merger, and (iii) declared this Agreement and the transactions contemplated by this Agreement, including the Merger, advisable and in the best interests of Merger Sub;

WHEREAS, concurrently with the execution of this Agreement, Parent, as the sole shareholder of Merger Sub, will act by written consent to adopt and approve this Agreement and the transactions contemplated hereby, including the Merger;

WHEREAS, Iberdrola, S.A. ("Iridium") has delivered to Parent an executed commitment letter, dated as of the date hereof, a copy of which has been made available to the Company on the date hereof (including all exhibits, schedules, annexes and amendments thereto in effect as of the date of this Agreement, the "Commitment Letter"), pursuant to which, subject to the terms and conditions thereof, Iridium has agreed to provide Parent, or arrange the provision to Parent of, funds to the extent necessary for Parent to consummate the Merger, including the payment of the aggregate Per Share Merger Consideration to the Exchange Agent; and

WHEREAS, the Company, Parent and Merger Sub desire to make certain

representations, warranties, covenants and agreements in connection with this Agreement.

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I

THE MERGER

SECTION 1.1 **Definitions**. The following terms have the meanings set forth in the following sections of this Agreement:

SECTION 1.2 **The Merger**. Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time, Merger Sub shall be merged with and into the Company and the separate corporate existence of Merger Sub shall thereupon cease. The Company shall be the surviving entity in the Merger (sometimes hereinafter referred to as the "Surviving Corporation") and a direct subsidiary of Parent, and the separate corporate existence of the Company, with all of its properties, rights, privileges, immunities, powers and franchises, shall continue unaffected by the Merger, subject to Article II. Without limiting the generality of the foregoing and subject thereto, at the Effective Time, all of the properties, rights, privileges, immunities, powers and franchises of the Company and Merger Sub shall vest in the Company as the Surviving Corporation and all claims, obligations, debts, liabilities and duties of the Company and Merger Sub shall become the claims, obligations, debts, liabilities and duties of the Company as the Surviving Corporation. The Merger shall have the effects set forth in this Agreement and specified in the NMBCA.

SECTION 1.3 **Closing**. The closing for the Merger (the "Closing") shall take place at the offices of Troutman Pepper Hamilton Sanders LLP, 875 Third Avenue, New York, New York 10022, at 9:00 a.m., New York City time, on the fifth (5th) Business Day following the day on which the conditions set forth in Article VII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or (to the extent permitted by applicable Law) waiver of those conditions at the Closing) have been satisfied or (to the extent permitted by applicable Law) waived in accordance with this Agreement or at such other time and place as the Company and Parent may agree in writing. The date on which the Closing occurs is referred to herein as the "Closing Date".

SECTION 1.4 **Effective Time**. At the Closing, the Company and Merger Sub will cause the Merger to be consummated by filing with the Secretary of State of the State of New Mexico (the "New Mexico Secretary of State") articles of merger (the "Articles of Merger"), to be executed, acknowledged and filed with the New Mexico Secretary of State as provided in Section 53-14-4 of the NMBCA. The Merger shall become effective at the time when the Articles of Merger have been duly filed with the New Mexico Secretary of State or at such later time as may be agreed by the Parties in writing and specified in the Articles of Merger (the "Effective Time").

SECTION 1.5 **Articles of Incorporation; Bylaws**.

(a) The name of the Surviving Corporation shall be the name of the Company.

(b) The articles of incorporation of Merger Sub as in effect immediately prior to the Effective Time shall be the articles of incorporation of the Surviving Corporation (except that the name of the Surviving Corporation shall be the name of the Company) (the "Surviving Corporation Charter"), until thereafter amended as provided therein or by applicable Law, in each case, subject to the obligations set forth in Section 6.11.

(c) The bylaws of Merger Sub, as in effect immediately prior to the Effective Time, shall be the bylaws of the Surviving Corporation (except that the name of the Surviving Corporation shall be the name of the Company) (the "Surviving Corporation Bylaws"), until thereafter amended as provided therein or by applicable Law, in each case subject to the obligations set forth in Section 6.11.

SECTION 1.6 **Directors and Officers**.

(a) The directors of Merger Sub at the Effective Time shall, from and after the Effective Time, be the directors of the Surviving Corporation until their successors shall have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Surviving Corporation Charter and the Surviving Corporation Bylaws.

(b) The officers of the Company at the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Corporation until their successors shall have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Surviving Corporation Charter and the Surviving Corporation Bylaws.

ARTICLE II

EFFECT OF THE MERGER ON THE CAPITAL STOCK OF THE CONSTITUENT CORPORATIONS

SECTION 2.1 **Effect on Capital Stock**. At the Effective Time, by virtue of the Merger and without any action on the part of the Company, Parent, Merger Sub or the holders of any shares of Company Common Stock or Merger Sub Common Stock:

(a) Merger Consideration. Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (each, a "Company Share") (other than Company Shares owned by Parent, Merger Sub or any other direct or indirect wholly-owned subsidiary of Parent and Company Shares owned by the Company or any of its wholly-owned subsidiaries as treasury stock or otherwise, and in each case not held on behalf of third parties (collectively, the "Cancelled Shares"), which shall be treated in accordance with Section 2.1(b), and the Dissenting Shares, which shall be treated in accordance with Section 2.3), shall be automatically converted, in accordance with the procedures set forth in this Agreement, into the right to receive an amount equal to $50.30 per Company Share in cash, without interest (the "Per Share Merger Consideration"). At the Effective Time, all of the Company Shares shall cease to be outstanding, shall be cancelled and shall cease to exist, and each certificate (a "Certificate") formerly representing any of the Company Shares (other than Cancelled Shares and Dissenting Shares) and each non-certificated Company Share represented by book-entry (a "Book-Entry Share") (other than Cancelled Shares and Dissenting Shares) shall, in each case, thereafter represent only the right to receive the Per Share Merger Consideration, in each case without interest and subject to compliance with the procedures for surrender as set forth in Section 2.4.

(b) Cancellation of Cancelled Shares. Each Cancelled Share shall automatically, and without any action on the part of the Company, Parent or Merger Sub, cease

to be outstanding, shall be cancelled without payment of any consideration therefor and shall cease to exist.

(c) Surviving Corporation Shares. Each share of common stock, no par value, of Merger Sub ("Merger Sub Common Stock") issued and outstanding immediately prior to the Effective Time shall be converted into one share of common stock, no par value, of the Surviving Corporation.

SECTION 2.2 **Treatment of Company Restricted Stock Rights, Performance Shares, Direct Plan, and Directors Deferred Plan**.

(a) Treatment of Company Restricted Stock Rights. As of the Effective Time, each outstanding award of restricted stock rights ("Company Restricted Stock Rights") granted to a member of the board of directors of the Company under the Company Stock Plan or otherwise, other than any Company Restricted Stock Rights granted to a director of the Company with respect to which the director has made a deferral election under the Directors Deferred Plan (as defined below) which are subject to Section 2.2(d) below, shall, automatically and without any required action on the part of the holder thereof, cease to relate to or represent any right to receive Company Common Stock and shall be converted, at the Effective Time, into a right to receive an amount of cash per share equal to the Per Share Merger Consideration. Such cash amounts (the "Restricted Stock Cash Payouts") shall be payable to the holder of such cancelled Company Restricted Stock Rights on the same terms and conditions as were applicable to the corresponding cancelled Company Restricted Stock Rights, including any applicable vesting acceleration provisions and payment timing provisions, in each case through the Company's regular payroll processes applicable to such holder. For the avoidance of doubt, the Restricted Stock Cash Payouts will be paid only if and to the extent (and at the same time as) the corresponding cancelled Company Restricted Stock Rights would have vested and been paid in accordance with the terms thereof. As of the Effective Time, all other outstanding Company Restricted Stock Rights under the Company Stock Plan or otherwise, other than any Company Restricted Stock Rights granted to a member of the board of directors of the Company, shall, automatically and without any required action on the part of the holder thereof, cease to relate to or represent any right to receive Company Common Stock and shall be converted, at the Effective Time, into an equivalent award of cash-settled restricted stock rights relating to Parent Common Stock ("Parent Restricted Stock Rights") on the same terms and conditions as were applicable to the corresponding Company Restricted Stock Rights, including any applicable vesting acceleration provisions and payment timing provisions, except as expressly adjusted hereby. The number of shares of Parent Common Stock covered by each such Parent Restricted Stock Right shall be equal in number to the mathematical result (rounded up to the nearest whole number) of the number of shares of Company Common Stock subject to the corresponding Company Restricted Stock Right multiplied by the Equity Conversion Factor. The cash amount to be paid on settlement of the Parent Restricted Stock Rights shall be determined based on the average of the volume weighted averages of the trading prices of Parent Common Stock on the NYSE (as reported by Bloomberg L.P. or, if not reported therein, in another authoritative source selected by the Parent in good faith following consultation with officers of the Company) on each of the ten (10) consecutive trading days ending on (and including) the trading day that immediately precedes the date the Parent Restricted Stock Rights become vested and payable.

(b) Treatment of Performance Shares. With respect to each outstanding award of performance shares ("Performance Shares") under the Company Stock Plan or otherwise, prior to the Effective Time, the Company Board of Directors (or its applicable committee) will determine in good faith the number of shares of Company Common Stock that are deemed to be earned under each award of Performance Shares, which number shall, with respect to each award of Performance Shares, be based on the higher of (1) the target level of performance and (2) the actual level of performance determined on a goal-by-goal basis as of the last day of the last month ending before the Effective Time (the "Earned Performance Shares"). As of the Effective Time, the Earned Performance Shares shall, automatically and without any required action on the part of the holder thereof, cease to relate to or represent a right to receive Company Common Stock and shall be converted into a right to receive a cash-settled time-vesting Parent Restricted Stock Right, which shall, provided the applicable service-based vesting conditions are satisfied, vest at the same time as the service-based vesting conditions of the corresponding Earned Performance Shares would have been satisfied, and subject to the same vesting acceleration and payment timing provisions and other terms and conditions as applied to the corresponding Earned Performance Shares, as applicable. The number of shares of Parent Common Stock covered by each such Parent Restricted Stock Right shall be equal in number to the mathematical result (rounded up to the nearest whole number) of the number of Earned Performance Shares to which such Company Restricted Stock Right corresponds multiplied by the Equity Conversion Factor. The cash amount to be paid on settlement of the Parent Restricted Stock Rights shall be determined based on the average of the volume weighted averages of the trading prices of Parent Common Stock on the NYSE (as reported by Bloomberg L.P. or, if not reported therein, in another authoritative source selected by the Parent in good faith following consultation with officers of the Company) on each of the ten (10) consecutive trading days ending on (and including) the trading day that immediately precedes the date the Parent Restricted Stock Rights become vested and payable.

(c) Direct Plan. In accordance with the terms of the Third Amended and Restated PNM Resources, Inc. Direct Plan (as amended, the "Direct Plan"), the Company shall take all actions reasonably necessary to ensure that (i) the right to purchase shares of Company Common Stock under the Direct Plan will be terminated no later than thirty (30) days after the date hereof (the "Final Exercise Date"); (ii) cash dividends and investments received prior to the Final Exercise Date will be used to purchase shares of Company Common Stock pursuant to the terms of the Direct Plan as directed by the Plan Administrator (as defined in the Direct Plan); (iii) no shareholders or interested new investors will be eligible to participate in the Direct Plan or purchase shares of Company Common Stock thereunder after the Final Exercise Date; (iv) any remaining cash not used to purchase shares of Company Common Stock or pay requisite expenses shall be returned to the applicable shareholders or new investors as soon as administratively practicable; (v) each participant in the Direct Plan will be eligible to direct how the shares of Company Common Stock credited to his or her account shall be voted with respect to the Merger; (vi) each share of Company Common Stock issued and outstanding under the Direct Plan shall be automatically converted, in accordance with the procedures set forth in this Agreement, into the right to receive the Per Share Merger Consideration (with any Dissenting Shares to be treated in accordance with Section 2.3); and (vii) the related shares of Company Common Stock shall be cancelled and shall cease to exist pursuant to the terms of this Agreement. The Direct Plan shall terminate immediately following the Effective Time, and the Plan Administrator shall direct the Company to distribute to each participant the Per Share

Merger Consideration held in his or her account as soon as administratively practicable; provided that such termination and all of the related foregoing actions shall be contingent upon the occurrence of the Effective Time. The Company shall provide timely notice of the setting of the Final Exercise Date and termination of the Direct Plan in accordance with the Direct Plan.

(d) Director Deferred Restricted Stock Rights Program. As of the Effective Time, in accordance with the terms of the Director Deferred Restricted Stock Rights Program (the "Directors Deferred Plan"), the Company shall take all actions reasonably necessary to ensure that (i) the Directors Deferred Plan is terminated as of the Effective Time, (ii) no director will be eligible to participate in the Directors Deferred Plan after the Effective Time, except with respect to any outstanding Company Restricted Stock Rights granted to an eligible director of the Company with respect to which the director, prior to the Effective Time, has made a deferral election under the Directors Deferred Plan, which Company Restricted Stock Rights shall be deferred into the Directors Deferred Plan in accordance with the applicable deferral election, (iii) each share of Company Common Stock distributable under the Directors Deferred Plan shall be automatically converted, in accordance with the procedures set forth in this Agreement, into the right to receive the Per Share Merger Consideration, and (iv) the Plan Administrator (as defined in the Directors Deferred Plan) shall direct the Company to distribute to each participant the amounts credited to his or her account in the Directors Deferred Plan as soon as administratively practicable (and no later than thirty (30) days) after the Effective Time to the extent permitted by Section 409A of the Code (any amounts credited to the director's account in the Directors Deferred Plan after the Effective Time shall be distributed to the participant as soon as administratively practicable (and no later than thirty (30) days) after the amounts are credited to the director's account in the Directors Deferred Plan and in no event later than one (1) year after the Effective Time); provided, that such termination and all of the related foregoing actions shall be contingent upon the occurrence of the Effective Time, and provided, further, that nothing herein shall preclude a director whose account in the Directors Deferred Plan is not paid as soon as administratively practicable (and no later than thirty (30) days) after the Effective Time from directing the deemed investment in such account to other investments pursuant to the terms of the Directors Deferred Plan.

(e) Treatment of Company Stock Plan. As of the Effective Time, unless otherwise determined and agreed to in writing by Parent, no further Company Restricted Stock Rights, Performance Shares, or other rights with respect to shares of Company Common Stock shall be granted under the Company Stock Plan and the Company Stock Plan shall terminate automatically once there are no further Company Restricted Stock Rights, Performance Shares, or other rights with respect to shares of Company Common Stock outstanding thereunder. Additionally, all Parent Restricted Stock Rights that correspond to Company Restricted Stock Rights and Performance Shares shall become vested and non-forfeitable and all Restricted Stock Cash Payouts that correspond to Company Restricted Stock Rights granted to a member of the board of directors of the Company shall become vested, payable and non-forfeitable, in each case in connection with a termination of the employment or other service of the Person eligible to receive such Parent Restricted Stock Rights and Restricted Stock Cash Payouts, as applicable, with Parent or any subsidiary thereof (including the Surviving Corporation) to the same extent as provided under the Company Stock Plan and award agreement governing the corresponding Company Restricted Stock Right and Performance Share award; provided, however, that Parent Restricted Stock Rights that correspond to Earned Performance Shares in respect of awards

granted prior to the date of this Agreement shall, except as otherwise provided in this Agreement, become vested in full (rather than on a pro-rata basis) if the holder's employment or other service with Parent or any subsidiary thereof (including the Surviving Corporation) is terminated without "cause" or by the holder for "good reason" (as such terms are defined under the Company Stock Plan and award agreement).

(f) No Right to Acquire Shares. The Company shall take all actions reasonably necessary to ensure that, from and after the Effective Time, neither Parent nor the Surviving Corporation will be required to deliver shares of Company Common Stock or other capital stock of the Company to any Person pursuant to or in settlement of Company Restricted Stock Rights or Performance Shares, subject to the provisions set forth in this Section 2.2.

(g) Corporate Actions. At or prior to the Effective Time, the Company, the Company Board of Directors or the compensation committee of the Company Board of Directors, as applicable, shall adopt any resolutions and take any actions which are reasonably necessary to effectuate the provisions of this Section 2.2; provided that such actions shall expressly be conditioned upon the consummation of the Merger and shall be of no effect if this Agreement is terminated without consummation of the Merger. The Company shall not take any action to apply the provisions of Section 11.5 of the Company Stock Plan to the transactions contemplated by this Agreement.

SECTION 2.3 **Dissenting Shares.** Notwithstanding Section 2.1, Company Shares outstanding immediately prior to the Effective Time and held by a holder who has not voted in favor of the Merger or consented thereto in writing who is entitled to, and who has demanded, payment for fair value of such Company Shares ("Dissenting Shares") in accordance with Section 53-15-4 of the NMBCA ("Section 53-15-4") shall not be converted into the right to receive the Per Share Merger Consideration for each such Dissenting Share, unless and until such holder fails to perfect or effectively withdraws or otherwise loses the right to receive payment of fair value for such holder's Dissenting Shares in accordance with Section 53-15-4. Any such holder shall instead be entitled only to receive payment of the fair value of such holder's Dissenting Shares in accordance with the provisions of Section 53-15-4 less any applicable Taxes required to be withheld in accordance with Section 2.4(e) with respect to such payment. At the Effective Time, the Dissenting Shares shall no longer be outstanding, and each holder of a Certificate or Book-Entry Share that immediately prior to the Effective Time represented Dissenting Shares shall cease to have any rights with respect thereto, except the right to receive the fair value of such Dissenting Shares in accordance with the provisions of Section 53-15-4. If, after the Effective Time, such holder fails to perfect or effectively withdraws or otherwise loses the right to receive payment of the fair value of such holder's Dissenting Shares in accordance with the provisions of Section 53-15-4 (or had not properly demanded payment under Section 53-15-4), then each such Dissenting Share shall be treated as if such Dissenting Share had been converted as of the Effective Time into the right to receive the Per Share Merger Consideration, without interest thereon. The Company will give Parent (a) prompt written notice of any demand for payment of fair value of any Company Shares in accordance with Section 53-15-4, any withdrawals of such demands, and any other communications received by the Company or its Representatives in respect of the demand, withdrawal, or perfection of any rights under Section 53-15-4 and (b) the opportunity to conduct jointly with the Company all negotiations and proceedings with respect to such demands related to any Company Shares under

Section 53-15-4. The Company will not, except with the prior written consent of Parent, voluntarily make any payment with respect to any Dissenting Shares or settle or offer to settle any such demands.

SECTION 2.4 **Surrender of Company Shares**.

(a) Exchange Agent. Prior to the Effective Time, the Company and Parent shall enter into an agreement in form and substance reasonably acceptable to the Company and Parent with an exchange agent selected by Parent with the Company's prior approval, which approval shall not be unreasonably conditioned, withheld or delayed, (the "Exchange Agent") for the purpose of delivering or causing to be delivered to each holder of Company Shares (other than Cancelled Shares or Dissenting Shares) the aggregate Per Share Merger Consideration to which the shareholders of the Company shall become entitled in respect of their Company Shares pursuant to this Article II. Parent shall deposit, or cause to be deposited, with the Exchange Agent, (i) at or prior to the Effective Time, a cash amount in immediately available funds sufficient in the aggregate to provide all funds necessary for the Exchange Agent to make payments of the Per Share Merger Consideration under Section 2.1, and (ii) from time to time, to the extent and when needed, additional cash sufficient to pay any dividends or other distributions pursuant to Section 6.15 (such cash deposited with the Exchange Agent being hereinafter referred to as the "Exchange Fund") in trust for the benefit of the holders of the Company Shares. The Exchange Agent shall invest any cash in the Exchange Fund as directed by Parent; provided that such investments shall be in short-term (*i.e.*, maturities of thirty (30) days or less) obligations of or guaranteed by the United States of America and backed by the full faith and credit of the United States of America, in commercial paper obligations rated A-1 or P-1 or better by Moody's Investors Services, Inc. or Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., respectively. To the extent that there are losses with respect to such investments, or any cash in the Exchange Fund diminishes for other reasons below the level required to make prompt cash payment of the aggregate Per Share Merger Consideration as contemplated by Section 2.1(a), Parent shall promptly replace or restore the cash in the Exchange Fund lost through such investments or other events so as to ensure that the cash in the Exchange Fund is at all times maintained at a level sufficient to make such cash payments. Any interest and other income resulting from such investment shall become a part of the Exchange Fund, and any amounts in excess of the amounts payable under Section 2.1(a) shall be promptly returned to Parent or the Surviving Corporation, as requested by Parent. The funds deposited with the Exchange Agent pursuant to this Section 2.4(a) shall not be used for any purpose other than as contemplated by this Section 2.4(a).

(b) Exchange Procedures.

(i) Transmittal Materials. Promptly after the Effective Time (and in any event within three (3) Business Days thereafter), the Surviving Corporation shall cause the Exchange Agent to mail or otherwise provide to each holder of record of Company Shares (other than holders of Cancelled Shares and Dissenting Shares) (A) transmittal materials, including a letter of transmittal in customary form as Parent shall reasonably specify after consultation with the Company, specifying that delivery shall be effected, and risk of loss and title shall pass, (x) with respect to Book-Entry Shares, only upon delivery of an "agent's message", regarding the book-entry transfer of Book-Entry Shares (or such other evidence, if any, of the transfer as the

Exchange Agent may reasonably request), and (y) with respect to Certificates, only upon delivery of the Certificates (or satisfaction of the replacement requirements in lieu of the Certificates as provided in Section 2.4(f)) and delivery of a duly completed and validly executed letter of transmittal to the Exchange Agent, such transmittal materials to be in such form and have such other provisions as Parent shall reasonably determine after consultation with the Company, and (B) instructions for use in effecting the surrender of the Book-Entry Shares or Certificates (or satisfaction of the replacement requirements in lieu of the Certificates as provided in Section 2.4(f)), as applicable, to the Exchange Agent.

(ii) Certificates. Upon surrender of a Certificate (or satisfaction of the replacement requirements in lieu of the Certificate as provided in Section 2.4(f)) to the Exchange Agent in accordance with the terms of such transmittal materials and instructions and delivery with the letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, the holder of such Certificate shall be entitled to receive in exchange therefor a cash amount in immediately available funds (after giving effect to any required Tax withholdings as provided in Section 2.4(e)) equal to (y) the product obtained by multiplying (1) the number of Company Shares represented by such Certificate (or affidavit of loss in lieu of the Certificate as provided in Section 2.4(f)) by (2) the Per Share Merger Consideration, plus (z) any dividends and other distributions such holder has the right to receive pursuant to Section 6.15. No interest will be paid or accrued on any cash amount payable upon due surrender of the Certificates.

(iii) Book-Entry Shares. Each holder of record of one or more Book-Entry Shares (other than Cancelled Shares and Dissenting Shares) shall upon receipt by the Exchange Agent of an "agent's message" in customary form and such other evidence of surrender, if any, as the Exchange Agent may reasonably request (it being understood that the holders of Book-Entry Shares shall be deemed to have surrendered such Company Shares upon receipt by the Exchange Agent of such "agent's message" or such other evidence of surrender, if any, as the Exchange Agent may reasonably request) be entitled to receive, and Parent shall cause the Exchange Agent to pay and deliver as promptly as reasonably practicable after the Effective Time, a cash amount in immediately available funds (after giving effect to any required Tax withholdings as provided in Section 2.4(e)) equal to (y) the product obtained by multiplying (1) the number of Company Shares represented by such Book-Entry Shares by (2) the Per Share Merger Consideration, plus (z) any dividends and other distributions such holder has the right to receive pursuant to Section 6.15. No interest will be paid or accrued on any cash amount payable upon due surrender of the Book-Entry Shares.

(iv) Unrecorded Transfers; Other Payments. In the event of a transfer of ownership of Company Shares that is not registered in the transfer records of the Company or if payment of the applicable Per Share Merger Consideration is to be made to a Person other than the Person in whose name the surrendered Certificate or Book-Entry Share is registered, a check for any cash to be exchanged upon due surrender of such Certificate or Book-Entry Share may be delivered to such transferee or other Person only if the Certificate or Book-Entry Share formerly representing such Company Shares is properly endorsed or shall be otherwise in proper form for transfer and is presented to the Exchange Agent accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable transfer or other similar Taxes have been paid or are not applicable.

(v) Related Charges and Expenses. Until surrendered as contemplated by this Section 2.4(b), each Certificate and each Book-Entry Share shall represent at any time from and after the Effective Time only the right to receive upon such surrender (together with a letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, or an "agent's message," and such other documents as may reasonably be required pursuant to such instructions or by the Exchange Agent (as applicable)) the applicable Per Share Merger Consideration and any dividends or other distributions with respect to Company Shares payable pursuant to Section 6.15. The Surviving Corporation shall pay all charges and expenses of the Exchange Agent in connection with the exchange of Company Shares for the Per Share Merger Consideration and any dividends or other distributions payable pursuant to Section 6.15.

(c) Termination of Exchange Fund. Any portion of the Exchange Fund (including the proceeds of any investments thereof) that remains unclaimed by the former shareholders of the Company for twelve (12) months after the Effective Time shall, upon the written demand of Parent, be delivered to Parent. Any former holder of Company Shares (other than a holder of Cancelled Shares or Dissenting Shares) who has not theretofore complied with this Article II shall thereafter be entitled to solely look to Parent, as a general unsecured creditor thereof, for payment of the Per Share Merger Consideration (after giving effect to any required Tax withholdings as provided in Section 2.4(e)) and any dividends or other distributions such holder has the right to receive pursuant to Section 6.15 upon due surrender of its Certificates (or affidavits of loss in lieu of the Certificates) or acceptable evidence of the surrender and cancellation of Book-Entry Shares, without any interest thereon in accordance with the provisions set forth in Section 2.4(b), and Parent shall remain liable for (subject to applicable abandoned property, escheat or other similar Laws) payment of their claim for the Per Share Merger Consideration and any dividends or other distributions such holder has the right to receive pursuant to Section 6.15 payable upon due surrender of their Certificates or Book-Entry Shares. Notwithstanding the foregoing, none of the Surviving Corporation, Parent, Merger Sub, the Company, the Exchange Agent or any other Person shall be liable to any former holder of Company Shares for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar Laws. Any portion of the Exchange Fund remaining unclaimed by Persons entitled to receive the Per Share Merger Consideration pursuant to this Article II as of a date that is immediately prior to such time as such unclaimed funds would otherwise escheat to or become property of any Governmental Entity will, to the extent permitted by applicable Law, become the property of the Surviving Corporation free and clear of any claims or interest of any Person entitled thereto.

(d) Transfers. From and after the Effective Time, there shall be no transfers on the stock transfer books of the Company of the Company Shares that were outstanding immediately prior to the Effective Time. If, after the Effective Time, any Certificate or acceptable evidence of a Book-Entry Share is presented (together with the properly delivered and validly executed transmittal materials required by this Section 2.4) to the Surviving Corporation, Parent or the Exchange Agent for transfer, it shall be cancelled and exchanged for the consideration provided for in, and in accordance with the procedures set forth in, this Section 2.4. The Per Share Merger Consideration paid upon the surrender of Certificates together with the letter of transmittal, duly completed and validly executed in accordance with the instructions thereto (or upon receipt by the Exchange Agent of an "agent's message, in the case of Book-Entry Shares, or such other evidence, if any, as the Exchange Agent may reasonably request), in

accordance with the terms of this Article II shall be deemed to have been paid in full satisfaction of all rights pertaining to the Company Shares formerly represented by such Certificates or such Book-Entry Shares.

(e) Withholding Rights. Notwithstanding anything in this Agreement to the contrary, each of Parent, Merger Sub, the Surviving Corporation and their respective agents (including the Exchange Agent) shall be entitled to deduct and withhold from any consideration otherwise payable pursuant to this Agreement to any holder of Company Shares, Company Restricted Stock Rights and Performance Shares, or any other Person who is entitled to receive the Per Share Merger Consideration, any amounts as may be required to be deducted and withheld with respect to the making of such payment under the Code, or any other applicable state, local or non-U.S. Tax Law. To the extent that amounts are so withheld by Parent, Merger Sub, the Surviving Corporation or any of their respective agents (including the Exchange Agent), such deducted and withheld amounts (i) shall be promptly remitted by Parent, Merger Sub, the Surviving Corporation or their respective agents, as applicable, to the applicable Governmental Entity, and (ii) to the extent so remitted to the applicable Governmental Entity, shall be treated for all purposes of this Agreement as having been paid to the Person(s) in respect of which such deduction and withholding was made. The Parties and their respective agents (including the Exchange Agent) shall reasonably cooperate in good faith (i) to establish or obtain any exemption from or reduction in the amount of any withholding that otherwise would be required and (ii) to coordinate the deduction and withholding of any Taxes required to be deducted and withheld under any applicable Tax Law.

(f) Lost Certificates. In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if reasonably required by Parent or the Exchange Agent, the posting by such Person of a bond in customary amount and upon such terms as may be required by Parent or the Exchange Agent as indemnity against any claim that may be made against it or the Surviving Corporation with respect to such Certificate, the Exchange Agent will (i) issue a check in the amount (after giving effect to any required Tax withholdings as provided in Section 2.4(e)) equal to the product obtained by multiplying (A) the number of Company Shares represented by such lost, stolen or destroyed Certificate by (B) the Per Share Merger Consideration, plus any dividends and other distributions such holder has the right to receive pursuant to Section 6.15. Delivery of such affidavit and the posting of such bond shall be deemed delivery of a Certificate with respect to the relevant Company Shares for purposes of this Article II.

SECTION 2.5 **Adjustments**. In the event that the number of Company Shares issued and outstanding after the date hereof and prior to the Effective Time or the number of securities convertible or exchangeable into or exercisable for Company Shares shall have been changed into a different number of Company Shares or securities convertible or exchangeable into or exercisable for Company Shares, as applicable, or securities of a different class as a result, in either case, of a reclassification, stock split (including a reverse stock split), stock dividend, recapitalization, merger, issuer tender or exchange offer, or other similar transaction, then, in each case, the Per Share Merger Consideration and any other number or amount contained herein which is based upon the number of Company Shares shall be equitably adjusted to provide to Parent and the holders of Company Shares the same economic effect as

contemplated by this Agreement prior to such event; provided that nothing in this Section 2.5 shall be construed to permit the Company, any subsidiary of the Company or any other Person to take any action that is otherwise prohibited by the terms of this Agreement (including Section 5.1 and Section 5.2).

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to Parent and Merger Sub that, except (i) as disclosed in the Company SEC Reports filed with, or furnished to, the SEC from and after January 1, 2019 and prior to the date of this Agreement (other than in any "risk factor" disclosure under the heading "Risk Factors" or any forward looking statements contained therein) or (ii) as set forth on the corresponding sections or subsections of the disclosure schedules delivered to Parent and Merger Sub by the Company concurrently with entering into this Agreement (the "Company Disclosure Schedule"), it being agreed that disclosure of any item in any section or subsection of the Company Disclosure Schedule shall also be deemed disclosure with respect to any other section or subsection of this Agreement to which the relevance of such item is reasonably apparent on the face of such disclosure:

SECTION 3.1 **Organization and Qualification; Subsidiaries**.

(a) Each Company Party is a legal entity duly organized, validly existing and, to the extent such concept is applicable, in good standing under the Laws of its respective jurisdiction of organization and has all requisite corporate or similar power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted and is qualified to do business and, to the extent such concept is applicable, is in good standing as a foreign corporation or other legal entity in each jurisdiction where the ownership, leasing or operation of its assets or properties or present conduct of its business requires such qualification, except in each case where the failure to be so qualified, or to the extent such concept is applicable, in good standing does not have and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(b) Section 3.1(b) of the Company Disclosure Schedule sets forth a list of all the Company's subsidiaries and Joint Ventures, including (i) the name of each such entity and its form and jurisdiction of incorporation, (ii) a brief description of the principal line or lines of business conducted by each such entity and (iii) all Equity Securities held by any Person (including the Company) in each such entity. Except (A) as set forth in Section 3.1(b) of the Company Disclosure Schedule or (B) for Equity Securities acquired after the date of this Agreement without violating any covenant or agreement set forth herein, none of the Company nor any of its subsidiaries directly or indirectly owns any Equity Securities in any subsidiaries or Joint Ventures.

SECTION 3.2 **Articles of Incorporation and Bylaws**. The Company has furnished or otherwise made available to Parent, prior to the date hereof, a correct and complete copy of the Articles of Incorporation, as amended to date (the "Company Articles of Incorporation"), and the Bylaws, as amended to date (the "Company Bylaws"), of the Company

as in effect as of the date hereof, and the Charter Documents, of each of the Company's Significant Subsidiaries, each as in effect as of the date hereof. The Company Articles of Incorporation and the Company Bylaws are in full force and effect. The Company is not in material violation of any provision of the Company Articles of Incorporation or Company Bylaws. The Charter Documents of the Company's Significant Subsidiaries are in full force and effect, and no Significant Subsidiary is in material violation of any provision of its Charter Documents.

SECTION 3.3 **Capitalization**. The authorized capital stock of the Company consists of (i) 120,000,000 shares of common stock, no par value (the "Company Common Stock"), and (ii) 10,000,000 shares of preferred stock, no par value (the "Company Preferred Stock"), of which 500,000 shares have been designated Convertible Preferred Shares, Series A (the "Series A Preferred Stock").

(a) As of the close of business on October 19, 2020 (the "Company Capitalization Date"), the total issued and outstanding equity of the Company, and the total equity reserved for issuance by the Company, consisted of the following equity securities:

(i) 79,653,624 shares of Company Common Stock were issued and outstanding (which number does not include shares of Company Common Stock to which Company Restricted Stock Rights or Performance Shares relate);

(ii) no shares of Company Preferred Stock were issued or outstanding; and

(iii) (A) 168,061 Company Restricted Stock Rights, (B) 217,324 unvested Performance Shares (calculated assuming target level performance achievement), in each such case as granted or provided for under the PNM Resources, Inc. 2014 Performance Equity Plan, as amended (the "Company Stock Plan") (and applicable award agreements issued thereunder), (C) no options to purchase shares of Company Common Stock outstanding under the Company Stock Plan, (D) no shares of Company Common Stock were held by the Company in its treasury, and (E) 5,630,592 shares of Company Common Stock were reserved for issuance under the Company Stock Plan (excluding the amounts reflected in subclauses (A) and (B) above).

(b) From the close of business on the Company Capitalization Date through the date of this Agreement, no (i) Company Restricted Stock Rights, (ii) Performance Shares (or awards in respect thereof), or (iii) other rights to acquire Company Common Stock under the Company Stock Plan, have been granted, and no shares of Company Common Stock have been issued, except for shares of Company Common Stock issued pursuant to the vesting or settlement of Company Restricted Stock Rights or Performance Shares, in each case in accordance with the terms of the Company Stock Plan. Except as set forth in Section 3.3(a), (1) there are no outstanding or authorized (A) Equity Securities or other voting securities of the Company, (B) securities of the Company convertible into or exchangeable for Equity Securities or other voting securities of the Company or (C) subscriptions, options, warrants, calls, phantom stock, rights (including stock appreciation rights), preemptive rights, other Contracts, commitments, understandings or arrangements, including any right of conversion or exchange

under any outstanding security, instrument or Contract or other rights to acquire from any Company Party, or obligations or agreements of any Company Party to issue, transfer or sell, or cause to be issued, transferred or sold, any Equity Securities or other voting securities of any Company Party (collectively, "Company Securities"), and (2) there are no outstanding contractual obligations of any Company Party (A) to repurchase, redeem or otherwise acquire or dispose of, or (B) that contain any right of first refusal with respect to, require the registration for sale of, grant any preemptive or antidilutive rights with respect to, or otherwise restrict any Person from purchasing, selling, pledging or otherwise disposing of, any Company Securities. All outstanding shares of Company Common Stock, and all shares of Company Common Stock reserved for issuance as noted in Section 3.3(a), when issued in accordance with the respective terms thereof, are or will be duly authorized, validly issued, fully paid and non-assessable and free of pre-emptive rights, purchase options, call, right of first refusal or any similar right. Each of the outstanding Equity Securities of each of the Company's subsidiaries and Joint Ventures is duly authorized, validly issued, fully paid and nonassessable and, with respect to the Company's subsidiaries, all such Equity Securities are owned by the Company or another wholly-owned subsidiary of the Company and are owned free and clear of all Liens. No Company Party has any outstanding any bonds, debentures, notes or other indebtedness or obligations (or commitment, understanding or obligation to issue, sell or extend any such bond, debenture, note or other indebtedness or obligations) the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the shareholders of the Company on any matter.

(c) There are no voting trusts, proxies or other commitments, understandings, restrictions or arrangements to which the Company or any of its subsidiaries is a party in favor of any Person other than the Company or a subsidiary wholly-owned, directly or indirectly, by the Company with respect to the voting of or the right to participate in dividends or other earnings on any capital stock or other equity interests of the Company or any of its subsidiaries.

(d) No subsidiary or Joint Venture of the Company owns any stock in the Company.

SECTION 3.4 **Authority**.

(a) The Company has all requisite corporate power and authority, and has taken all corporate action necessary, to execute, deliver and perform this Agreement and to consummate the transactions contemplated by this Agreement, including the Merger, subject only to the affirmative vote (in person or by proxy) of the holders of a majority of all of the outstanding shares of Company Common Stock entitled to vote thereon at the Company Shareholders Meeting, or any adjournment or postponement thereof, to approve this Agreement (the "Company Requisite Vote") and the filing of the Articles of Merger with the New Mexico Secretary of State. This Agreement has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery hereof by Parent and Merger Sub, constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to the effects of applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar Laws relating to or affecting creditors' rights generally, and general equitable principles (whether considered in a proceeding in equity or at law) (the "Bankruptcy and Equity Exception").

(b) All of the directors of the Company Board of Directors at a duly called and held meeting, unanimously, (i) determined, in good faith, that this Agreement and the transactions contemplated hereby, including the Merger, are fair to and in the best interests of the Company and its shareholders, (ii) approved and adopted this Agreement and the transactions contemplated by this Agreement, including the Merger, (iii) declared this Agreement and the transactions contemplated by this Agreement, including the Merger, advisable and in the bests interests of the Company and its shareholders, (iv) resolved to recommend that the shareholders of the Company vote in favor of the approval of this Agreement and the transactions contemplated hereby, including the Merger, (the foregoing clause (iii) and this clause (iv), the "Company Recommendation") and (v) directed that this Agreement and the Merger be submitted to the shareholders of the Company for their approval. The only vote of the shareholders of the Company, or any other holders of any class or series of the capital stock of the Company, required to approve this Agreement and the transactions contemplated hereby, including the Merger, is the Company Requisite Vote.

SECTION 3.5 **No Conflict; Required Filings and Consents**.

(a) The execution, delivery and performance of this Agreement by the Company do not, and the consummation of the Merger and the other transactions contemplated hereby does not and will not (i) subject to receipt of the Company Requisite Vote, breach or violate the Charter Documents of any Company Party, or (ii) assuming that all Consents and Filings set forth on Section 3.5(b) of the Company Disclosure Schedule have been made and obtained, and any waiting periods thereunder have terminated or expired, conflict with, result in a violation or breach of, constitute (with or without notice or lapse of time, or both) a default under, result in or give to any Person any right of payment (other than payment of the Per Share Merger Consideration on each Company Share pursuant to the terms, and subject to the conditions, of this Agreement), reimbursement, termination, revocation, cancellation, modification or acceleration of, or result in the creation or imposition of any Lien (except a Permitted Lien) upon any of the assets or properties of any Company Party under, any of the terms, conditions or provisions of (A) subject to receipt of the Company Requisite Vote, any Law, rule, regulation, order, judgment or decree applicable to any Company Party or by which any of them or any of their respective properties are bound or (B) any Company Material Contract or License to which any Company Party is a party or by which any Company Party or any of their respective assets or properties is bound, except, in the case of clauses (A) and (B), for any such conflict, violation, breach, default, loss, right or other occurrence which does not have and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(b) No Licenses, clearances, expirations or terminations of waiting periods, non-actions, waivers, qualifications, change of ownership approvals or other authorizations (each, a "Consent") of, or registration, notice, declaration or filing (each, a "Filing") with, any Governmental Entity or third party is required (with or without notice or lapse of time, or both) for or in connection with the execution, delivery and performance of this Agreement by the Company or the consummation by the Company of the transactions contemplated hereby, other than Consents and Filings that have been obtained or made by the Company, including the Required Regulatory Approvals or those, the failure of which to obtain or make, does not have

and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

SECTION 3.6 **Compliance**. (a) No Company Party is, or since January 1, 2018 (the "Applicable Date") has been, in default under or in violation of any Law applicable to any Company Party or any order of any Governmental Entity, except for any such default or violation, which has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, and (b) the Company Parties have all permits, licenses, authorizations, exemptions, orders, consents, approvals, grants, certificates, variances, exceptions, permissions, qualifications, registrations, clearances, notices and franchises from any Governmental Entities ("Licenses") required to conduct their respective businesses as being conducted as of the date hereof, except for any such Licenses the absence of which has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. Each Company Party is, and since the Applicable Date has been, in compliance in all respects with the terms of its Licenses, except where the failure to be in compliance has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

SECTION 3.7 **SEC Filings; Financial Statements; Undisclosed Liabilities**.

(a) Each of the Company, Public Service Company of New Mexico ("PNM"), Texas-New Mexico Power Company ("TNMP") and each other subsidiary of the Company (if any) required to make such filings has filed or furnished, on a timely basis, all forms, reports, schedules, statements (including definitive proxy statements), certifications and other documents (including all exhibits and other information incorporated therein, amendments and supplements thereto) in each case required to be filed or furnished by the Company, PNM, TNMP or such other subsidiary, as applicable, with the U.S. Securities and Exchange Commission (the "SEC") since the Applicable Date through the date hereof (all such forms, reports, schedules, statements, and other documents filed or furnished with the SEC since the Applicable Date, including those filed or furnished after the date hereof and including all exhibits and other information incorporated therein, amendments and supplements thereto, collectively, the "Company SEC Reports"). As of their respective dates, or, if amended or superseded by a subsequent filing made prior to the date of this Agreement, as of the date of the last such amendment or superseding filing prior to the date of this Agreement, the Company SEC Reports complied as to form in all material respects with the applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), the Exchange Act and the Sarbanes-Oxley Act of 2002 (the "Sarbanes Oxley Act"), as the case may be, and the applicable rules and regulations promulgated thereunder, each as in effect on the date of any such filing. As of the time of filing with the SEC (or, if amended or superseded prior to the date of this Agreement, as of the date of such amendment or superseding filing), none of the Company SEC Reports so filed contained (taking into account all amendments and supplements thereto filed prior to the date hereof) any untrue statement of a material fact or omitted to state any material fact required to be stated or incorporated by reference therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that no representation is made as to the accuracy of any financial projections or forward looking statements.

(b) Since the Applicable Date, each of the principal executive officer and principal financial officer of the Company (or each former principal executive officer and principal financial officer of the Company, as applicable) has made all certifications required by Rule 13a-14 and 15d-14 under the Exchange Act and Sections 302 and 906 of the Sarbanes-Oxley Act and the rules and regulations of the SEC promulgated thereunder with respect to the Company SEC Reports. For purposes of the preceding sentence, "principal executive officer" and "principal financial officer" shall have the meanings given to such terms in the Sarbanes-Oxley Act. Since the Applicable Date, neither the Company nor any of its subsidiaries has arranged any outstanding "extensions of credit" to directors or executive officers within the meaning of Section 402 of the Sarbanes-Oxley Act.

(c) The audited consolidated financial statements of the Company and its subsidiaries (including any related notes thereto) included in the Company SEC Reports (i) complied as of their respective dates of filing, in each case in all material respects, with the then applicable accounting requirements and the published rules and regulations of the SEC with respect thereto; (ii) have been prepared in all material respects in accordance with GAAP (except as may be indicated in the notes thereto); and (iii) fairly present in all material respects the consolidated financial position of the Company and its subsidiaries at the respective dates thereof or the periods covered thereby (taking into account the notes thereto) and the consolidated results of operations, statements of earnings, cash flows and stockholders' equity for the periods indicated. The unaudited consolidated interim financial statements of the Company and its subsidiaries (including any related notes thereto) included in the Company SEC Reports (1) complied as of their respective dates of filing, in each case in all material respects, with the then applicable accounting requirements and the published rules and regulations of the SEC with respect thereto; (2) have been prepared in all material respects in accordance with GAAP (except as may be indicated in the notes thereto and except for the absence of footnote disclosures and normal, recurring year-end adjustments that were not and are not expected to be, individually or in the aggregate, material); and (3) fairly present in all material respects the consolidated financial position of the Company and its subsidiaries as of the respective dates thereof (taking into account the notes thereto) and the consolidated results of operations, statements of earnings and cash flows for the periods indicated (subject to normal year-end adjustments that were not and are not expected to be, individually or in the aggregate, material).

(d) The Company has designed and maintains a system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) designed to provide reasonable assurances regarding the reliability of financial reporting for the Company and its subsidiaries, as required by Rule 13a-15 and 15d-15 of the Exchange Act. The Company has designed and maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) intended to provide reasonable assurance that all material information that is required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms and is accumulated and communicated to the Company's management (including the Company's principal executive and principal financial officers, or persons performing similar functions) as appropriate to allow timely decisions regarding required disclosure. Based on the most recent evaluation of its chief executive officer and its chief financial officer prior to the date hereof, the Company has disclosed to its outside auditors and the audit committee of the Company Board of Directors (i)

any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

(e) Except for matters resolved prior to the date hereof, since the Applicable Date through the date of this Agreement, (A) neither the Company nor any of its subsidiaries nor any of their respective Representatives has received or otherwise obtained knowledge of any material complaint, allegation or claim (whether written or oral) regarding the accounting or auditing practices, procedures, methodologies or methods of the Company or its subsidiaries or their respective internal accounting controls, including any material complaint, allegation, assertion or claim that the Company or any of its subsidiaries has engaged in questionable accounting or auditing practices, and (B) no attorney representing the Company or any of its subsidiaries, whether or not employed by any such entity, has reported evidence of a material violation of securities Laws, breach of fiduciary duty or similar violation by the Company, any of its subsidiaries or any of their respective directors, officers or employees to the general counsel or chief executive officer of the Company or the Company Board of Directors or any committee thereof.

(f) The Company is, and since the Applicable Date has been, in compliance in all material respects with (i) the Sarbanes-Oxley Act and (ii) the applicable listing standards and corporate governance rules of the NYSE.

(g) Except (i) as reflected, accrued or reserved against in the financial statements (including all notes thereto) of the Company and its subsidiaries included in the Company SEC Reports filed prior to the date hereof; (ii) for Liabilities incurred in the ordinary course of business since December 31, 2019; (iii) for Liabilities incurred pursuant to the transactions contemplated by this Agreement; (iv) for Liabilities which have been discharged or paid in full prior to the date of this Agreement; and (v) for Liabilities that have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, no Company Party has or is subject to any Liabilities of a nature required to be recorded or reflected in a consolidated balance sheet prepared in accordance with GAAP.

SECTION 3.8 **Contracts**.

(a) Except for (i) this Agreement or (ii) the Company Plans and Company Stock Plan (and any Restricted Stock Rights or Performance Shares granted under the Company Stock Plan), as of the date hereof, no Company Party is party to or bound by any Contract that:

(i) is a "material contract" (as such term is defined in Item 601(b)(10) of Regulation S-K of the SEC);

(ii) (1) purports to limit in any material respect either the type of business in which the Company or any of its subsidiaries or Joint Ventures (including those Contracts of the Company Parties that purport to so limit the Parent Parties after the Effective

Time) or any of their respective Affiliates may engage or the manner or geographic area in which any of them may so engage in any business, (2) would require the disposition of any material assets or line of business of the Company or its subsidiaries or Joint Ventures (including those Contracts of the Company Parties that so require the Parent Parties after the Effective Time) or any of their respective Affiliates as a result of the consummation of the transactions contemplated by this Agreement, including the Merger, (3) is a material Contract that grants "most favored nation" status that, following the Effective Time, would impose obligations upon the Parent Parties (including the Company Parties), (4) prohibits or limits, in any material respect, the right of the Company or any of its subsidiaries or Joint Ventures (including those Contracts of the Company Parties that so prohibit or limit any Parent Party after the Effective Time) to make, sell or distribute any products or services or use, transfer, license or enforce any of their respective Intellectual Property rights, (5) is with a Governmental Entity (other than ordinary course Contracts with Governmental Entities), (6) grants any right of first refusal or right of first offer or similar right or that limits or purports to limit the ability of the Company or any of its subsidiaries or Joint Ventures (or, after the Effective Time, any Parent Party) to own, operate, lease, provide or receive services, or sell, transfer, pledge, or otherwise dispose of any material amount of its assets or its business, or (7) is approved by FERC as a special or nonconforming Contract or service agreement that deviates from standard tariffs;

(iii) is a partnership, joint venture or similar Contract that, in each case, is material to the Company and its subsidiaries taken as a whole;

(iv) under which the Company or any of its subsidiaries (A) is liable for indebtedness in excess of $50,000,000 or (B) guarantees any indebtedness of a third party that is not a Company Party;

(v) expressly limits or otherwise restricts the ability of the Company or any of its subsidiaries to pay dividends or make distributions to its shareholders;

(vi) by its terms calls for aggregate payments by or to the Company and its subsidiaries under such Contract of more than $50,000,000 over the remaining term of such Contract (other than (A) this Agreement, (B) Contracts subject to clause (iv) above, (C) Contracts for the transportation, transmission, processing, storage, purchase, exchange or sale of gas, coal, oil, nuclear fuel or electric energy, the obligations under which are subject to review by Governmental Entities regulating utilities in the jurisdictions in which the Company or its subsidiaries operate and (D) immaterial financial derivative interest rate hedges);

(vii) relates to the pending acquisition or pending disposition of any asset (including any entity or business whether by merger, sale of stock, sale of assets or otherwise) for consideration in excess of $50,000,000; or

(viii) is a Company Collective Bargaining Agreement.

Each Contract (i) set forth (or required to be set forth) in Section 3.8 of the Company Disclosure Schedule, (ii) filed as an exhibit to the Company SEC Reports as a "material contract" pursuant to Item 601(b)(10) of Regulation S-K under the Securities Act, or (iii) disclosed by the Company on a Current Report on Form 8-K as a "material contract"

(excluding any Company Plan), is referred to herein as a "Company Material Contract". Other than any Company Material Contract filed as an exhibit to the Company SEC Reports prior to the date of this Agreement and other than this Agreement, the Company has made available to Parent a true, complete and correct copy of each Company Material Contract.

(b) Each of the Company Material Contracts is a legal, valid and binding obligation of, and enforceable against, the Company Party that is a party thereto and, to the knowledge of the Company, each other party thereto, and is in full force and effect in accordance with its terms, subject to the Bankruptcy and Equity Exception, except (i) to the extent that any Company Material Contract expires or terminates in accordance with its terms in the ordinary course of business consistent with past practice, and (ii) for such failures to be legal, valid and binding or to be in full force and effect that do not have and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(c) No event has occurred that, with notice or the passage of time, or both, would constitute a breach or default by the Company or any of its subsidiaries under any such Company Material Contract, and, to the knowledge of the Company, no other party to any Company Material Contract is in breach or default (nor has any event occurred which, with notice or the passage of time, or both, would constitute such a breach or default) under any Company Material Contract, except in each case where such violation, breach, default or event of default does not have and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

SECTION 3.9 **Absence of Certain Changes or Events**.

(a) Since December 31, 2018 through the date of this Agreement, (i) except as expressly contemplated by this Agreement, the Company and its subsidiaries have conducted their business in the ordinary course of business in a manner consistent with past practice in all material respects, and (ii) there has not occurred any event, development, change, effect or occurrence that has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(b) Since December 31, 2018 through and including the date of this Agreement, neither the Company nor any subsidiary of the Company has taken any action that, if taken during the period from the date of this Agreement through the Effective Time, would constitute a violation of Section 5.1(c)(i), Section 5.1(c)(ii),Section 5.1(c)(iii), Section 5.1(c)(iv), Section 5.1(c)(vii), Section 5.1(c)(viii) (excluding the declaration and payment of regular quarterly cash dividends on Company Common Stock during such period of time in the ordinary course of business and disclosed in the Company SEC Reports), Section 5.1(c)(x), Section 5.1(c)(xi), Section 5.1(c)(xii) or Section 5.1(c)(xviii).

SECTION 3.10 **Absence of Litigation**. There are no (a) civil, criminal, administrative or other suits, claims, actions, proceedings, or arbitrations by or before any Governmental Entity relating to or affecting any Company Party or any of their respective assets or properties pending or, to the knowledge of the Company, threatened against any Company Party, and (b) to the knowledge of the Company, Governmental Entity investigations, inquiries or audits pending or threatened against, relating to or affecting, any Company Party or any of

their respective properties or assets, other than, in each case, that has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. Neither the Company nor any of its subsidiaries nor any of their respective properties is or are subject to any order, writ, judgment, injunction, decree or award except for those that have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. This Section 3.10 does not relate to environmental matters, which are addressed in Section 3.17.

SECTION 3.11 **Employee Benefit Plans**.

(a) Section 3.11(a) of the Company Disclosure Schedule contains a true and complete list, as of the date of this Agreement, of each material Company Plan. "Company Plan" means each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), whether or not subject to ERISA), and each other director or employee plan, program, agreement or arrangement, vacation or sick pay policy, fringe benefit plan, compensation, equity or phantom equity, change in control, deferred compensation, incentive compensation, pension, retirement savings, bonus, profit sharing, health, medical or dental, disability, unemployment insurance, life insurance, severance or employment agreement or any other compensatory plan or policy contributed to, sponsored or maintained by the Company or any of its subsidiaries for the benefit of any current, former or retired employee or director or other individual consultant/service provider of the Company or any of its subsidiaries (collectively, the "Company Employees") and any such plan, program, agreement or arrangement that is or was subject to Part 3 of Title I of ERISA, Section 412 of the Code or Title IV of ERISA, at any time during the six-year period preceding the date of this Agreement, with respect to which the Company or any of its subsidiaries has or would reasonably be expected to have any present or future actual or contingent Liabilities.

(b) With respect to each Company Plan set forth on Section 3.11(a) of the Company Disclosure Schedule, the Company has made available to Parent a true, correct, and complete copy thereof to the extent in writing and, to the extent applicable, all material supporting documents including, but not limited to (i) the plan document or agreement, including any material amendments thereto, and any related trust agreement or other funding instrument or insurance policy, (ii) the most recent determination letter, if any, received from, and all material correspondence with the Internal Revenue Service (the "IRS") in the three-year period preceding the date of this Agreement, (iii) the most recent summary plan description for each Company Plan for which such summary plan description is required, (iv) for the most recent three years (A) the Form 5500 and attached schedules, (B) audited financial statements and (C) actuarial valuation reports, if any, and (v) all material correspondence with the Department of Labor and the Pension Benefit Guaranty Corporation in the three-year period preceding the date of this Agreement. No Company Plan is maintained outside the jurisdiction of the United States or covers any Company Employees residing or working outside of the United States.

(c) Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, (i) each Company Plan has been established, funded and administered in accordance with its terms and in compliance with the applicable provisions of ERISA, the Code, and other applicable Laws, rules and regulations; (ii) with respect to each Company Plan, as of the date of this Agreement, no actions, suits, audits,

proceedings, investigations or claims (other than routine claims for benefits in the ordinary course), or material administrative proceeding by the IRS, the Department of Labor, or any other Governmental Entity, are pending or, to the knowledge of the Company, threatened, (iii) all contributions, reimbursements, premium payments and other payments required to be made by the Company or any of its subsidiaries to or on behalf of any Company Plan have been made on or before their applicable due dates, and (iv) there has been no prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code, other than a transaction that is exempt under a statutory or administrative exemption), with respect to any Company Plan that could reasonably be expected to result in material Liability to the Company or any of its subsidiaries. Each Company Plan which is intended to be qualified under Section 401(a) of the Code has received a determination letter to that effect from the IRS and, to the knowledge of the Company, no circumstances exist which would reasonably be expected to materially adversely affect such qualification.

(d) No Company Plan is a multiemployer plan as defined in Sections 3(37) or 4001(a)(3) of ERISA or a multiple employer welfare arrangement as defined in Section 3(40) of ERISA, and neither the Company nor any ERISA Affiliate has contributed to or been obligated to contribute to any such plan within the six years preceding the date of this Agreement. Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, neither the Company nor any ERISA Affiliate has incurred any Controlled Group Liability (as defined below) that has not been satisfied in full nor, to the knowledge of the Company, do any circumstances exist that could reasonably be expected to give rise to any Controlled Group Liability (except for the payment of premiums to the Pension Benefit Guaranty Corporation not yet due). For the purposes of this Agreement, "Controlled Group Liability" means any and all liabilities (i) under Title IV of ERISA, (ii) under Section 302 of ERISA, (iii) under Sections 412, 430 and 4971 of the Code or (iv) as a result of the failure to comply with the continuation of coverage requirements of Section 601 et seq. of ERISA and Section 4980B of the Code.

(e) None of the execution, delivery and performance of this Agreement, shareholder or other approval of this Agreement or the consummation of the transactions contemplated by this Agreement (whether alone or in combination with another event, including without limitation termination of employment or service) will (i) entitle any Company Employee to severance pay (or a material increase in severance pay), unemployment compensation or any other payment or benefit or trigger the funding of such payment, (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such Company Employee, (iii) limit or restrict the right to merge, amend, terminate or transfer the assets of any Company Plan on or following the Effective Time, except as expressly contemplated by this Agreement, or (iv) result in any breach or violation of, or default under, or limit the Company's right to amend, modify or terminate, any Company Plan.

(f) No payment or benefit that could be paid or provided (whether in cash or property or the vesting of property or the cancellation of indebtedness) to any Company Employee who is a "disqualified individual" within the meaning of Section 280G of the Code will constitute an "excess parachute payment" (as defined in Section 280G(b)(1) of the Code) as a result of the consummation of the transactions contemplated by this Agreement.

(g) Neither the Company nor any of its subsidiaries is obligated or otherwise required to provide for the gross-up of any Taxes imposed by Section 4999 of the Code that could apply in connection with the transactions contemplated by this Agreement.

(h) No Company Plan that is a "welfare benefit plan" within the meaning of ERISA provides benefits in respect of Company Employees beyond their retirement or other termination of service, other than coverage mandated solely by applicable Law.

SECTION 3.12 **Labor and Employment Matters**.

(a) The Company is not, nor has it ever been, a party to any collective bargaining agreement or other Contract with any labor union or other labor organization or other representative representing any Company Employees, nor is any such Contract presently being negotiated. To the knowledge of the Company, there is no unfair labor practice charge or comparable or analogous complaint pending before the National Labor Relations Board (or equivalent regulatory body, tribunal or authority) against the Company which, if adversely decided, would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(b) Except as, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect with respect to the Company, since the Applicable Date, the Company has not engaged in any "plant closing" or "mass layoff," as defined in the Worker Adjustment Retraining and Notification Act or any comparable state or local Law, without complying with the notice requirements of such Laws.

(c) Except as, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect with respect to the Company: (i) as of the date of this Agreement, there are no litigations, lawsuits, claims, charges, complaints, arbitrations, actions, investigations or proceedings pending or, to the knowledge of the Company, threatened between or involving the Company and any Company Employees for employment or classes of the foregoing and (ii) the Company is, and since the Applicable Date has been, in compliance with all applicable Laws, Contracts and policies respecting employment and employment practices, including all legal requirements respecting terms and conditions of employment, equal opportunity, workplace health and safety, wages and hours, child labor, immigration, discrimination, disability rights or benefits, facility closures and layoffs, workers' compensation, labor relations, employee leaves and unemployment insurance.

SECTION 3.13 **Insurance**. Except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, (a) each of the Company and its subsidiaries has been since the Applicable Date continuously insured with financially responsible insurers or has self-insured, in each case in such amounts and with respect to such risks and losses as are customary for companies in the United States conducting the business conducted by the Company and its subsidiaries, (b) neither the Company nor its subsidiaries has received since the Applicable Date any written notice of any pending or threatened (or is otherwise aware of any fact or occurrence that would trigger) cancellation, nonrenewal, termination or premium increase with respect to any insurance policy of the Company or any of its subsidiaries and all insurance policies of the Company and its subsidiaries

are in full force and effect and (c) all premiums due with respect to such insurance policies have been paid in accordance with the terms thereof. Since the Applicable Date, neither the Company nor any of its subsidiaries has been refused any insurance with respect to its respective businesses or assets.

SECTION 3.14 **Properties**.

(a) Except as does not have and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, each Company Party (i) has good and valid title to all material real property owned in fee by such Company Party (the "Company Material Owned Real Property"), (ii) holds valid rights to lease all material real property and interests in real property leased or subleased by such Company Party as lessee or sublessee (the "Company Material Leased Real Property") and (iii) has valid title to the material real property easements owned by such Company Party (the "Company Material Easement Real Property" and together with the Company Material Owned Real Property and the Company Material Leased Real Property, the "Company Material Real Property"), in each case free and clear of all liens, encumbrances, pledges, hypothecations, charges, mortgages, security interests, options, rights of first offer or last offer, preemptive rights, or other restrictions of similar nature (including any restriction on the transfer of any security or other asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset), claims and defects, and imperfections of title ("Liens") (except in all cases for (A) Liens permissible under any applicable lines of credit or other credit facilities or arrangements, loan agreements and indentures in effect on the date of this Agreement (or any replacement or additional facilities thereto permitted pursuant to this Agreement), (B) statutory liens securing payments not yet due, (C) with respect to real property (1) zoning, building codes and other state and federal land use Laws regulating the use or occupancy of such real property or the activities conducted thereon which are imposed by any Governmental Entity having jurisdiction over such real property, (2) such imperfections or irregularities of title, Liens, easements, covenants and other restrictions or encumbrances (including easements, rights of way, options, reservations or other similar matters or restrictions or exclusions which would be shown by a current title report or other similar report; and any condition or other matter, if any, that may be shown or disclosed by a current and accurate survey or physical inspection), as do not materially and adversely affect the use of the properties or assets subject thereto or affected thereby or otherwise materially impair business operations at such properties, (D) Liens for current Taxes or other governmental charges not yet due and payable or for Taxes that are being contested in good faith by appropriate proceeding and for which adequate reserves have been established in accordance with GAAP, (E) pledges or deposits made in the ordinary course of business to secure obligations under workers' compensation, unemployment insurance, social security, retirement and similar Laws or similar legislation or to secure public or statutory obligations, (F) mechanics', carriers', workmen's, repairmen's or other like encumbrances arising or incurred in the ordinary course of business relating to obligations which are not overdue or that are being contested in good faith, and (G) mortgages, or deeds of trust, security interests or other encumbrances on title related to (x) indebtedness reflected on the most recent balance sheet included in the Company SEC Reports filed prior to the date hereof or (y) indebtedness incurred after the date hereof, in compliance with Section 5.1(c)(x)) (items in clauses (A) through (G) are referred to herein as "Permitted Liens"). This Section 3.14 does not relate to Intellectual Property, which is addressed in Section 3.16.

(b) Neither the Company nor any of its subsidiaries is obligated under, or a party to, any option, right of first refusal or other contractual right or obligation to sell, assign or dispose of any Company Material Real Property (or any portion thereof) that, if such sale, assignment or disposition is consummated, would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(c) Except in any such case as is not, individually or in the aggregate, reasonably expected to have a Material Adverse Effect on the Company, (i) each easement or subeasement for Material Easement Real Property (each, an "Easement") is in full force and effect and is the valid and binding obligation of the Company or its applicable subsidiary, as applicable, enforceable against the Company or its applicable subsidiary, as applicable, in accordance with its terms, and to the knowledge of the Company, the other party or parties thereto, subject to the effects of the Bankruptcy and Equity Exception, (ii) no written notices of default under any Easement have been received by the Company or its subsidiaries that have not been resolved and (iii) to the knowledge of the Company, no event has occurred which, with notice, lapse of time or both, would constitute a breach or default under any Easement by the Company or its subsidiaries.

(d) With respect to the Company Material Real Property, neither the Company nor any of its subsidiaries has received any written notice of, nor to the knowledge of the Company, does there exist as of the date of this Agreement, any pending, threatened or contemplated condemnation (other than condemnations in connection with municipal road improvement projects, state highway improvement projects or other public transportation projects) or similar proceedings, or any sale or other disposition of any Company Material Real Property or any part thereof in lieu of condemnation that, individually or in the aggregate, has had and would reasonably be expected to have a Material Adverse Effect on the Company. Except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, the Company and its subsidiaries have lawful rights of use to all land and other real property rights, subject to Permitted Liens, necessary to conduct their business as presently conducted.

SECTION 3.15 **Tax Matters**. Except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company:

(a) Each of the Company and its subsidiaries has timely filed all Tax Returns required to be filed by it, and all such Tax Returns are true, complete and accurate. Each of the Company and its subsidiaries has timely paid (or has had timely paid on its behalf) in full all Taxes due and payable by it (whether or not shown on any Tax Return) except with respect to matters contested in good faith and for which adequate reserves have been established in accordance with GAAP. There are no Liens with respect to Taxes upon any of the assets or properties of either the Company or any of its subsidiaries, other than Permitted Liens.

(b) The most recent financial statement contained in the Company SEC Reports filed prior to the date of this Agreement reflect, in accordance with GAAP, an adequate reserve for all Taxes payable by the Company and its subsidiaries for all taxable periods through the date of such financial statements, and since such date.

(c) No Tax or Tax Return of the Company or any of its subsidiaries is under any ongoing or pending audit or examination by any Taxing Authority or is the subject of any ongoing or pending administrative or judicial proceeding, and no assessment or deficiency with respect to any Taxes has been received by or proposed or asserted in writing against the Company or any of its subsidiaries by any Taxing Authority that has not been fully satisfied by payment or otherwise finally resolved. During the last three (3) years, no claim has been made in writing by any Governmental Entity in a jurisdiction where the Company or any of its subsidiaries, as applicable, does not file Tax Returns that the Company or such subsidiary is or may be subject to taxation by that jurisdiction, which claim has not been finally settled or otherwise resolved. Neither the Company nor any of its subsidiaries has waived or extended in writing any statute of limitations with respect to Taxes that remains in effect.

(d) Neither the Company nor any of its subsidiaries (i) has been a member of a group (other than a group the common parent of which is the Company) filing a consolidated, combined, affiliated, unitary or similar income Tax Return or (ii) has any Liability for Taxes of any Person under Treasury Regulations Section 1.1502-6 (or any corresponding provision of state, local or foreign Tax Law), other than the Company and any of its subsidiaries, by reason of filing or being required to file a consolidated, combined, affiliated, unitary or similar income Tax Return or as a transferee or successor.

(e) None of the Company or any of its subsidiaries is a party to, is bound by or has any obligation under any Tax sharing, Tax allocation or Tax indemnity agreement or similar contract or arrangement, other than (i) such agreements, contracts or arrangements solely between or among the Company and/or any of its subsidiaries or (ii) such agreements, contracts or arrangements entered into in the ordinary course that do not relate primarily to Taxes.

(f) None of the Company or any of its subsidiaries has been either a "distributing corporation" or a "controlled corporation" in a distribution occurring during the last two years in which the parties to such distribution treated the distribution as one to which Section 355 of the Code (or any similar provision of state, local or non-U.S. Tax Law) was applicable.

(g) All Taxes required to be deducted, withheld, collected or deposited by or with respect to the Company and each of its subsidiaries have been timely deducted, withheld, collected or deposited, as the case may be, and to the extent required by applicable Tax Law, have been timely paid over, or set aside in accounts for such purposes, any Taxes so deducted, withheld, collected or deposited to the relevant Taxing Authority.

(h) Neither the Company nor any of its subsidiaries has participated in any "reportable transaction" within the meaning of Treasury Regulations Section 1.6011-4(b) (or any similar provision of state, local or non-U.S. Tax Law).

(i) Neither the Company nor any of its subsidiaries (A) has requested or received any ruling related to Taxes from any Taxing Authority, or signed (or been a party to or bound by) any binding agreement relating to Taxes with any Taxing Authority that reasonably could be expected to have an impact on the Tax liability of the Company or any of its subsidiaries in a taxable period (or portion thereof) ending after the Closing Date, or (B) is

currently the beneficiary of any Tax holiday or other Tax reduction or incentive arrangement with any Taxing Authority.

(j) Neither the Company nor any of its subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any (A) adjustment under Section 481 of the Code (or any similar provision of state, local or non-U.S. Tax Law) or any other change in method of accounting occurring prior to Closing, (B) closing agreement described in Section 7121 of the Code (or any similar provision of state, local or non-U.S. Tax Law) entered into prior to Closing, (C) installment sale or open transaction disposition occurring prior to Closing, (D) use of an improper method of accounting prior to Closing or (E) prepaid amount received, or deferred revenue accrued, prior to Closing.

Except to the extent that Section 3.10 or Section 3.11 relates to Taxes, the representations and warranties set forth in this Section 3.15 shall constitute the only representations and warranties by the Company with respect to Tax matters.

SECTION 3.16 **Intellectual Property**.

(a) Except as has not had since the Applicable Date and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company: (a) the Company and its subsidiaries either own, free and clear of all Liens except Permitted Liens or have sufficient rights to use, all Intellectual Property used in their business as currently conducted; (b) to the knowledge of the Company, the conduct of the Company's business does not, and has not since the Applicable Date (or earlier if not currently resolved), infringed, misappropriated or violated the Intellectual Property rights of any Person, and the Company and its subsidiaries have not received any written claim or allegation of same within the past year; (c) to the knowledge of the Company, no Person is infringing, misappropriating or violating the Intellectual Property rights held exclusively by the Company or its subsidiaries; and (d) the Company and its subsidiaries take commercially reasonable actions to protect the secrecy of their material trade secrets and confidential information and the security and operation of their material software and systems.

(b) Except as to matters that, individually or in the aggregate, have not had and would not reasonably be expected to result in a Material Adverse Effect on the Company, to the knowledge of the Company: (i) the Company and its subsidiaries have implemented and maintain reasonable backup, security and disaster recovery and business continuity technology, policies and plans that are consistent with industry practices; (ii) the Company and its subsidiaries take such industry standard measures and other measures as are required by applicable Law and the policies of the Company and its subsidiaries to ensure the confidentiality of customer financial and other confidential information and to protect against the loss, theft and unauthorized access or disclosure of such information; (iii) the Company and its subsidiaries are in compliance with the Company's and its subsidiaries' privacy policies; (iv) none of the Company or any of its subsidiaries has received any written claims, notices or complaints regarding the Company's or its subsidiaries' information handling or security practices or the disclosure, retention, misuse or security of any Personal Information, or alleging a violation of any Person's privacy, personal or confidentiality rights under any Person's Privacy Rules and

Policies, or otherwise by any Person, including the U.S. Federal Trade Commission, any similar foreign bodies, or any other Governmental Entity and (v) the Company's and its subsidiaries' computers, computer software, firmware, middleware, servers, workstations, routers, hubs, switches, data communications lines, and all other information technology systems operate and perform in all material respects in accordance with their documentation and functional specifications and otherwise as required by the Company or its subsidiaries in connection with its business as presently conducted, and have not materially malfunctioned or failed since the Applicable Date, and there have been no unauthorized intrusions or breaches of security with respect to the such information technology systems.

SECTION 3.17 **Environmental Matters**. Except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company:

(a) the Company and its subsidiaries are, and have been since the Applicable Date, operating in compliance with all applicable Environmental Laws;

(b) the Company and its subsidiaries have obtained all Licenses required under any applicable Environmental Law for the operation of the business as currently conducted, and all such Licenses are validly issued, in full force and effect, and the Company and its subsidiaries are, and have been since the Applicable Date, in compliance with all terms and conditions of such Licenses;

(c) there has been no spill, release or discharge of any Hazardous Substances on, at, under, in, or from any real property currently or formerly owned, leased or operated by the Company or its subsidiaries, or to the knowledge of the Company, at any other location, that is (i) currently subject to any investigation, remediation or monitoring obligation of the Company or its subsidiaries, or (ii) reasonably likely to result in an investigation, remediation or monitoring obligation or other liability of the Company or any subsidiary, in either case (i) or (ii), under any applicable Environmental Laws;

(d) neither the Company nor any of its subsidiaries is a party to, or has received written notice of, any pending or, to the knowledge of the Company, threatened claim, complaint, suit or demand alleging that it or any subsidiary is in violation of or has Liability under any Environmental Laws;

(e) neither the Company nor any of its subsidiaries is a party or subject to any order, judgment, decree, settlement agreement, or similar arrangement imposing on it any obligation under any applicable Environmental Laws that remains unfulfilled; and

(f) neither the Company nor any of its subsidiaries has assumed or retained any Liabilities under any applicable Environmental Laws of any other Person by Contract or operation of law, including in any acquisition or divestiture of any property or business.

For purposes of this Agreement, the following terms shall have the meanings assigned below:

"Environmental Law" shall mean any federal, state, local, foreign or international laws

(including common law), rules, orders, regulations, statutes, ordinances, codes or decrees that concern (i) pollution, (ii) protection, preservation or clean-up of the environment, (iii) protection or preservation of human health and safety (to the extent relating to exposure to Hazardous Substances), or (iv) the generation, use, treatment, transportation, storage, disposal, handling or release of Hazardous Substances.

"Hazardous Substance" shall mean (i) any chemical, waste, material or substance defined or designated as toxic, hazardous, or radioactive, or regulated as a waste, a pollutant or a contaminant by any applicable Environmental Law, and (ii) petroleum and petroleum products, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, perfluorooctanoic acid, perfluorooctane sulfonate and other per- or polyfluoroalkyl substances, and polychlorinated biphenyls.

SECTION 3.18 **Opinion of Financial Advisor**. Evercore Group L.L.C. (the "Company Financial Advisor") has delivered to the Company Board of Directors its written opinion (or oral opinion that will be confirmed in writing and delivered to the Company Board of Directors promptly (and in no event later than one (1) Business Day) after the date of this Agreement), dated as of the date of this Agreement, that, as of such date and based upon, and subject to, the factors, assumptions and limitations set forth therein, the Per Share Merger Consideration is fair, from a financial point of view, to the holders of Company Common Stock. Copies of such opinion (including such written confirmation) have been made available to Parent or will be made available to Parent promptly after the date of this Agreement and prior to the Closing Date for informational purposes only.

SECTION 3.19 **Regulatory Matters**.

(a) The Company is a "holding company," as such term is defined in PUHCA. Certain subsidiaries of the Company qualify as an "electric utility company" within the meaning of PUHCA, as a "public utility" under the FPA subject to regulation by FERC, as a "public utility" or "utility" subject to the Public Utility Regulatory Act of Texas, or as a "public utility" or "utility" subject to the Public Utility Act of New Mexico (hereinafter the "Regulated Operating Subsidiaries").

(b) All filings required to be made by the Company or any of the Regulated Operating Subsidiaries since January 1, 2018, with FERC under the FPA or the PUHCA, the Department of Energy and any applicable state utility commissions, as the case may be, have been made, as applicable, including all forms, statements, reports, agreements and all documents, exhibits, amendments and supplements pertaining thereto, including all rates, tariffs and related documents, and all such filings complied, as of their respective dates, with all applicable requirements of applicable statutes and the rules and regulations thereunder, except for filings the failure of which to make or the failure of which to make in compliance with all applicable requirements of applicable statutes and the rules and regulations thereunder do not have and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(c) Each of the Regulated Operating Subsidiaries is legally entitled to provide services in all areas (i) where it currently provides service to its customers, and (ii) as identified

in their respective tariffs, service agreements and other Contracts with its customers, except for failures to be so entitled that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on the Company.

(d) Section 3.19(d) of the Company Disclosure Schedule sets forth, as of the date of this Agreement, (i) all rate filings pending as of the date of this Agreement related to the Company or any of the Regulated Operating Subsidiaries before the FERC and any state energy regulatory body and each other material proceeding pending as of the date of this Agreement before the FERC or any state energy regulatory body relating to the Company or any of the Regulated Operating Subsidiaries (other than those rate filings or other material proceedings of a general or industry-wide nature that also affect other entities engaged in a business similar to that of the Company or any of the Regulated Operating Subsidiaries) and (ii) all tariffs (other than tariffs applicable to utilities generally in any jurisdiction in which the Company or any of the Regulated Operating Subsidiaries operates) filed with respect to, or applicable to, the services provided by the Company or any of the Regulated Operating Subsidiaries, and all agreements to provide service on non-tariff terms (and complete and correct copies of all such tariffs and agreements have been provided to Parent). All charges that have been made for service and all related fees have been charged in accordance with the terms and conditions of valid and effective tariffs or valid and enforceable agreements for non-tariff charges and are not subject to refund, except for failures to have made such charges or charged such fees that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect.

SECTION 3.20 **Brokers**. No Person (other than the Company Financial Advisor) is or will be entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by and on behalf of the Company or any of its subsidiaries. The Company has heretofore made available to Parent a correct and complete copy of the Company's engagement letter with Company Financial Advisor, which letter describes all brokerage, finders', advisory, commission or fees payable to the Company Financial Advisor, in connection with the transactions contemplated hereby.

SECTION 3.21 **Takeover Statutes**. Assuming the accuracy of the representations set forth in Section 4.9, no "fair price", "moratorium", "control share acquisition", "affiliate transactions", "business combination" or other similar antitakeover statute or regulation enacted under state or federal Laws in the United States applicable to the Company is applicable to this Agreement or the transactions contemplated hereby, including the Merger.

SECTION 3.22 **Energy Price Risk Management**.

(a) The Company has established risk parameters, limits and guidelines in compliance with the risk management policy (including commodity risk policies) approved by the Company Board of Directors (the "Company Risk Management Guidelines") and monitors compliance by the Company and its subsidiaries with such energy price risk parameters, limits and guidelines. The Company has made available the Company Risk Management Guidelines prior to the date of this Agreement.

(b) As of the date of this Agreement, except for exceptions approved in accordance with the Company Risk Management Guidelines and other than as would not reasonably be expected to have a Material Adverse Effect on the Company, the Company and its subsidiaries are operating in compliance with the Company Risk Management Guidelines and all Derivative Products of the Company and any of its subsidiaries were entered into in accordance with the Company Risk Management Guidelines.

SECTION 3.23 **Anti-Corruption; Anti-Money Laundering**.

(a) None of the Company or any of its subsidiaries or Joint Ventures, or any of their respective Representatives, has since January 1, 2015, directly or indirectly, made, offered, promised, authorized, accepted or agreed to accept, directly or indirectly, any gift, payment, or transfer of any money or anything else of value, including any bribe, rebate, kickback, payoff or other similar unlawful payment, or provided any benefit, to or from anyone, intending that, in consequence, a relevant function or activity should be performed improperly or to reward such improper performance, to any Government Official, (i) for the purpose of (A) influencing any act or decision of that Government Official, (B) inducing that Government Official to do or omit to do any act in violation of his lawful duty, (C) securing any improper advantage, or (D) inducing that Government Official to use his or her influence with a Governmental Entity, (1) to affect or influence any act or decision of any Governmental Entity, or (2) to assist the Company or any of its subsidiaries or Joint Ventures in obtaining or retaining business with, or directing business to, any Person, or (ii) which would otherwise constitute or have the purpose or effect of public or commercial bribery, acceptance of or acquiescence in extortion, kickbacks or other unlawful or improper means of obtaining business or any improper advantage.

(b) The Company and its subsidiaries and Joint Ventures have maintained complete and accurate books and records with respect to payments to any Government Official and any payment to or other expenses involving agents, consultants, representatives, customers, employees and any other third parties acting on behalf of any Company Party, in each case, in accordance with Anti-Corruption Laws and GAAP.

(c) None of the Company or any of its subsidiaries or Joint Ventures has either (i) (A) conducted or initiated any review, audit, or internal investigation, or (B) made a voluntary, directed, or involuntary disclosure to any Governmental Entity responsible for enforcing Anti-Corruption Laws, in each case with respect to any alleged act or omission arising under or relating to noncompliance with any Anti-Corruption Laws, or (ii) received any inquiry, notice, request or citation from any Person alleging noncompliance with any Anti-Corruption Laws.

(d) Each of the Company and its subsidiaries and Joint Ventures is, and has been since January 1, 2015, in compliance with all applicable anti-money laundering legislation, regulations, rules or orders relating thereto for all other applicable jurisdictions, and maintains adequate internal controls to ensure such compliance.

SECTION 3.24 **No Other Representations or Warranties**. Except for the representations and warranties contained in Article IV (including the Parent Disclosure

Schedule), the Company acknowledges that none of Parent, Merger Sub or any other Person on behalf of Parent or Merger Sub makes, or has made, any other express or implied representation or warranty with respect to Parent or Merger Sub or their respective subsidiaries or businesses or with respect to the transactions contemplated by this Agreement or with respect to any other information provided to the Company. The Company hereby disclaims, and specifically acknowledges and agrees to the disclaimer of, any such other representations or warranties, whether made by Parent, Merger Sub or any of their Affiliates, or any of their respective shareholders, officers, directors, employees, agents or Representatives, and of all liability and responsibility for any such other representation, warranty, projection, forecast, statement, or information made, communicated or furnished (orally or in writing) to the Company or its Affiliates or Representatives (including any opinion, information, projection or advice that may have been or may be provided to any of them). None of Parent, Merger Sub nor any other Person will have or be subject to any liability or indemnification obligation to the Company or any other Person resulting from the distribution to the Company, or the Company's use of, any such information, including any information, documents, projections, forecasts or other material made available to the Company in certain "data rooms" or management presentations in expectation of the transactions contemplated by this Agreement.

SECTION 3.25 **Access to Information; Disclaimer**. The Company acknowledges and agrees that it has conducted its own independent investigation and analysis of Parent, Merger Sub and their respective subsidiaries, their respective businesses and the transactions contemplated hereby, and has not relied on any representation, warranty or other statement by any Person on behalf of Parent, Merger Sub or any of their respective subsidiaries, other than the representations and warranties of Parent and Merger Sub expressly contained in Article IV (including the Parent Disclosure Schedule) of this Agreement, and that all other representations and warranties are specifically disclaimed. Without limiting the foregoing, the Company further acknowledges and agrees that none of Parent, Merger Sub or any of their respective subsidiaries or any of their respective shareholders, directors, officers, employees, Affiliates, advisors, agents or other Representatives has made any representation or warranty (express or implied) concerning any estimates, projections, forecasts, business plans or other forward-looking information regarding Parent, Merger Sub, their respective subsidiaries or their respective businesses and operations.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES REGARDING PARENT AND MERGER SUB

Parent and Merger Sub each hereby represent and warrant to the Company that, except (i) as disclosed in Parent SEC Reports filed with, or furnished to, the SEC from and after January 1, 2019 and prior to the date of this Agreement (other than in any "risk factor" disclosure under the heading "Risk Factors" or any forward looking statements contained therein) or (ii) as set forth on the corresponding sections or subsections of the disclosure schedules delivered to the Company by Parent concurrently with entering into this Agreement (the "Parent Disclosure Schedule"), it being agreed that disclosure of any item in any section or subsection of the Parent Disclosure Schedule shall also be deemed disclosure with respect to any other section or subsection of this Agreement to which the relevance of such item is reasonably apparent on the

face of such disclosure:

SECTION 4.1 **Organization and Qualification**. Each of Parent and Merger Sub is a legal entity duly organized, validly existing and, to the extent such concept is applicable, in good standing under the Laws of its respective jurisdiction of organization and has the requisite corporate or similar power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted and is qualified to do business. To the extent such concept is applicable, each of Parent and Merger Sub is in good standing as a foreign corporation or other legal entity in each jurisdiction where the ownership, leasing or operation of its assets or properties or conduct of its business requires such qualification, except where the failure to be so qualified or has not had and would not reasonably be expected to have not, individually or in the aggregate, a Parent Material Adverse Effect.

SECTION 4.2 **Operations and Ownership of Merger Sub**. As of the date hereof, the authorized equity securities of Merger Sub consists solely of shares of common stock, no par value, all of which are validly issued and outstanding as of the date hereof. All of the issued and outstanding capital stock of Merger Sub is, and at and immediately prior to the Effective Time will be, owned by Parent. Merger Sub has been formed solely for the purpose of engaging in the transactions contemplated hereby and prior to the Effective Time will have engaged in no other business activities and will have no assets, liabilities or obligations of any nature other than as expressly contemplated herein or in furtherance of the transactions contemplated hereby.

SECTION 4.3 **Authority**.

(a) Each of Parent and Merger Sub has all requisite corporate power and authority, and has taken all corporate action necessary, in order to execute, deliver and perform its obligations under this Agreement and to consummate the Merger and the other transactions contemplated hereby, subject only to filing of the Articles of Merger with the New Mexico Secretary of State. This Agreement has been duly and validly executed and delivered by each of Parent and Merger Sub and, assuming the due authorization, execution and delivery hereof by the Company, constitutes a legal, valid and binding obligation of Parent and Merger Sub, enforceable against each of Parent and Merger Sub in accordance with its terms, subject to the Bankruptcy and Equity Exception.

(b) All of the directors of the Parent Board of Directors at a duly called and held meeting, unanimously, (i) determined that this Agreement and the transactions contemplated hereby, including the Merger, are fair to and in the best interests of Parent and its shareholders, (ii) approved and adopted this Agreement and the transactions contemplated by this Agreement, including the Merger, and (iii) declared this Agreement and the transactions contemplated by this Agreement, including the Merger, advisable and in the best interests of Parent and its shareholders.

(c) Parent has approved and adopted this Agreement and the transactions contemplated hereby, including the Merger, in its capacity as sole shareholder of Merger Sub.

SECTION 4.4 **No Conflict; Required Filings and Consents**.

(a) The execution, delivery and performance of this Agreement by Parent and Merger Sub do not, and the consummation of the Merger and the other transactions contemplated hereby does not and will not (i) breach or violate the Charter Documents of Parent or Merger Sub, or (ii) assuming that all Consents and Filings set forth on Section 4.4(b) of the Parent Disclosure Schedule have been made and obtained, and any waiting periods thereunder have terminated or expired, conflict with, result in a violation or breach of, constitute (with or without notice or lapse of time, or both) a default under, result in or give to any Person any right of payment (other than payment of the Per Share Merger Consideration on each Company Share pursuant to the terms, and subject to the conditions, of this Agreement), reimbursement, termination, revocation, cancellation, modification or acceleration of, or result in the creation or imposition of any Lien (except a Permitted Lien) upon any of the assets or properties of Parent or Merger Sub under, any of the terms, conditions or provisions of (A) any Law, rule, regulation, order, judgment or decree applicable to Parent or Merger Sub or by which any of them or any of their respective properties are bound or (B) any License to which any Parent Party is a party or by which any Parent Party or any of their respective assets or properties is bound, except, in the case of clauses (A) and (B), for any such conflict, violation, breach, default, loss, right or other occurrence which does not have and would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

(b) No Consent or Filing with any Governmental Entity or third party is required for or in connection with the execution, delivery and performance of this Agreement by Parent or Merger Sub or the consummation by Parent or Merger Sub of the transactions contemplated hereby, other than Consents and Filings that have been obtained or made by Parent or Merger Sub, including the Required Regulatory Approvals or those, the failure of which to obtain or make, would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

SECTION 4.5 **Compliance**. (a) No Parent Party is, or since the Applicable Date has been, in default under or in violation of any Law applicable to any Parent Party or any order of any Governmental Entity, except for any such default or violation, which has not had and would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, and (b) the Parent Parties have all Licenses required to conduct their respective businesses as being conducted as of the date hereof, except for any such Licenses the absence of which has not had and would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect. Each Parent Party is, and since the Applicable Date has been, in compliance in all respects with the terms of its Licenses, except where the failure to be in compliance has not had and would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

SECTION 4.6 **No Parent Material Adverse Effect**. Since December 31, 2018 through the date of this Agreement, there has not occurred any event, development, change, effect or occurrence that has had, or would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

SECTION 4.7 **Absence of Litigation**. There are no civil, criminal, administrative or other suits, claims, actions, proceedings or arbitrations pending or, to the knowledge of Parent, threatened against Parent or Merger Sub or any of their respective subsidiaries, other than any

such suit, claim, action, proceeding or arbitration that would not or would not reasonably be expected to have, individually or in the aggregate a Parent Material Adverse Effect. Neither Parent nor any of its subsidiaries nor any of their respective material properties is or are subject to any order, writ, judgment, injunction, decree or award except for that has not had and would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

SECTION 4.8 **Brokers**. No Person (other than BNP Paribas) is or will be entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by and on behalf of Parent or Merger Sub or any of their respective subsidiaries for which the Company could have Liability.

SECTION 4.9 **Ownership of Shares of Company Common Stock**. Other than pursuant to this Agreement, neither Parent nor any of its subsidiaries beneficially owns (as defined in Rule 13d-3 under the Exchange Act) any shares of Company Common Stock or any securities that are convertible into or exchangeable or exercisable for shares of Company Common Stock, or holds any rights to acquire or vote any Company Shares, or any option, warrant, convertible security, stock appreciation right, swap agreement or other security, contract right or derivative position, whether or not presently exercisable, that provides Parent, Merger Sub, or any of their respective subsidiaries with an exercise or conversion privilege or a settlement payment or mechanism at a price related to the value of the shares of Company Common Stock or a value determined in whole or part with reference to, or derived in whole or part from, the value of the shares of Company Common Stock, in any case without regard to whether (a) such derivative conveys any voting rights in such securities to such Person or such Person's subsidiaries, (b) such derivative is required to be, or capable of being, settled through delivery of securities or (c) such Person or such Person's subsidiaries may have entered into other transactions that hedge the economic effect of such derivative.

SECTION 4.10 **Vote/Approval Required**. No vote or consent of the holders of any class or series of capital stock of Parent or any of its Affiliates is necessary to approve this Agreement or the Merger.

SECTION 4.11 **Available Funds**.

(a) Parent has delivered to the Company a true, complete and correct copy of the Commitment Letter. The Commitment Letter has not been amended, restated or otherwise modified or waived prior to the execution and delivery of this Agreement, and Iridium's commitment contained in the Commitment Letter has not been withdrawn, rescinded, amended, restated or otherwise modified in any respect prior to the execution and delivery of this Agreement. As of the date hereof, to the knowledge of Parent, the Commitment Letter is in full force and effect and constitutes the legal, valid and binding obligation of Iridium, enforceable against Iridium in accordance with its terms, subject to Bankruptcy and Equity Exceptions. There are no conditions precedent or contingencies related to Iridium's obligations under the Commitment Letter except as expressly set forth therein.

(b) Parent has, as of the date hereof, and shall continue to have through the Closing Date, ready access to (when taking into account the commitment under the Commitment

Letter), and as of the Effective Time will have available, all funds necessary to consummate the Merger and the transactions contemplated by this Agreement, including the payment of the aggregate Per Share Merger Consideration to the Exchange Agent.

(c) The obligations of Parent and Merger Sub hereunder are not subject to any condition regarding Parent's, Merger Sub's or any other Person's ability to obtain financing for the Merger and the other transactions contemplated by this Agreement.

SECTION 4.12 **No Other Representations or Warranties**. Except for the representations and warranties contained in Article III (including the Company Disclosure Schedule), each of Parent and Merger Sub acknowledges that neither the Company nor any other Person on behalf of the Company makes, or has made, any other express or implied representation or warranty with respect to the Company or their respective subsidiaries or business or with respect to the transactions contemplated by this Agreement or with respect to any other information provided to Parent or Merger Sub. Each of Parent and Merger Sub hereby disclaims, and specifically acknowledges and agrees to the disclaimer of, any such other representations or warranties, whether made by the Company or any of its Affiliates, or any of their respective shareholders, officers, directors, employees, agents or Representatives, and of all liability and responsibility for any such other representation, warranty, projection, forecast, statement, or information made, communicated or furnished (orally or in writing) to Parent or Merger Sub or their Affiliates or Representatives (including any opinion, information, projection or advice that may have been or may be provided to any of them). Neither the Company nor any other Person will have or be subject to any liability or indemnification obligation to Parent, Merger Sub or any other Person resulting from the distribution to Parent or Merger Sub, or Parent's or Merger Sub's use of, any such information, including any information, documents, projections, forecasts or other material made available to Parent or Merger Sub in certain "data rooms" or management presentations in expectation of the transactions contemplated by this Agreement.

SECTION 4.13 **Access to Information; Disclaimer**. Parent and Merger Sub each acknowledges and agrees that it has conducted its own independent investigation and analysis of the Company and its subsidiaries, their respective businesses and the transactions contemplated hereby, and has not relied on any representation, warranty or other statement by any Person on behalf of the Company or any of its subsidiaries, other than the representations and warranties of the Company expressly contained in Article III (including the Company Disclosure Schedule) of this Agreement, and that all other representations and warranties are specifically disclaimed. Without limiting the foregoing, each of Parent and Merger Sub further acknowledges and agrees that none of the Company or any of its shareholders, directors, officers, employees, Affiliates, advisors, agents or other Representatives has made any representation or warranty (express or implied) concerning any estimates, projections, forecasts, business plans or other forward-looking information regarding the Company, its subsidiaries or their respective businesses and operations.

ARTICLE V

CONDUCT OF BUSINESS PENDING THE MERGER

SECTION 5.1 **Conduct of Business of the Company Pending the Merger**. From the date of this Agreement until the earlier of the Effective Time and the valid termination of this Agreement in accordance with Article VIII, except as otherwise expressly permitted or required by this Agreement, as set forth in Section 5.1 of the Company Disclosure Schedule, the taking of any COVID Action (the "COVID Company Exception"), or to the extent required to comply with applicable Laws, or unless Parent shall otherwise consent in writing (which consent shall not be unreasonably withheld, conditioned or delayed), (a) the Company shall, and shall cause each of its subsidiaries to, and the Company shall exercise (and cause its subsidiaries to exercise) any available rights with respect to its Joint Ventures to cause each such Joint Venture to, (i) conduct its business in the ordinary course of business consistent with past practice and in substantially the same manner as heretofore conducted and (ii) use their respective commercially reasonable efforts to maintain their respective relationships with Governmental Entities, customers, suppliers, contractors, distributors, creditors, lessors and other third parties that have material business dealings with the Company or such subsidiary of the Company and keep available the services of its officers and key employees and consultants, in each case, as is reasonably necessary to preserve substantially intact its business organization, (b) the Company shall not, and it shall cause each of its Affiliates not to, directly or indirectly, take any action (including any action with respect to a third-party) that would, or would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede the consummation of the Merger or the other transactions contemplated by this Agreement or their respective ability to satisfy their obligations hereunder, and (c) without limiting the generality of the foregoing, the Company shall not, and shall cause each subsidiary of the Company not to, do any of the following and shall exercise (and shall cause its subsidiaries to exercise) any available rights with respect to its Joint Ventures to cause each such Joint Venture not to do any of the following:

(i) amend or otherwise change its Charter Documents;

(ii) make any acquisition of (whether by merger, consolidation or acquisition of stock or substantially all of the assets), or make any investment in any interest, in any Person, corporation, partnership or other business organization or division thereof or any assets, in each case, except for (A) purchases of equipment, inventory and other assets or pursuant to construction, operation and/or maintenance contracts, in each case, in the ordinary course of business or pursuant to Contracts existing on the date of this Agreement or entered into after the date of this Agreement consistent with the terms hereof or (B) acquisitions or investments that do not exceed $20,000,000 individually or $60,000,000 in the aggregate;

(iii) issue or authorize the issuance, pledge, transfer, subject to any Lien, sell, or dispose of or commit to the issuance, authorization, pledge, transfer, subjecting to any Lien, or disposition of, (in each case, whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise) any Equity Securities (except for the issuance of shares of Company Common Stock pursuant to the exercise or settlement of Company Restricted Stock Rights, Performance Shares and other stock rights

granted under the Company Stock Plan outstanding as of the Company Capitalization Date and for the grant of new awards under the Company Stock Plan in the ordinary course of business consistent with past practice and as set forth on Section 5.1(c)(iii) of the Company Disclosure Schedule; provided, however, that such grants of new awards shall not vest, accelerate or become exercisable solely as a result of the Merger or the other transactions contemplated by this Agreement (nothing herein, however, will prohibit the acceleration of any vesting of any Company Restricted Stock Rights, Performance Shares and other stock rights granted under the Company Stock Plan on a "double trigger" basis in accordance with the terms of the Company Stock Plan);

(iv) reclassify, combine, split, subdivide or amend the terms of, or redeem, purchase or otherwise acquire, directly or indirectly, any of its Equity Securities;

(v) other than Permitted Liens or Liens relating to any indebtedness incurred in compliance with Section 5.1(c)(x), create or incur any material Lien on any material assets of the Company or its subsidiaries (other than subsidiaries acquired following the date hereof);

(vi) make any loans or advances to any Person (other than the Company or any of its wholly-owned subsidiaries) other than in the ordinary course of business or not in excess of $10,000,000 in the aggregate;

(vii) sell or otherwise dispose of (whether by merger, consolidation or disposition of stock or assets or otherwise) any corporation, partnership or other business organization or division thereof or otherwise sell, assign, exclusively license, allow to expire, or dispose of any assets, rights or properties, which are material to the Company Parties, taken as a whole (other than sales, dispositions or licensing of equipment or inventory and other assets in the ordinary course of business consistent with past practice or pursuant to Contracts existing on the date of this Agreement or entered into after the date of this Agreement consistent with the terms hereof);

(viii) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its Equity Securities, or make any other actual, constructive or deemed distribution in respect of any Equity Securities (except (A) the Company may continue the declaration and payment of regular quarterly cash dividends on Company Common Stock for each quarterly period ended after the date of this Agreement, not to exceed the amount set forth on Section 5.1(c)(viii) of the Company Disclosure Schedule, with usual record and payment dates for such quarterly dividends in accordance with past dividend practice and (B) for any cash dividend or cash distribution by a wholly-owned subsidiary of the Company to the Company or another wholly-owned subsidiary of the Company);

(ix) other than (A) in the ordinary course of business, (B) as required by Law or any Governmental Entity or (C) to implement the outcome of any regulatory proceeding, enter into, terminate, modify or amend in any material respect any Company Material Contract;

(x) except (x) as expressly provided in Section 6.18, (y) for borrowings in the ordinary course of business under the Company's and its subsidiaries' Credit Facilities, and (z) for intercompany loans between the Company and any of its wholly-owned subsidiaries or between any wholly-owned subsidiaries of the Company, (A) incur, assume or repay indebtedness for borrowed money or issue any debt securities in excess of $50,000,000 (provided that any debt so incurred must be voluntarily prepayable without material premium, penalties or other material costs), other than (1) indebtedness incurred in the ordinary course of business not to exceed $10,000,000 in the aggregate, (2) pursuant to letters of credit in the ordinary course of business, or (3) any refinancing of long-term or short-term debt of the Company or any of its subsidiaries existing as of the date of this Agreement, provided, however, that if such refinancing is completed prior to maturity, it shall be (x) on substantially similar terms or terms that are more favorable to the Company or such subsidiaries in the aggregate, (y) for the same or lesser principal amount and (z) voluntarily prepayable by the Company or such subsidiaries without a premium or penalty amount greater than the premium or penalty associated with the debt that is being refinanced; (B) modify in any material respect in a manner adverse to the Company or Parent the terms of any such indebtedness for borrowed money, (C) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) the obligations of any Person (other than a wholly-owned subsidiary of the Company), (D) make any loans, advances or capital contributions to or investments in any other Person (other than the Company or any of its subsidiaries), except for business expense advancements in the ordinary course of business consistent with past practice to employees of the Company or its subsidiaries, (E) mortgage or pledge any of its or its subsidiaries' assets, tangible or intangible) or (F) any commodity, currency, sale or other hedging agreements other than such hedging agreements entered into in the ordinary course of business consistent with past practice, which can be terminated on ninety (90) days or less notice;

(xi) increase in any respect the salary, wages, bonus or fringe benefits of any director, officer or employee of the Company or any of its subsidiaries, other than (1) as required by any agreement existing on the date hereof and made available to Parent, Company Collective Bargaining Agreement made available to Parent or Company Plan made available to Parent or applicable Law or as contemplated under this Agreement, (2) increases in salaries, wages, bonuses and fringe benefits of any employee of the Company or any of its subsidiaries made in the ordinary course of business consistent with past practice, including, without limitation, merit increases or increases in response to competing offers or to market conditions, or in connection with any extension or renewal of any Company Collective Bargaining Agreement made in the ordinary course of business, (3) renewals and changes made in the ordinary course of business consistent with past practice to employee benefit plans which renewals and changes do not discriminate in favor of executive level employees, (4) with respect to new hires and promotions in the ordinary course, or (5) restructuring or reassignment of officers and executive-level employees provided the total number of officers and executive-level employees does not increase as a result of the restructuring or reassignment from the number of officers and executive-level employees as of the date of this Agreement;

(xii) except as required by applicable Law or the terms of any agreement (including any Company Plan or Company Collective Bargaining Agreement made available to Parent) existing on the date hereof or as contemplated under this Agreement, (a) make any increase in, or accelerate the vesting of, the compensation or benefits payable or to

become payable, or grant any retention, severance or termination pay (or rights thereto) to, any Company Employees or enter into or amend any Company Plan (or enter into any new plan or arrangement that would be a Company Plan if in effect on the date hereof) or make any loans to any Company Employees (other than reasonable and normal advances to Company Employees for *bona fide* expenses that are incurred in the ordinary course of business), or (b) enter into, adopt or amend any collective bargaining agreements, in each case in a manner inconsistent with past practice; provided, however, that the foregoing shall not prevent the Company or any subsidiary of the Company from (A) entering into at-will offer letters with new or newly-promoted non-executive level employees (or employment arrangements with new executive level employees to replace existing executive-level Company Employees or as the result of promotion of non-executive level employees), in each and every case, in the ordinary course of business consistent with past practice, (B) promoting non-executive level employees in the ordinary course of business consistent with past practice (including promoting non-executive level employees into executive level positions made in the ordinary course), (C) changing the compensation or benefits to Company Employees in the ordinary course of business consistent with past practice, (D) paying retention, severance, termination pay or other benefits to Company Employees under any Company Plan as in effect on the date of this Agreement or as otherwise expressly contemplated by this Agreement, (E) renewals and changes made in the ordinary course of business consistent with past practice to Company Plans which renewals and changes do not discriminate in favor of executive level employees, (F) extensions or renewals made in the ordinary course of business to any Company Collective Bargaining Agreements, or (G) restructuring or reassignment of officers and executive-level employees provided the total number of officers and executive-level employees does not increase as a result of the restructuring or reassignment from the number of officers and executive-level employees as of the date of this Agreement;

(xiii) except as may be required as a result of a change in applicable Law or in GAAP, make any material change in any of the accounting principles, policies, procedures or practices used by it or change any annual Tax accounting period;

(xiv) other than as and to the extent required by applicable Law or GAAP, (A) make, revoke, rescind or change any material Tax election, (B) adopt or change an annual Tax accounting period, (C) adopt or change a material Tax accounting method, (D) surrender any material claim for a refund of Taxes, (E) settle or compromise any material liability or refund for Taxes or any Tax audit, claim or other proceeding relating to a material amount of Taxes or otherwise enter into any closing agreement within the meaning of Section 7121 of the Code (or any similar provision of state, local or non-U.S. Tax Law) affecting any material Tax liability or refund, or (F) amend, in a material respect, any material Tax Return;

(xv) other than in the ordinary course of business or as required by applicable Law, enter into any collective bargaining agreement with any labor organization representing any Company Employees or extend or amend in any material respect any Company Collective Bargaining Agreement;

(xvi) waive, release, discharge, settle, satisfy or compromise any legal proceeding, other than the waiver, release, assignment, discharge, settlement, satisfaction or compromises of litigation where the amount paid does not exceed $5,000,000 individually or

$15,000,000 in the aggregate, except that (A) the foregoing shall not restrict the Company's ability to enter into settlements or compromises (1) in the ordinary course of business consistent with past practice or (2) in respect of any regulatory proceedings (including appeals) that would not reasonably be expected to have a Material Adverse Effect on the Company and (B) any amount that is reflected or reserved against in the Company's audited consolidated financial statements included in the Company SEC Reports in respect of such legal proceeding, or that is offset by insurance proceeds received in respect of such legal proceeding, shall in each case not be counted towards the $5,000,000 or $15,000,000 limitations set forth above;

(xvii) merge or consolidate with any Person or adopt a plan of complete or partial liquidation or resolutions providing for a complete or partial liquidation, dissolution, restricting, recapitalization or other reorganization;

(xviii) authorize or make any capital expenditures that are, in the aggregate, greater than 125% of the aggregate amount of capital expenditures scheduled to be made in the Company's capital expenditure budget as disclosed in Section 5.1(c)(xviii) of the Company Disclosure Schedule for the relevant periods indicated therein; provided, however, that notwithstanding the foregoing, the Company and its subsidiaries shall be permitted to make emergency capital expenditures in any amount (A) as required by a Governmental Entity or (B) that the Company determines is incurred in connection with the repair or replacement of facilities or equipment destroyed or damaged due to casualty or accident or natural disaster or other *force majeure* event necessary or advisable to maintain or restore safe, adequate and reliable electric transmission service or to prevent any threat to health and safety of natural Persons; provided, further, that the Company shall use commercially reasonable efforts to consult with Parent prior to making or agreeing to make any such expenditure described in clauses (A) or (B) above;

(xix) enter into any agreement with respect to the voting of its capital stock;

(xx) other than in the ordinary course of business consistent with past practice, (A) enter into any Contract for the lease or purchase of real property if, as a result thereof, such real property would be considered Company Material Real Property or (B) modify the material terms of any Company Material Real Property Lease;

(xxi) fail to use its commercially reasonable efforts to maintain, in full force without interruption, its present insurance policies or comparable insurance coverage; or

(xxii) agree, authorize or commit to do any of the foregoing actions described in Section 5.1(c)(i) through Section 5.1(c)(xxi).

(d) In the event the Company or any of its subsidiaries intends to rely upon the COVID Company Exception, the Company shall use its reasonable best efforts (taking into account any reasonable timing constraints) to discuss with and shall consider in good faith the views of Parent with respect to such proposed COVID Actions in advance of taking such COVID Actions.

(e) The Company shall give (or shall cause its subsidiaries to give) any notices to third parties, and the Company and Parent shall each use, and cause their respective

subsidiaries to use, their reasonable best efforts to obtain any third party consents, in each case (i) necessary, proper or advisable to consummate the Merger and the other transactions contemplated by this Agreement or (ii) disclosed in the Company Disclosure Schedule; provided, however, that the Company and Parent shall coordinate and cooperate in determining whether any actions, consents, approvals or waivers are required to be obtained from parties to any Company Material Contracts in connection with consummation of the Merger; provided, further, in seeking any such actions, consents, approvals or waivers, the Company shall not be required to pay any consent or similar fee to obtain such consents other than de minimis amounts or amounts that are advanced or reimbursed by Parent.

SECTION 5.2 **Conduct of Business of Parent and Merger Sub Pending the Merger**. Each of Parent and Merger Sub agrees that, between the date of this Agreement and the earlier of the Effective Time and the valid termination of this Agreement in accordance with Article VIII, except as otherwise expressly permitted or required by this Agreement, as set forth in Section 5.2 of the Parent Disclosure Schedule, the taking of any COVID Action, or to the extent required to comply with applicable Laws or unless the Company shall otherwise consent in writing (which consent shall not be unreasonably withheld, conditioned or delayed), Parent shall not, and it shall cause each of its Affiliates not to, directly or indirectly, take any action (including any action with respect to a third-party) that would, or would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede the consummation of the Merger or the other transactions contemplated by this Agreement or their respective ability to satisfy their obligations hereunder.

SECTION 5.3 **No Control of Other Party's Business**. For the avoidance of doubt (and without limiting any of the covenants contained in this Agreement) nothing contained in this Agreement is intended to give Parent or Merger Sub, directly or indirectly, the right to control or direct the Company's or its subsidiaries' operations prior to the Effective Time, and nothing contained in this Agreement is intended to give the Company, directly or indirectly, the right to control or direct Parent's or its subsidiaries' operations. Prior to the Effective Time, each of the Company, Parent and Merger Sub shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its and its subsidiaries' respective operations.

ARTICLE VI

ADDITIONAL AGREEMENTS

SECTION 6.1 **Company No Solicitation**.

(a) During the Interim Period, the Company shall not, and shall cause its subsidiaries and its and their respective directors, officers, and employees not to, and shall use its reasonable best efforts to cause its and their respective consultants, attorneys, accountants, financial advisors, agents, investment bankers or other representatives (collectively, "Representatives") not to (and shall not authorize or permit their respective Representatives to), (i) initiate, solicit, knowingly encourage or knowingly facilitate any inquiries with respect to or that could reasonably be expected to lead to, or the making, submission or announcement of, any Acquisition Proposal, (ii) participate or engage in any negotiations or discussions concerning, or

furnish or provide access to the Company's or any of its subsidiaries' properties, books and records or any confidential information or data to any Person relating to or in connection with, an Acquisition Proposal, or any inquiry or proposal that could reasonably be expected to lead to any Acquisition Proposal, (iii) approve, endorse or recommend, or propose publicly to approve, endorse or recommend, any Acquisition Proposal or (iv) execute or enter into, any letter of intent, agreement in principle, merger agreement, acquisition agreement or other similar agreement for any Acquisition Proposal; provided that (x) it is understood and agreed that any determination or action by the Company Board of Directors permitted under Section 6.1(b) or Section 6.1(d) shall not be deemed to be a breach or violation of this Section 6.1(a) or, in the case of Section 6.1(b)(i) — (iii), give Parent a right to terminate this Agreement pursuant to Section 8.1(e)(ii), and (y) the Company shall be permitted to enter into an Acceptable Confidentiality Agreement as contemplated by and in accordance with Section 6.1(b). The Company shall, and shall cause its subsidiaries and its and their respective directors, officers and employees to, and shall use its reasonable best efforts to cause their respective other Representatives to, immediately cease and cause to be terminated any solicitations, discussions or negotiations with any Person (other than Parent and its Affiliates) relating to or in connection with an Acquisition Proposal that exist as of the date hereof. The Company shall promptly, and in no event later than twenty-four (24) hours after its or any of its subsidiaries receipt (including receipt by any of their respective directors, officers or Representatives) of any Acquisition Proposal, or any request for nonpublic information relating to the Company or any of its subsidiaries in connection with or relating to an Acquisition Proposal, advise Parent orally and in writing of such Acquisition Proposal or request (including providing the identity of the Person making or submitting such Acquisition Proposal or request), and (A) if it is in writing, provide Parent a copy of such Acquisition Proposal and any related draft agreements or other documentation or materials delivered in connection therewith, or (B) if it is oral, provide Parent a reasonably detailed summary, including all material terms, thereof. The Company shall keep Parent informed in all material respects on a reasonably prompt basis of the current status and material terms of any such Acquisition Proposal including any material changes in respect of any such Acquisition Proposal and shall promptly (and in no event later than twenty-four (24) hours following any such change) deliver to Parent a summary of any material changes to any such Acquisition Proposal. Notwithstanding anything to the contrary herein, the Company may grant a waiver, amendment or release under any confidentiality or standstill agreement to the extent necessary to allow for a confidential Acquisition Proposal to be made to the Company or the Company Board of Directors or to allow for the engagement in discussions regarding an Acquisition Proposal or a proposal that would reasonably be expected to lead to an Acquisition Proposal so long as, in each case, such Acquisition Proposal or proposal that would reasonably be expected to lead to an Acquisition Proposal was not obtained or made as a result of a violation of the terms of this Agreement if the Company Board of Directors determines in good faith, after consultation with its financial advisors and outside legal counsel, that the failure to take such action could reasonably be expected to result in (I) a possible Superior Proposal and (II) a breach of its fiduciary duties under applicable Law and so long as (1) neither the Company nor any of its subsidiaries nor any of their respective Representatives has violated this Agreement, and (2) the Company promptly notifies Parent thereof (including the identity of such counterparty) after granting any such waiver, amendment or release and, if requested by Parent, grants Parent a waiver, amendment or release of any similar provision under the Confidentiality Agreement. Any breach of this Section 6.1 by any subsidiary of the Company, its subsidiaries or any officer,

director, employee or other Representative of the Company or any subsidiary of the Company shall be deemed to be a breach by the Company for all purposes of this Agreement.

(b) Notwithstanding anything to the contrary in Section 6.1(a) or Section 6.4, nothing contained in this Agreement shall prevent the Company or the Company Board of Directors from:

(i) (x) taking and disclosing to its shareholders a position in accordance with Rule 14d-9 or Rule 14e-2(a) promulgated under the Exchange Act, (y) making any "stop-look-and-listen" communication to the shareholders of the Company pursuant to Rule 14d-9(f) under the Exchange Act or (z) making any disclosure to shareholders of the Company with regard to the transactions contemplated by this Agreement or an Acquisition Proposal made after the date hereof if, in the good faith judgment of the Company Board of Directors, after consultation with its outside legal counsel, it determines that it is legally required to do so or failing to do so could be reasonably expected to result in a breach of its fiduciary duties under applicable Law; provided that neither the Company nor its Company Board of Directors may take an action that would constitute a Company Change of Recommendation in respect of an Acquisition Proposal unless expressly permitted by Section 6.1(d);

(ii) prior to obtaining the Company Requisite Vote, providing access to its properties, books and records and providing information or data in response to a request therefor by a Person or group who has made a bona fide written Acquisition Proposal after the date hereof if the Company Board of Directors (A) shall have determined in good faith, after consultation with its outside legal counsel and financial advisors, that such Acquisition Proposal could reasonably be expected to constitute, result in or lead to a Superior Proposal, (B) after consultation with its outside legal counsel, shall have determined in good faith that failing to do so could be reasonably expected to result in a breach of the fiduciary duties of the Company Board of Directors under applicable Law and (C) prior to provision of any material or information, and engagement in any discussions, has received from the Person so requesting such information an executed Acceptable Confidentiality Agreement; or

(iii) prior to obtaining the Company Requisite Vote, participating and engaging in any negotiations or discussions with any Person or group and their respective Representatives who has made a bona fide written Acquisition Proposal after the date hereof that, in each case, did not result from a breach of this Section 6.1, if the Company Board of Directors (A) shall have determined in good faith, after consultation with its outside legal counsel and financial advisors, that such Acquisition Proposal could reasonably be expected to constitute, result in or lead to a Superior Proposal and (B) after consultation with its outside legal counsel, shall have determined in good faith that failing to do so could be reasonably expected to result in a breach of its fiduciary duties under applicable Law;

provided (A) in the case of Section 6.1(b)(ii) and (iii), such Acquisition Proposal was not initiated, solicited, obtained or encouraged in breach of, or otherwise is not the result of any breach of, Section 6.1(a), (B) in the case of Section 6.1(b)(ii), the Company gives Parent the notice required by Section 6.1(a), and (C) in the case of Section 6.1(b)(ii), the Company furnishes any information provided to the maker of the Acquisition Proposal only pursuant to an executed Acceptable Confidentiality Agreement and such furnished information is delivered to

Parent at substantially the same time (to the extent such information has not been previously furnished or made available by the Company to Parent).

(c) Except as contemplated by Section 6.1(d), neither the Company Board of Directors nor any committee thereof shall (i) (A) withhold, withdraw, qualify or modify, or resolve to or propose to withhold, withdraw, qualify or modify, the Company Recommendation in a manner adverse to Parent, (B) make any public statement inconsistent with the Company Recommendation, (C) approve, adopt or recommend any Acquisition Proposal, or any inquiry or proposal that could reasonably be expected to lead to any Acquisition Proposal, (D) fail to reaffirm or re-publish the Company Recommendation within ten (10) Business Days of being requested by Parent to do so (provided, however, that Parent shall not be entitled to request such a reaffirmation or re-publishing more than one (1) time with respect to any single Acquisition Proposal other than in connection with an amendment to any financial terms of such Acquisition Proposal or any other material amendment to such Acquisition Proposal), (E) fail to include the Company Recommendation in the Proxy Statement, (F) fail to announce publicly, within five (5) Business Days after a tender offer or exchange offer relating to any securities of the Company has been commenced that would constitute an Acquisition Proposal, that the Company Board of Directors recommends rejection of such tender or exchange offer or (G) resolve, publicly propose or agree to do any of the foregoing (each such action set forth in clauses (A) through (G) above being a "Company Change of Recommendation"), (ii) authorize, cause or permit the Company or any of its subsidiaries to enter into a merger agreement, letter of intent, agreement in principle, share purchase agreement, asset purchase agreement, share exchange agreement, option agreement or other similar contract (other than the Acceptable Confidentiality Agreement) or recommend any tender offer providing for, with respect to, or in connection with any Acquisition Proposal or requiring the Company to abandon, terminate, delay or fail to consummate the Merger or any other transaction contemplated by this Agreement, or (iii) take any action pursuant to which any Person (other than Parent, Merger Sub or their respective Affiliates) or Acquisition Proposal would become exempt from or not otherwise subject to any take-over statute or articles of incorporation provision relating to an Acquisition Proposal.

(d) Notwithstanding anything in this Section 6.1 to the contrary, at any time prior to obtaining the Company Requisite Vote, (i) the Company Board of Directors may effect a Company Change of Recommendation in response to an Intervening Event or (ii) if the Company Board of Directors determines in good faith, after consultation with its financial advisor and outside legal counsel, in response to an Acquisition Proposal from a third party that did not otherwise result from a breach of Section 6.1(a), that such proposal constitutes a Superior Proposal, and such Acquisition Proposal is not withdrawn, the Company or the Company Board of Directors may (A) make a Company Change of Recommendation and/or (B) terminate this Agreement pursuant to Section 8.1(d)(ii) to enter into a definitive agreement with respect to such Superior Proposal, in each case, if (and only if) (1) in the event the Agreement is terminated pursuant to Section 8.1(d)(ii), the Company pays to Parent any Company Termination Fee required to be paid pursuant to Section 8.2(b)(i) at such time as set forth in Section 8.2(b)(i) and (2) after consultation with its financial advisor and outside legal counsel, the Company Board of Directors determines that the failure to make a Company Change of Recommendation, or to terminate this Agreement pursuant to Section 8.1(d)(ii), would be reasonably expected to result in a breach of its fiduciary duties under applicable Laws; provided, however, that the Company or the Company Board of Directors, as applicable, may only take the actions described in clauses

(i) and (ii) if prior to taking any such action (x) the Company delivers to Parent written notice (a "Company Notice"), at least five (5) Business Days' in advance (the "Notice Period"), advising Parent that the Company Board of Directors proposes to take such action and containing (1) the material details of such Intervening Event or the material terms and conditions of the Superior Proposal that is the basis of the proposed action by the Company Board of Directors and (2) a copy of the most current draft of any written communication (including any agreement) relating to the Superior Proposal and (y) during the Notice Period (as extended pursuant to the following sentence of this Section 6.1(d)), (i) the Company complies with the following sentence of this Section 6.1(d) and (ii) if Parent shall have delivered to the Company a written, binding, irrevocable offer, capable of being accepted by the Company, to alter the terms of this Agreement, the Company Board of Directors thereafter reaffirms in good faith (after consultation with its outside counsel and financial advisor) that the Acquisition Proposal giving rise to the Company Notice continues to constitute a Superior Proposal. If requested by Parent, the Company will, and will cause its Representatives to, during the Notice Period, engage in good faith negotiations with Parent and its Representatives (including by making the Company's officers and Representatives reasonably available to negotiate) to make such adjustments in the terms and conditions of this Agreement so that (i) in the case of an Acquisition Proposal, such Acquisition Proposal would cease to constitute a Superior Proposal (it being understood and agreed that if Parent has committed to any changes to the terms of this Agreement, each time thereafter that there has been any subsequent amendment to any material term of such Superior Proposal, the Company Board of Directors shall provide a new Company Notice and an additional two (2) Business Day period from the date of such notice and the obligations of the Company during the Notice Period shall continue in effect during such additional period) or (ii) in the case of an Intervening Event, the failure of the Company Board of Directors to make a Company Change of Recommendation could not be reasonably expected to result in a breach of its fiduciary duties under applicable Laws. Any such Company Change of Recommendation shall not change the approval of this Agreement or any other approval of the Company Board of Directors in any respect that would have the effect of causing any corporate takeover statute or other similar statute or any provision of the Company Articles of Incorporation to be applicable to the transactions contemplated hereby, including the Merger.

(e) Nothing contained in this Section 6.1 or elsewhere in this Agreement shall prohibit the Company or the Company Board of Directors (or any committee thereof), directly or indirectly through its Representatives, from disclosing to the Company's shareholders a position contemplated by Rule 14e-2(a) or Rule 14d-9 promulgated under the Exchange Act or making any disclosure to the Company's shareholders if the Company Board of Directors has determined, after consultation with its outside legal counsel, that the failure to do so could reasonably be expected to result in a breach of its fiduciary duties under applicable Laws; provided, however, that any such disclosure that constitutes a Company Change of Recommendation shall be subject to the provisions of this Section 6.1 with respect thereto (it being understood and agreed that any disclosure of a position in connection with a tender offer or exchange offer, other than a "stop, look and listen" or similar communication of the type contemplated by Rule 14d-9(f) promulgated under the Exchange Act or a recommendation on Schedule 14D-9 against such tender offer or exchange offer made within ten (10) Business Days after the commencement thereof and in any event at least two (2) Business Days prior to the Company Shareholder Meeting, shall be deemed a Company Change of Recommendation,

unless the Company Board of Directors expressly and concurrently reaffirms the Company Recommendation).

(f) For purposes of this Agreement, the following terms shall have the meanings assigned below:

(i) "Acquisition Proposal" means any bona fide proposal, inquiry, indication of interest or offer from any Person or group of Persons (other than Parent, Merger Sub or their respective Affiliates) relating to any transaction or series of transactions, involving (A) any direct or indirect acquisition or purchase of (1) a business or assets that constitute 20% or more of the revenues, net income or assets of the Company and its subsidiaries, on a consolidated basis, or (2) 20% or more of any class of equity or voting securities of the Company (or any subsidiary or subsidiaries of the Company whose business constitutes (together) 20% or more of the revenues, net income or assets of the Company and its subsidiaries, on a consolidated basis), (B) any tender offer, exchange offer or similar transaction that if consummated would result in any Person or group of Persons beneficially owning 20% or more of any class of the equity or voting securities of the Company (or any subsidiary or subsidiaries of the Company whose business constitutes (together) 20% or more of the revenues, net income or assets of the Company and its subsidiaries, on a consolidated basis), (C) any merger, reorganization, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company (or any subsidiary or subsidiaries of the Company whose business constitutes (together) 20% or more of the revenues, net income or assets of the Company and its subsidiaries, on a consolidated basis) or (D) any combination of the foregoing.

(ii) "Superior Proposal" means a written Acquisition Proposal (with all references to "20% or more" included in the definition of Acquisition Proposal changed to "more than 50%") that was not obtained, solicited or received in, or otherwise resulted from, violation of this Section 6.1, in each case, that the Company Board of Directors in good faith determines, after consultation with its outside legal counsel and financial advisors, would, if consummated, result in a transaction that is more favorable to the shareholders of the Company from a financial point of view than the transactions contemplated hereby after taking into account all such factors and matters considered appropriate in good faith by the Company Board of Directors (including, to the extent considered appropriate by the Company Board of Directors, (A) financial provisions and the payment of the Company Termination Fee, (B) the identity of the Person(s) making such Acquisition Proposal, (C) legal and regulatory conditions and other undertakings relating to the Company's and its subsidiaries' regulators, lenders or partners, (D) probable timing, (E) conditionality and likelihood of consummation and (F) with respect to which the cash consideration and other amounts (including costs associated with the Acquisition Proposal) payable at Closing are subject to fully committed financing from recognized financial institutions), and after taking into account any changes to the terms of this Agreement committed to in writing by Parent in response to such Superior Proposal pursuant to, and in accordance with, Section 6.1(d) or otherwise.

SECTION 6.2 **Parent No Solicitation**.

Parent shall, and shall cause its subsidiaries and its and their respective officers, directors

and employees to, and shall use its reasonable best efforts to cause its and their respective other Representatives to, immediately cease and cause to be terminated all existing discussions or negotiations with any Person conducted heretofore with respect to, or that could reasonably be expected to lead to, any Parent Business Combination. From the date of this Agreement until the earlier of the Closing and the date of termination of this Agreement, Parent shall not, shall cause its subsidiaries and its and their respective officers, directors and employees not to, and shall use its reasonable best efforts to cause its and their respective other Representatives not to (and shall not authorize or permit its or their respective Representatives to), directly or indirectly, (a) solicit, initiate, knowingly facilitate or knowingly encourage any Parent Business Combination, (b) enter into any letter of intent, memorandum of understanding, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement or other similar agreement constituting or related to, or that is intended to effect, any Parent Business Combination or that would reasonably be expected to cause Parent to abandon, terminate or fail to consummate the Merger or the other transactions contemplated by this Agreement, (c) enter into, initiate, continue, engage in or otherwise participate in any way in any discussions or negotiations regarding any Parent Business Combination, or (d) agree or propose to do any of the foregoing. As used herein, "Parent Business Combination" means (other than the Merger) (i) any acquisition or purchase, in a single transaction or a series of transactions of all or any material part of Parent or its subsidiaries, taken as a whole (regardless of whether such acquisition or purchase is by means of a sale of assets or a sale of equity securities of one or more of Parent or any subsidiary thereof) or (ii) any acquisition, purchase or corporate reorganization by Parent or its subsidiaries, in each of clauses (i) and (ii), that would be reasonably expected to constitute a Material Business Transaction. Any act or omission by an Affiliate of Parent that would be a violation of this Section 6.2 if taken by Parent shall be a breach by Parent of this Section 6.2.

SECTION 6.3 **Proxy Statement**.

(a) As promptly as practicable after the date of this Agreement and in any event within forty-five (45) days after the date of this Agreement, the Company shall prepare and provide to Parent and its advisors the Proxy Statement in preliminary form, and within sixty (60) days after the date of this Agreement, shall file with the SEC, the Proxy Statement in preliminary form. Parent shall promptly supply to the Company in writing, for inclusion in the Proxy Statement, all information concerning Parent required under the Securities Act and the Exchange Act, and the rules and regulations thereunder, to be included in the Proxy Statement; provided that the Company shall not use any such information for any other purpose if doing so would violate or cause the violation of applicable securities Laws. Each of Parent and the Company shall notify the other promptly of the receipt of any comments from the SEC or its staff and of any request by the SEC or its staff for amendments or supplements to the Proxy Statement or for additional information related to the Proxy Statement and will promptly supply the other Party with copies of all correspondence between it and its Affiliates or their respective officers, employees, legal advisors or agents, on the one hand, and the SEC or its staff, on the other hand, with respect to the Proxy Statement or the Merger. Prior to filing or mailing the Proxy Statement (or any amendment or supplement thereto) or responding to any comments of the SEC with respect thereto, each of Parent and the Company shall liaise and cooperate with the other Party and provide it with a reasonable opportunity to review and comment on such document or proposed response or compliance with any such request. If at any time prior to the Company

Shareholders Meeting, any information relating to Parent or the Company or any of its respective Affiliates, directors or officers, should be discovered by such Party which should be set forth in an amendment or supplement to the Proxy Statement, so that such document would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, the Party that discovers such information shall promptly notify the other Party and an appropriate amendment or supplement describing such information shall be prepared, filed with the SEC and disseminated to the shareholders of the Company to the extent required by Law. After all the comments received from the SEC have been cleared by the SEC staff and all information required to be contained in the Proxy Statement has been included therein by the Company, the Company shall promptly file the definitive Proxy Statement with the SEC and cause the Proxy Statement to be mailed (including by electronic delivery if permitted), as promptly as practicable, to its shareholders of record, as of the record date established by the Company Board of Directors and set forth in the Proxy Statement.

(b) The Company covenants that none of the information supplied or to be supplied by or on behalf of the Company for inclusion or incorporation by reference in the proxy statement to be sent to the shareholders of the Company in connection with the Company Shareholders Meeting (such proxy statement, as amended or supplemented, the "Proxy Statement") will, at the time such document is first filed with the SEC, at any time such document is amended or supplemented, at the time such document is declared effective by the SEC or at the time of the Company Shareholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading. The Proxy Statement will, at the time of the Company Shareholders Meeting, comply as to form in all material respects with the requirements of the Exchange Act and the rules and regulations promulgated thereunder.

(c) Parent covenants that none of the information supplied by or on behalf of Parent or Merger Sub for inclusion in the Proxy Statement will, at the time such document is filed with the SEC, at any time such document is amended or supplemented, at the time such document is declared effective by the SEC or at the time of the Company Shareholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading. Notwithstanding the foregoing, Parent makes no representation or warranty with respect to any information supplied in writing for inclusion in the Proxy Statement by or on behalf of the Company which is contained or incorporated by reference in the Proxy Statement.

SECTION 6.4 **Company Shareholders Meeting**.

Notwithstanding any Company Change of Recommendation, the Company, acting through the Company Board of Directors (or a committee thereof), shall promptly following receipt of confirmation from the SEC that the SEC has no further comments on, or will not review, the Proxy Statement, take all reasonable action necessary to duly call, give notice of, convene and hold a meeting of its shareholders for the purpose of approving and adopting this Agreement (including any adjournment or postponement thereof, the "Company Shareholders

Meeting"); provided that the Company may postpone, recess or adjourn such meeting for up to thirty (30) days in the aggregate (excluding any adjournment or postponements required by applicable Law) (a) to allow reasonable additional time to solicit additional proxies to the extent the Company reasonably believes necessary in order to obtain the Company Requisite Vote, (b) if as of the time for which the Company Shareholders Meeting is originally scheduled (as set forth in the Proxy Statement) there are insufficient shares of Company Common Stock represented (either in person or by proxy) and voting to constitute a quorum necessary to conduct the business of the Company Shareholders Meeting or (c) to allow reasonable additional time for the filing and dissemination of any supplemental or amended disclosure which the Company Board of Directors has determined in good faith after consultation with outside counsel is necessary under applicable Law or to prevent a breach of fiduciary duty and for such supplemental or amended disclosure to be disseminated and reviewed by the Company's shareholders prior to the Company Shareholders Meeting. The Company, acting through its Company Board of Directors (or a committee thereof), shall subject to Section 6.1(d), (i) include in the Proxy Statement the Company Recommendation and, subject to the consent of the Company Financial Advisor, the written opinion of the Company Financial Advisor, dated as of the date of this Agreement, that, as of such date, the Per Share Merger Consideration is fair, from a financial point of view, to the holders of the Company Common Stock and (ii) use its reasonable best efforts to obtain the Company Requisite Vote. Notwithstanding anything to the contrary contained in this Agreement, the Company shall not be required to hold the Company Shareholders Meeting if this Agreement is terminated.

SECTION 6.5 **Regulatory Approvals; Reasonable Best Efforts**.

(a) During the Interim Period, each of Parent and the Company shall cooperate and promptly prepare and file all necessary documentation to effect all necessary applications, notices, petitions and filings, and shall use reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things in order to, (i) make and obtain the Consents and Filings listed in Section 3.5(b) of the Company Disclosure Schedule and Section 4.4(b) of the Parent Disclosure Schedule, (ii) make all registrations and filings, and thereafter, make any other required registrations, filings or submissions, and pay any fees due in connection therewith, with any Governmental Entity necessary to consummate the transactions contemplated by this Agreement, (iii) take, or cause to be taken, all reasonable and appropriate action and do, or cause to be done, all reasonable things necessary, proper or advisable under applicable Law or otherwise to satisfy the conditions set forth in Article VII as promptly as practicable, (iv) cooperate in good faith with the applicable Governmental Entities or other Persons and provide promptly such other information and communications to such Governmental Entities or other Persons as such Governmental Entities or other Persons may reasonably request in connection therewith, and (v) execute and deliver any additional agreements or instruments reasonably necessary to consummate the transactions contemplated by this Agreement.

(b) During the Interim Period, the Parties will provide prompt notification to each other when any Consent or Filing referred to in Section 6.5(a) is obtained, taken, made, given or denied, as applicable, and will advise each other of any material communications with any Governmental Entity or other Person regarding any of the transactions contemplated by this Agreement, including (i) giving the other Parties prompt notice of the making or commencement

of any material, written request, inquiry, investigation, action or legal proceeding by or before any Governmental Entity with respect to the Merger or any of the other transactions contemplated by this Agreement; and (ii) keeping the other Parties informed as to the status of any such request, inquiry, investigation, action or legal proceeding. Subject to applicable Laws relating to the exchange of information, and unless prohibited by the reasonable request of any Governmental Entity, (x) Parent shall have the right to review and approve (such approval not to be unreasonably withheld, delayed or conditioned) in advance and the Company shall have the right to review in advance, and (y) to the extent practicable, each Party will consult with the other Party on, and consider in good faith the views of the other in connection with any filing, analysis, appearance, presentation, memorandum, brief, argument, opinion or proposal (including all of the information relating to Parent or the Company, as the case may be, and any of their respective subsidiaries, that appears in any filing) made with or written materials submitted to any Governmental Entity in connection with the Merger and the other transactions contemplated by this Agreement. In addition, except as may be prohibited by any Governmental Entity or by any Law, in connection with any such request, inquiry, investigation, action or legal proceeding, each Party will permit authorized representatives of the other Parties to be present at each meeting or conference relating to such request, inquiry, investigation, action or legal proceeding and to have access to and be consulted in connection with any material, written document, opinion or proposal made or submitted to any Governmental Entity in connection with such request, inquiry, investigation, action or legal proceeding. Notwithstanding the foregoing, commercially and/or competitively sensitive information and materials of a Party may be provided to the other Party on an outside counsel-only basis.

(c) In furtherance of the foregoing covenants:

(i) Parent, Merger Sub and the Company shall use their reasonable best efforts to make any premerger notification filing required under the HSR Act with respect to the transactions contemplated hereby as soon as reasonably practicable following the execution of this Agreement. Parent, Merger Sub and the Company shall supply as promptly as reasonably practicable any additional information or documentary material that may be requested pursuant to the HSR Act and shall take all other actions, proper or advisable consistent with this Section 6.5, to cause the expiration or termination of the applicable waiting periods under the HSR Act as soon as practicable. Parent, Merger Sub and the Company shall comply substantially with any additional requests for information, including requests for production of documents and production of witnesses for interviews or depositions, made by the Antitrust Division of the United States Department of Justice, the United States Federal Trade Commission or the antitrust or competition law authorities of any other jurisdiction (the "Antitrust Authorities") and use reasonable best efforts to take all other actions to obtain clearance from the Antitrust Authorities. Each of Parent and Merger Sub shall exercise its reasonable best efforts, and the Company shall cooperate with Parent and Merger Sub, to promptly prevent the entry in any claim brought by an Antitrust Authority of any order that would prohibit, make unlawful or delay the consummation of the transactions contemplated hereby in any material respect.

(ii) Other than with respect to filings under the HSR Act, the Parties will, as soon as reasonably practicable following the execution of this Agreement, prepare and file, and pay any fees due in connection therewith in accordance with Section 8.3, with each applicable Governmental Entity (including CFIUS) requests for such Consents (including the

CFIUS Approval) as may be necessary for the consummation of the transactions contemplated hereby in accordance with the terms of this Agreement and as set forth on Section 3.5(b) of the Company Disclosure Schedule and Section 4.4(b) of the Parent Disclosure Schedule. Without limiting the generality of this Section 6.5 and subject thereto, for purposes of obtaining the CFIUS Approval, the Parties shall file, as promptly as practicable after the execution of this Agreement, a joint voluntary notice in respect of the Merger and the other transactions contemplated hereby under Section 721 of the Defense Production Act of 1950, as amended, and 31 C.F.R. Part 800(the "DPA"). The Parties will diligently pursue and use their reasonable best efforts to obtain such Consents and will cooperate with each other in seeking such Consents. To such end, the Parties agree to make reasonably available the personnel and other resources of their respective organizations in order to obtain all such Consents. Each Party will promptly inform the other Parties of any material communication received by such Party from, or given by such party to, any Governmental Entity from which any such Consent is required, unless prohibited by the reasonable request of any Governmental Entity, and of any material communication received or given in connection with any claim by a private party, in each case regarding any of the transactions contemplated hereby, and will permit the other party to review any communication given by it to, and consult with each other in advance of any meeting or conference with, any such Governmental Entity or, in connection with any claim by a private party, with such other Person, and to the extent permitted by such Governmental Entity or other Person, give the other party the opportunity to attend and to participate in such meetings and conferences.

(d) In furtherance of the obligations set forth in this Section 6.5, each of Parent and the Company agrees that it will use its reasonable best efforts to take (and to cause its subsidiaries to take) promptly any and all steps reasonably necessary, proper or advisable (taking into consideration the post-Closing ownership structure of each of Parent and the Company and relevant (including in respect of post-Closing ownership and control) precedent transactions involving the combination of two publicly-traded companies in the applicable industries and jurisdictions) to make and obtain all Filings and Consents, including the Filings and Consents listed in Section 3.5(b) of the Company Disclosure Schedule and Section 4.4(b) of the Parent Disclosure Schedule, so as to enable the Parties to close the transactions contemplated by this Agreement as promptly as reasonably practicable, including, if necessary, by proposing, negotiating, committing to and implementing, by way of operational restriction, consent decree, hold separate order, divestiture, undertaking or otherwise, all terms, conditions, liabilities, obligations, commitments or undertakings in respect of the Company, Parent and their respective Affiliates; provided that neither the Company nor any of its subsidiaries shall agree to, or accept, any undertakings, agreements, commitments or conditions pursuant to any settlement, negotiation, litigated proceeding or otherwise with any person with respect to obtaining any Consents or Filings without the prior written consent of Parent. Notwithstanding the obligations set forth in this Section 6.5 or otherwise, none of Parent, Merger Sub, the Company or any of their respective Affiliates shall be required to agree or consent to or accept any terms, conditions, liabilities, obligations, commitments or undertakings as a condition to any such Filings or Consents (including any Required Regulatory Approvals or CFIUS Approval) that, either (i) impose any independent or disinterested director obligations that would negatively impact or limit Parent's control over the Company or its subsidiaries in any material respect or (ii) individually or in the aggregate, and taking into account any positive effects expected to be realized in the Merger, could reasonably be expected to have a material and adverse effect on the

business, assets, liabilities, properties, condition (financial or otherwise) or results of operations of a hypothetical company that is fifty percent (50%) of the size of PNM and its subsidiaries, taken as a whole, as of the date of this Agreement (a "Burdensome Effect"); provided that for the purposes of determining whether a Burdensome Effect under clause (ii) of the definition of Burdensome Effect exists (or could reasonably be expected to exist), in respect of a Specified Required Regulatory Approval only those terms, conditions, liabilities, obligations, commitments, or undertakings related to or arising out of rate concessions (including rate reductions and rate credits) to customers required to obtain such Specified Required Regulatory Approval will be taken into account and considered in such determination.

(e) Subject to the obligations under Section 6.5, in the event that any administrative or judicial action or proceeding is instituted (or threatened to be instituted) by a Governmental Entity or private party challenging the Merger or any other transaction contemplated by this Agreement, or any other agreement contemplated hereby, (i) each of Parent, Merger Sub and the Company shall cooperate in all respects with each other and use its respective reasonable best efforts to contest, resist, prevent, oppose and remove any such action or proceeding and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prevents, restrains, restricts or otherwise prohibits consummation of the transactions contemplated by this Agreement and (ii) each of Parent, Merger Sub and the Company shall defend, at its own cost and expense, any action or actions brought against or involving such Party, whether judicial or administrative, in connection with the transactions contemplated by this Agreement, including the Merger. Without limiting anything contained in Section 6.5, Parent and its subsidiaries and the Company and its subsidiaries shall only be required to agree to any terms, conditions, liabilities, obligations, commitments or undertakings on or with respect to its business conduct in connection with its obligations under this Section 6.5, if such terms, conditions, liabilities, obligations, commitments or undertakings are binding on such Party or its subsidiaries only in the event the Closing occurs.

SECTION 6.6 **Notification of Certain Matters**. During the Interim Period, the Company shall give prompt notice to Parent, and Parent shall give prompt notice to the Company, of (a) any notice or other communication received by such Party from any Governmental Entity in connection with the Merger or the other transactions contemplated hereby or from any Person alleging that the consent of such Person is or may be required in connection with the Merger, if the subject matter of such communication or the failure of such Party to obtain such consent would reasonably be expected to be material to the Company, the Surviving Corporation or Parent, (b) any facts or circumstances, or the occurrence or non-occurrence of any event that, individually or in the aggregate, would reasonably be expected to cause any condition to the obligations of any Party hereto to effect the Merger or any of the transactions contemplated by this Agreement not to be satisfied, and (c) any actions, suits, claims or proceedings commenced or, to such Party's knowledge, threatened against, relating to or involving or otherwise affecting such Party or any of its subsidiaries which relate to the Merger or the other transactions contemplated hereby; provided that neither the delivery of any notice pursuant to this Section 6.6 nor the access to any information pursuant to Section 6.7 shall limit the rights or remedies available to the Party receiving such notice.

SECTION 6.7 **Access to Information; Confidentiality**.

(a) During the Interim Period, upon reasonable prior written notice from Parent, the Company shall, and shall cause its subsidiaries to, and shall use its reasonable best efforts to cause its Representatives to, (i) afford Parent and its Representatives reasonable access, consistent with applicable Law, during normal business hours to its and their respective officers, employees and Representatives and properties, offices, and other facilities and to all books and records, and shall furnish Parent and its Representatives promptly with all financial, operating and other data and information as Parent and its Representatives from time to time reasonably request in writing, (ii) to the extent permitted by Law, furnish promptly each report, schedule and other document filed or received by the Company or any of the Company's subsidiaries pursuant to the requirements of federal or state securities or regulatory Laws or filed with or sent to the SEC, FERC, the Nuclear Regulatory Commission, the New Mexico Public Regulations Commission ("NMPRC"), the Public Utility Commission of Texas ("PUCT"), CFIUS, the U.S. Department of Justice, the Federal Trade Commission or any other Governmental Entity, and (iii) upon written request, as soon as reasonably practicable provide Parent with information relating to any material developments in any audit or similar proceeding related to any material Tax matters of the Company or any of its subsidiaries. Notwithstanding the foregoing, any such investigation or consultation shall be conducted in such a manner as not to interfere unreasonably with the business or operations of the Company or its subsidiaries, and shall not include any environmental sampling or invasive environmental testing without the Company's consent. Neither the Company nor any of its subsidiaries shall be required to provide access or to disclose information where such access or disclosure would violate or prejudice its rights or the rights of any of its officers, directors or employees, give rise to a material risk of waiving any attorney-client privilege of the Company or any of its subsidiaries, or contravene any Law, rule, regulation, order, judgment or decree of any Governmental Entity, or Contract; provided, however that the Company shall use its reasonable best efforts to (A) allow for such access or disclosure in a manner that does not result in a loss of attorney-client privilege (including negotiating in good faith with Parent to seek alternative means to disclose such information as nearly as possible without affecting such attorney-client privilege, including entry into a joint defense agreement), (B) obtain the required consent of any third party to provide access to or disclosure of such information with respect to any confidential Contract to which the Company or its subsidiaries is party, or (C) develop an alternative to providing such information so as to address such matters that is reasonably acceptable to Parent and the Company; it being understood and agreed that (i) the Company shall advise Parent in such circumstances that it is unable to comply with Parent's reasonable requests for information as a result of attorney-client privilege, Contract obligation or applicable Law, and the Company shall use its reasonable best efforts to generally describe the types of information being withheld and (ii) Parent shall reimburse the Company for its reasonable, documented, out-of-pocket expenses incurred in connection with the Company's actions described above in clauses (A) — (C). All requests for information made pursuant to this Section 6.7(a) shall be directed to the executive officer or other Person designated by the Company and all access granted to Parent and its Representatives shall be under the supervision of such executive officer or other Person, and Parent and its Representatives seeking access shall use their reasonable best efforts not to directly contact any other officer, director, employee, agent or representative of the Company without the prior approval of such Persons designated by the Company. No access, review or notice pursuant to this Section 6.7 shall have any effect for the purpose of determining the accuracy of any representation or warranty given by any of the Parties to any of the other Parties.

(b) Each Party will comply with terms and conditions of the confidentiality agreement, dated January 31, 2020, between the Company and Parent (the "Confidentiality Agreement"), and will hold and treat, and will cause their respective officers, employees, auditors and other Representatives to hold and treat, in confidence all documents and information concerning, on the one hand, the Company and its subsidiaries furnished to Parent or Merger Sub, and on the other hand, Parent or Merger Sub and their respective subsidiaries furnished to the Company, in each case in connection with the transactions contemplated by this Agreement in accordance with the Confidentiality Agreement, which Confidentiality Agreement shall remain in full force and effect in accordance with its terms.

SECTION 6.8 **Stock Exchange Delisting**. Prior to the Closing Date, the Company shall cooperate with Parent and use commercially reasonable efforts to take, or cause to be taken, all actions, and do or cause to be done all things, reasonably necessary, proper or advisable on its part under applicable Laws and rules and policies of the NYSE to enable the delisting by the Surviving Corporation of the Company Shares from the NYSE and the deregistration of the Company Shares under the Exchange Act as promptly as practicable after the Effective Time.

SECTION 6.9 **Publicity**. The initial press releases regarding the Merger are attached hereto as Exhibit A and (except in connection with (a) a Company Change of Recommendation or an Acquisition Proposal, (b) any good faith dispute between or among the Parties regarding this Agreement or the transactions contemplated hereby or (c) a press release or other public statement that is consistent in all material respects with previous press releases, public disclosures or public statements made by a Party in accordance with this Agreement, including in investor conference calls, the Proxy Statement, the Company SEC Reports, Parent's SEC filings, Q&As or other publicly disclosed documents, in each case, to the extent such disclosure is still accurate) thereafter the Company and Parent shall (i) consult with each other prior to issuing any press releases or otherwise making public announcements with respect to this Agreement, the Merger or the other transactions contemplated by this Agreement, (ii) provide to each other for review a copy of any such press release or public statement, (iii) not issue any such press release or public statement prior to providing each other with reasonable period of time to review and comment on such press release or public statement, and (iv) not issue any such press release or public statement or make any filings with any third party and/or any Governmental Entity (including any national securities exchange or interdealer quotation service) with respect thereto without the prior written consent of the other Parties (such consent not to be unreasonably withheld, conditioned or delayed), except as may be required, on the advice of counsel, by Law or by obligations pursuant to any listing agreement with or rules of any national securities exchange or interdealer quotation service (or, in the case of the Company, in accordance with Section 6.1(b)(ii)); provided that in each such case, the Party required to make such disclosure will, to the extent practicable and not prohibited by applicable Law, promptly inform the other Parties in writing in advance of such compelled disclosure and provide such other Party with a copy of the proposed disclosure and consult with such other Party and consider such other Party's comments in good faith prior to making such disclosure.

SECTION 6.10 **Employee Benefits**.

(a) For a period of at least twenty-four (24) months following the Effective Time (the "Protection Period"), Parent shall cause the Surviving Corporation to provide, to each Company Employee who continues to be employed by the Company or the Surviving Corporation or any subsidiary or Affiliate thereof (each a "Continuing Employee" and collectively, the "Continuing Employees") (i) a salary or wage, that is no less favorable than the salary or wage that was provided to such Continuing Employee immediately prior to the Effective Time, (ii) target annual cash bonus opportunity and long-term incentive opportunity (it being understood that long-term incentive opportunities provided by Parent to each Continuing Employee need not be provided in the form or equity or equity-based grants) that are no less favorable in the aggregate than the target annual cash bonus opportunity and long-term incentive opportunity provided to such Continuing Employee immediately prior to the Effective Time, (iii) employee retirement benefits (including defined contribution retirement, pension and nonqualified deferred compensation) (including matching and other employer contributions), in each case, that is no less favorable in the aggregate than the employee retirement benefits (including defined contribution retirement, pension and nonqualified deferred compensation) (including matching and other employer contributions) that were provided to such Continuing Employee immediately prior to the Effective Time, (iv) welfare and other benefits that are substantially comparable in the aggregate to the welfare and other benefits that were provided to such Continuing Employee immediately prior to the Effective Time, and (v) severance benefits that are no less favorable than those provided as of the Effective Time, subject to such severed employee's execution and non-revocation of a standard release of claims and counting any service accrued after the Effective Time; provided, however, that the requirements of the foregoing shall not apply to Continuing Employees who are covered by a Company Collective Bargaining Agreement.

(b) Notwithstanding the foregoing, Section 6.10(a) shall not prohibit Parent, the Surviving Corporation or any of their Affiliates from reducing the salary, wages or other compensation of any Continuing Employee if such reduction is contemporaneous with and proportionate to any salary, wage or compensation reduction programs affecting Parent's and its subsidiaries' other similarly situated employees.

(c) Subject to applicable Law and any obligations under any Company Collective Bargaining Agreement, Parent shall, or shall cause the Surviving Corporation to, honor, in accordance with their terms, the Company Plans, including, without limitation, subject to the amendment and termination provisions thereof applied on a prospective basis; provided, however, for the avoidance of doubt, that no such amendments or termination shall reduce or otherwise impact the Parent's obligations pursuant to Section 6.10(a). Notwithstanding any other provision of this Agreement, in no event shall Parent or any of its Affiliates (including, without limitation, the Surviving Corporation) terminate and liquidate the Company Plan listed on Section 6.10(c)(i) of the Company Disclosure Schedule pursuant to IRS Treasury Regulation Section 1.409A-3(j)(4)(ix)(B) in connection with the transactions contemplated by this Agreement or otherwise during the Protection Period. Additionally, at or prior to the Effective Time, to the extent required under the terms (as in effect on the date of this Agreement) of the Company Plans listed on Section 6.10(c)(ii) of the Company Disclosure Schedule, the Company, the Company Board of Directors and the compensation committee of the Company Board of Directors, as applicable, shall adopt resolutions and take actions that are reasonably necessary to establish an irrevocable rabbi trust into which the Company, the Surviving Corporation or Parent

(on behalf of the Surviving Corporation) will pay, or cause to be paid, at the Effective Time, such amounts as are required to be funded to such irrevocable rabbi trust; provided, however, to the extent any such irrevocable rabbi trust has been established previously, in lieu of establishing another such rabbi trust, the Company, the Surviving Corporation or Parent (on behalf of the Surviving Corporation) will pay, or cause to be paid, at the Effective Time, such amounts as are required to be funded to such previously-established irrevocable rabbi trust. Any documents associated with such rabbi trust arrangement will be provided to Parent for advance review and comment.

(d) Parent shall, or shall cause the Surviving Corporation to, cause (i) any pre-existing conditions or limitations and eligibility waiting periods under any group health plans of Parent or its Affiliates to be waived with respect to Continuing Employees and their eligible dependents, (ii) each Continuing Employee to receive credit for the plan year in which the Continuing Employee commences participation under any group health plans of Parent or its Affiliates towards applicable deductibles and annual out-of-pocket limits for medical expenses incurred prior to such time in the applicable plan year for which payment has been made and (iii) to the extent that such service was recognized under a similar Company Plan, each Continuing Employee to receive service credit for such Continuing Employee's employment with the Company and its subsidiaries for purposes of eligibility to participate, vesting credit and benefits accruals (but excluding benefit accrual under any defined benefit pension plan or retiree health plan,) under each applicable Parent Plan as if such service had been performed with Parent or one of its Affiliates; provided that such recognition of service shall not apply (x) for purposes of any Parent Plan under which similarly situated employees of Parent and its subsidiaries do not receive credit for prior service, (y) to the extent it would result in a duplication of benefits or (z) for purposes of any plan or arrangement that is grandfathered or frozen, either with respect to the level of benefits or participation.

(e) The Company may establish a cash-based retention program to promote retention and to incentivize efforts to consummate the Closing (the "Retention Program") in accordance with the terms and subject to the limitations set forth in Section 6.10(e)(i) of the Company Disclosure Schedule. Parent shall cause the Surviving Corporation to honor, in accordance with its terms, any such cash-based retention program that the Company establishes. In addition, from the date hereof and through the Effective Time, nothing in this Agreement shall preclude or prohibit the Company from granting awards under the Company Stock Plan in the ordinary course of business, consistent with past practice and subject to the limitations set forth in Section 6.10(e)(ii) of the Company Disclosure Schedule. From the date hereof and through the Effective Time, nothing in this Agreement shall preclude or prohibit the Company from amending the Company Plans in accordance with the provisions set forth in Section 6.10(e)(iii) of the Company Disclosure Schedule.

(f) Parent and the Surviving Corporation, as applicable, shall pay or cause the applicable subsidiary to pay, if not paid previously, to each current or former employee of the Company and its subsidiaries, as soon as practicable after the Effective Time, any accrued but unpaid annual bonus (or other cash incentive award) relating to any completed year (or other completed performance period, as applicable) ending prior to the year (or performance period) in which the Effective Time occurs that has been accrued on the audited consolidated financial statements of the Company and its subsidiaries as of the Effective Time. The Company may

establish an annual cash bonus plan (or other cash incentive awards) relating to the 2021 calendar year in the ordinary course, consistent with past practice. If the Closing occurs in 2021, Parent and the Surviving Corporation, as applicable, shall pay or cause the applicable subsidiary to pay (i) to each employee of the Company and its subsidiaries who remains continuously employed with the Company and its subsidiaries until the Effective Time, a pro-rated annual cash bonus award for the 2021 calendar year (or other applicable performance period) (pro-rated based on the number of days elapsed in the 2021 calendar year (or other applicable performance period) prior to the Effective Time) and (ii) to each employee of the Company and its subsidiaries who terminates employment prior to the Effective Time under circumstances that would ordinarily entitle such employee to remain eligible for a pro-rated annual bonus for the year of termination, a pro-rated annual bonus (pro-rated based on the number of days employed during the 2021 calendar year (or other applicable performance period) prior to the Effective Time), consistent with past practices, in each case in an amount determined based on the Company's level of achievement of the applicable performance targets for the 2021 calendar year (or other applicable performance period) through the Effective Time, with the level of achievement annualized and appropriately adjusted to reflect the partial performance period through the Effective Time and determined in good faith by the Company's board of directors as constituted prior to the Effective Time. After the close of the 2021 calendar year (or other applicable performance period) which includes the Effective Time, Parent and the Surviving Corporation, as applicable, shall pay or cause the applicable subsidiary to pay to each employee who was entitled to receive a pro-rated annual cash bonus for the period through the Effective Time and who remains employed with the Company through the end of the 2021 calendar year, a pro-rated annual bonus for the remainder of the 2021 calendar year (or other applicable performance period) after the Effective Time, consistent with past practices, in each case in an amount determined based on the Company's level of achievement of the applicable performance targets for the entire 2021 calendar year (or other applicable performance period) which included the Effective Time, as determined in good faith by Parent, following consultation with officers of the Company, reduced by the payment made to the employee as of the Effective Time; provided, however, in no event will any employee be required to return the pro-rated annual cash bonus payable in connection with the Effective Time if the employee receives a pro-rated annual cash bonus at the Effective Time in excess of what would have been payable based on the Company's level of achievement of the applicable performance targets for the entire 2021 calendar year (or other applicable performance period) which included the Effective Time.

(g) Parent shall be responsible for any obligations under the Worker Adjustment and Retraining Notification Act and the regulations promulgated thereunder or any similar state or local Law (collectively, the "WARN Act") with respect to any subsequent events following the consummation of the transactions contemplated by this Agreement, including the Merger.

(h) At the Effective Time, participants in the Company's cash or deferred savings plan or the non-qualified deferred compensation plan who are invested in Company stock through the Company's cash or deferred savings plan or non-qualified deferred compensation plan shall be treated in the same manner as other shareholders of the Company. After such date, participants in the Company's cash or deferred savings plan or non-qualified deferred compensation plan may not direct any further investments into Company stock through the Company's cash or deferred savings plan or non-qualified deferred compensation plan. The

Company, the Company Board of Directors, the compensation committee of the Company Board of Directors or other committee of the Company, as applicable, shall adopt any resolutions and take any actions which are reasonably necessary to effectuate the provisions of this Section 6.10(h).

(i) Nothing in this Agreement shall confer upon any Continuing Employee any right to continue in the employ or service of Parent, the Surviving Corporation or any Affiliate of Parent, or shall interfere with or restrict in any way the rights of Parent, the Surviving Corporation or any Affiliate of Parent, which rights are hereby expressly reserved, to discharge or terminate the services of any Continuing Employee at any time for any reason with or without cause. Additionally, the Company, Parent and the Surviving Corporation agree that the employment with the Company and its Affiliates of the individuals listed on Section 6.10(i) of the Company Disclosure Schedule shall end as of the Effective Time, and such individuals will be entitled to receive severance and other benefits as if their employment were terminated by the Company without cause as of the Effective Time in connection with a "change in control" of the Company, in accordance with the terms of the applicable Company Plans.

(j) From and after the Closing, Parent shall cause the Surviving Corporation or its subsidiaries, as applicable, to honor the terms of each Company Collective Bargaining Agreement until such Company Collective Bargaining Agreement otherwise expires pursuant to its terms or is modified by the parties thereto.

(k) Notwithstanding any provision in this Agreement to the contrary, nothing in this Section 6.10 shall (i) be deemed or construed to be an amendment or other modification of any Company Plan, (ii) prevent Parent, the Surviving Corporation or any Affiliate of Parent from amending or terminating any Company Plans in accordance with their terms, (iii) create any third-party rights in any current or former Company Employee or service provider of the Company or its Affiliates (or any beneficiaries or dependents thereof) or any collective bargaining representative of the Company or any Affiliate thereof or (iv) prevent Parent, the Surviving Corporation or any Affiliate of Parent from terminating the employment of any Continuing Employee for any reason.

SECTION 6.11 **Directors' and Officers' Indemnification and Insurance**.

Parent shall, and shall cause the Surviving Corporation, and the Surviving Corporation hereby agrees, to do the following:

(a) From and after the Effective Time, Parent and the Surviving Corporation shall indemnify and hold harmless the present and former officers and directors of, and individuals performing equivalent functions for, the Company and its subsidiaries (each, an "Indemnified Party") in respect of acts or omissions occurring at or prior to the Effective Time or related to this Agreement to the fullest extent permitted by the NMBCA or any other applicable Law or provided under the Company Articles of Incorporation and the Company Bylaws as in effect on the date of this Agreement. From and after the date of this Agreement and prior to the Closing, no Company Party shall enter into or amend any indemnification or similar agreement with or for the benefit of any Indemnified Party without Parent's prior written consent. Subject to the prior sentences, in the event of any threatened or pending claim, action, suit, proceeding or

investigation, whether civil, criminal, administrative or investigative and whether formal or informal (each, a "Proceeding") to which an Indemnified Party is a party or with respect to which an Indemnified Party is otherwise involved (including as a witness), arising in whole or in part out of or pertaining in whole or in part to the fact that the Indemnified Party is or was an officer or director of, or an individual performing an equivalent function for, the Company or any of its subsidiaries (including any Proceeding arising out of or pertaining to matters occurring or existing or alleged to have occurred or existed, or acts or omissions occurring or alleged to have occurred, at or prior to the Effective Time, or arising out of or pertaining to this Agreement and the transactions and actions contemplated hereby), (i) Parent shall, or shall cause the Surviving Corporation to, advance fees, costs and expenses (including attorney's fees and disbursements) incurred by each Indemnified Party in connection with and prior to the final disposition of such Proceedings, such fees, costs and expenses (including attorneys' fees and disbursements) to be advanced within thirty (30) Business Days of receipt by Parent from the Indemnified Party of a written request therefor; provided that any person to whom expenses are advanced provides an undertaking, if not prohibited by the NMBCA, to repay such advances if it is ultimately determined that such person is not entitled to indemnification, and (ii) neither Parent nor the Surviving Corporation shall settle, compromise or consent to the entry of any judgment in any civil Proceeding in which indemnification could reasonably be sought by such Indemnified Party hereunder unless such settlement, compromise or consent includes an unconditional release of such Indemnified Party from all civil liability arising out of such Proceeding or such Indemnified Party otherwise consents (for the avoidance of doubt, this clause (ii) does not apply to criminal or quasi-criminal liabilities from or arising out of any Proceedings), and (iii) the Surviving Corporation shall reasonably cooperate in the defense of any such matter. In the event any claim for indemnification is asserted or made by any Indemnified Party pursuant to this Section 6.11, any determination required to be made with respect to whether such Indemnified Party's conduct complies with the standards under the NMBCA, the Surviving Corporation Charter or other applicable Law shall be made by independent legal counsel selected by the Surviving Corporation.

(b) Any Indemnified Party wishing to claim indemnification under Section 6.11(a), upon learning of any such Proceeding, shall promptly notify Parent thereof, but the failure to so notify shall not relieve Parent or the Surviving Corporation of any liability it may have to such Indemnified Party except to the extent such failure materially prejudices the indemnifying Party.

(c) For six years after the Effective Time, Parent shall cause to be maintained in effect provisions in the Surviving Corporation Charter and Surviving Corporation Bylaws (or in such documents of any successor to the business of the Surviving Corporation) regarding elimination of liability of directors and officers and advancement of expenses that, solely to the extent affecting the Indemnified Persons (in their capacity as such) are no less advantageous to the Indemnified Persons than the corresponding provisions in the Company's Charter Documents as in effect on the date of this Agreement.

(d) Prior to the Effective Time, the Company shall obtain and fully pay the premium for the non-cancellable "tail" insurance policies with respect to the Company's existing directors' and officers' insurance policies and the Company's existing fiduciary liability insurance policies (collectively, "D&O Insurance"), in each case for a claims reporting or

discovery period of at least six (6) years from and after the Effective Time with respect to any claim related to any period of time at or prior to the Effective Time from an insurance carrier with the same or better credit rating as the Company's current insurance carrier with respect to D&O Insurance with benefits and levels of coverage that are no less favorable than the benefits and levels of coverage provided under the Company's existing policies with respect to any actual or alleged error, misstatement, misleading statement, act, omission, neglect, breach of duty or any matter claimed against a director or officer of the Company or any of its subsidiaries by reason of him or her serving in such capacity that existed or occurred at or prior to the Effective Time (including in connection with this Agreement or the transactions or actions contemplated hereby). If the Company or the Surviving Corporation for any reason fails to obtain such "tail" insurance policies as of the Effective Time, the Surviving Corporation shall, and Parent shall cause the Surviving Corporation to, continue to maintain in effect, for a period of at least six years from and after the Effective Time, the D&O Insurance in place as of the date hereof with the Company's current insurance carrier or with an insurance carrier with the same or better credit rating as the Company's current insurance carrier with respect to D&O Insurance with benefits and levels of coverage that are no less favorable than the benefits and levels of coverage provided under the Company's existing policies as of the date hereof, or the Surviving Corporation shall purchase from the Company's current insurance carrier, or from an insurance carrier with the same or better credit rating as the Company's current insurance carrier with respect to D&O Insurance, comparable D&O Insurance for such six-year period with benefits and levels of coverage that are no less favorable than as provided in the Company's existing policies as of the date hereof; provided that in no event shall Parent or the Surviving Corporation be required to expend for such policies pursuant to this sentence an annual premium amount in excess of 300% of the amount per annum the Company paid in its last full fiscal year, which amount is set forth in Section 6.11(d) of the Company Disclosure Schedule; and provided, further, that if the aggregate premiums of such insurance coverage exceed such amount, the Surviving Corporation shall be obligated to obtain a policy with the greatest coverage available, with respect to matters occurring prior to the Effective Time, for a cost not exceeding such amount.

(e) Notwithstanding anything herein to the contrary, if an Indemnified Party is a party to or is otherwise involved (including as a witness) in any Proceeding with respect to which such Indemnified Party is entitled to indemnification under this Section 6.11 (whether arising before, at or after the Effective Time) on or prior to the sixth anniversary of the Effective Time, the provisions of this Section 6.11 shall continue in effect until the final disposition of such Proceeding.

(f) If Parent, the Surviving Corporation or any of its successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, to the extent necessary, proper provision shall be made so that the successors and assigns of Parent or the Surviving Corporation, as the case may be, shall assume the obligations set forth in this Section 6.11.

(g) The rights of each Indemnified Party under this Section 6.11 shall be in addition to any rights such Person may have under the Company Articles of Incorporation or

Company Bylaws or any the articles of incorporation, bylaws or other similar constitutional documents of any subsidiary of the Company, under the NMBCA or any other applicable Law or under any agreement of any Indemnified Party with the Company or any of its subsidiaries. These rights shall survive consummation of the Merger and are intended to benefit, and shall be enforceable by, each Indemnified Party.

SECTION 6.12 **Transaction Litigation**. In the event that any shareholder litigation related to this Agreement, the Merger or the other transactions contemplated by this Agreement is brought, or to the Company's knowledge, threatened in writing against the Company or any members of the Company Board of Directors after the date of this Agreement and prior to the Effective Time (the "Transaction Litigation"), the Company shall promptly notify Parent of any such Transaction Litigation and shall keep Parent reasonably informed with respect to the status thereof. The Company shall give Parent the opportunity to participate, at Parent's expense, in the defense and settlement of any Transaction Litigation and give due consideration to Parent's views with respect thereto, and the Company shall not settle or agree to settle any Transaction Litigation without Parent's prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned).

SECTION 6.13 **Obligations of Merger Sub**. Parent shall take all action necessary to cause Merger Sub to perform its obligations under this Agreement.

SECTION 6.14 **Rule 16b-3**. The Company Board of Directors and the Parent Board of Directors shall, prior to the Effective Time, each take such reasonable steps, consistent with the interpretive guidelines of the SEC, to cause the transactions contemplated by this Agreement (including the conversion of the Company Stock Awards set forth in Section 2.2) to be exempt under Rule 16b-3 promulgated under the Exchange Act. Each of Parent and the Company shall provide to counsel for the other Party for its review copies of such resolutions to be adopted by its board of directors prior to such adoption and each Party shall provide the other Party with such information as shall be reasonably necessary for the board of directors of such Party to set forth the information required in the resolutions of such board of directors.

SECTION 6.15 **Dividend**. If the Closing Date occurs after the record date for a regular quarterly cash dividend payable to holders of the Company Shares and prior to the payment date of such dividend (the "Final Quarterly Dividend"), then the Surviving Corporation will cause to be paid, out of the Exchange Fund, the Final Quarterly Dividend following the Closing on the scheduled payment date for such dividend.

SECTION 6.16 **Further Assistance**.

(a) From and after the date of this Agreement until the Closing, subject to the conditions and limitations and upon the terms of this Agreement, each Party shall use commercially reasonable efforts (subject to, and in accordance with, applicable Law and the terms of this Agreement) to take promptly, or cause to be taken, all actions, and to do promptly, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable under applicable Law to carry out the intent and purposes of this Agreement, to fulfill and satisfy each condition within the control of such Party and to consummate and make effective the transactions contemplated by this Agreement, including the

Merger. Without limiting the generality of the foregoing, subject to the conditions and limitations and upon the terms of this Agreement, each Party shall reasonably cooperate with the other Parties, shall execute and deliver such further documents, certificates, agreements and instruments and shall take such other actions as may be reasonably requested by the other Parties to evidence or reflect the transactions contemplated by this Agreement (including the execution and delivery of all documents, certificates, agreements and instruments reasonably necessary for all filings hereunder).

(b) As promptly as practicable after the date of this Agreement and to the extent not prohibited by applicable Law, the Company and Parent shall establish a transition committee (the "Transition Committee") consisting of two (2) representatives designated by each of the Company and Parent. The activities of the Transition Committee shall include, to the extent not prohibited by applicable Law, the development of regulatory plans and proposals, the facilitation of the transfer of information between the Parties and other matters as the Transition Committee deems appropriate. At all times after the date of this Agreement until the Effective Time (or the earlier termination of this Agreement as provided in Article VIII), there shall be two (2) representatives of Parent on the Transition Committee that shall be designated by Parent as the primary contact person for the Company at Parent (the "Parent Contacts") and two (2) representatives of the Company on the Transition Committee that shall be designated by the Company as the primary contact person for Parent at the Company (the "Company Contacts"). In the event that either the Company or Parent elects to request that the other consent to any action or matter involving such Party or any of its subsidiaries or Joint Ventures as is contemplated by Section 5.1 or Section 5.2, as applicable, the Parties shall make all such requests to the Parent Contacts or the Company Contacts, as applicable, and each Party agrees that it will use its commercially reasonable efforts to cause its respective contact to respond as promptly as practicable to any such request, taking into account the nature of the request, the circumstances under which the request is made and the timing indicated in the request. The Parent Contacts shall initially be the individuals set forth on Section 6.16(b) of the Parent Disclosure Schedule (and may be changed by Parent from time to time by written notice from Parent to the Company) and the Company Contacts shall initially be the individuals set forth on Section 6.16(b) of the Company Disclosure Schedule (and may be changed by the Company from time to time by written notice from the Company to Parent after consultation between Parent and the Company).

SECTION 6.17 **State Anti-Takeover Statutes**. Without limiting anything contained in this Agreement, each of the Company and Parent shall (a) take all action within its power to ensure that no state anti-takeover statute or similar statute or regulation is or becomes applicable to this Agreement, the Merger or any of the other transactions contemplated by this Agreement, and (b) if any state anti-takeover statute or similar statute or regulation becomes applicable to this Agreement, the Merger or any of the other transactions contemplated by this Agreement, take all action within its power to ensure that the Merger and the other transactions contemplated by this Agreement may be consummated as promptly as reasonably practicable on the terms contemplated by this Agreement and otherwise to minimize the effect of such statute or regulation on the Merger and the other transactions contemplated by this Agreement.

SECTION 6.18 **Platinum Indebtedness**. The Company shall, and shall cause each of its subsidiaries to, execute and deliver to each of the lenders (either directly or through

the applicable administrative or other agent for the lenders) with respect to the indebtedness of the Company and its subsidiaries set forth on Schedule 6.18 of the Company Disclosure Schedule (the "Existing Lenders") one or more notices (each, an "Existing Loan Notice") prepared by the Company in form and substance reasonably acceptable to Parent, notifying each of the Existing Lenders of this Agreement and the contemplated Merger. The Existing Loan Notice with respect to one or more of the Existing Lenders shall include a request for a consent or waiver, in form and substance reasonably acceptable to Parent (an "Existing Loan Consent"), to (i) in the case of the initial Existing Loan Notice to be provided to an Existing Lender immediately following the date hereof, the execution of this Agreement, and in the case of any additional Existing Loan Notice provided to an Existing Lender prior to Closing, the consummation of the Merger and the other transactions contemplated by this Agreement, and (ii) certain modifications of (or waivers under or other changes to) any agreement or documentation relating to the Company's or its subsidiaries', as applicable, relationship with such Existing Lender; *provided, however,* that no such modifications, waivers or changes pursuant to this clause (ii) shall be effective prior to the Effective Time. Subject to and without limiting anything contained in the definition of "Material Adverse Effect" and the related condition in respect of the Company set forth in Section 7.2(d), Parent and Merger Sub acknowledge and agree that the obtaining of any Existing Loan Consent is not a condition to the Closing. Each party shall be responsible for its own fees and other Liabilities (including any consent fees or any other fees, costs, expenses or other amounts payable to or on behalf of the Existing Lenders, which shall all be payable by the Company) incurred in connection with this Section 6.18 and the Existing Loan Consents.

SECTION 6.19 **Four Corners Divestiture**. The Company acknowledges that Parent, Iridium and the Company each have stated goals relating to decarbonization and, in this regard, the Company has previously announced its intention to exit from the Four Corners Power Plant earlier than the date on which its ownership agreement currently provides. Accordingly, the Company agrees that, as soon as reasonably practicable following the date of this Agreement, PNM, shall (a) enter into definitive agreements providing for exit from all ownership interests in the Four Corners Power Plant, substantially in the form made available to Parent prior to the date of this Agreement or in such other form as is reasonably acceptable to Parent (collectively, the "Four Corners Divestiture Agreements") and (b) make all applicable regulatory filings and take all commercially reasonable actions in order to obtain required approvals from applicable Governmental Entities, all with the objective of having the closing date for such exit to occur as promptly as practicable but in any event no later than December 31, 2024.

SECTION 6.20 **Commitment Letter; Financing Cooperation**.

(a) Commitment Letter. Parent shall use its reasonable best efforts to maintain in full force and effect the Commitment Letter and to take all actions and do all things necessary, proper or advisable to consummate the financing contemplated by the Commitment Letter on or prior to the Closing Date to the extent necessary to pay the aggregate Per Share Merger Consideration at the Closing. Parent shall not, without the prior written consent of the Company (which consent shall be unreasonably withheld, delayed or conditioned), enter into any amendment, replacement, supplement or modification to the Commitment Letter if such amendment or modification would reasonably be expected to materially delay or prevent the

consummation of the transactions contemplated by this Agreement (including the payment of the aggregate Per Share Merger Consideration to the Exchange Agent pursuant to this Agreement).

(b) Financing Cooperation. The Company shall, and shall cause each of its subsidiaries to, and shall use its commercially reasonable efforts to cause its and their respective Representatives to, provide to Parent such customary cooperation, at Parent's expense, as may reasonably be requested by Parent to assist Parent in obtaining the financing in connection with the transactions contemplated by this Agreement (collectively, "Financing"), including making management of the Company and its subsidiaries reasonably available to participate in a reasonable number of meetings and presentations, requesting the Company's independent auditors to cooperate with Parent, furnishing to Parent information reasonably requested by Parent to permit the consummation of the Financing (including any financial and other information concerning the Company and its subsidiaries required for the preparation and filing with the SEC any required offering documents relating to the Financing, and otherwise comply with SEC and other applicable Laws requirements related thereto). In furtherance of the foregoing, the Company agrees to correct promptly any information provided by it for use in connection with the Financing if and to the extent that such information shall have become false or misleading in any material respect or as otherwise required by applicable Law. Parent and Merger Sub expressly acknowledge and agree that their obligations hereunder are not conditioned in any manner upon Parent or Merger Sub obtaining the Financing or any other financing. The failure to pay the aggregate Per Share Merger Consideration in accordance with Article II at the Closing shall constitute a breach of this Agreement by Parent.

ARTICLE VII
CONDITIONS OF MERGER

SECTION 7.1 **Conditions to Obligation of Each Party to Effect the Merger**. The respective obligations of each Party to effect the Merger shall be subject to the satisfaction or (to the extent permitted by applicable Law) waiver at or prior to the Effective Time of the following conditions:

(a) Company Shareholder Approval. This Agreement shall have been duly adopted by holders of shares of Company Common Stock constituting the Company Requisite Vote;

(b) Orders. No Law (whether temporary, preliminary or permanent) shall have been enacted, entered, promulgated or enforced by any Governmental Entity which prohibits, restrains or enjoins the consummation of the Merger, and is in effect (each, a "Legal Restraint");

(c) Regulatory Approvals. The Consents or Filings marked with an asterisk (*) on Section 3.5(b) of the Company Disclosure Schedule (the "Company Regulatory Approvals") or Section 4.4(b) of the Parent Disclosure Schedule (the "Parent Regulatory Approvals" and together with the Company Regulatory Approvals, the "Required Regulatory Approvals") shall have been duly obtained, made or given, and all terminations or expirations of applicable waiting periods imposed by any Governmental Entity with respect to the transactions

contemplated thereby (including under the HSR Act) shall have occurred, and all such Required Regulatory Approvals (including under the HSR Act) shall have become Final Orders;

(d) CFIUS Approval. (i) The Parties shall have received written notice from CFIUS stating that: (A) CFIUS has concluded that the consummation of the Merger and the other transactions contemplated by this Agreement, as contemplated by this Agreement, are not a "covered transactions" and not subject to review under the DPA; or (B) CFIUS has concluded a review or investigation of the notification voluntarily provided pursuant to the DPA with respect to the Merger and the other transactions contemplated by this Agreement and has concluded that there are no unresolved national security concerns, and has therefore terminated all action under the DPA; or (ii) if CFIUS has sent a report to the President of the United States (the "President") requesting the President's decision, then (1) the President has announced a decision not to take any action to suspend or prohibit the Merger or the other transactions contemplated by this Agreement, or (2) having received a report from CFIUS requesting the President's decision, the President has not taken any action to suspend or prohibit the Merger or the other transactions contemplated by this Agreement after 15 days from the date the President received such report from CFIUS ("CFIUS Approval").

SECTION 7.2 **Conditions to Obligations of Parent and Merger Sub**. The obligations of Parent and Merger Sub to effect the Merger shall be further subject to the satisfaction (or waiver by Parent and Merger Sub) at or prior to the Effective Time of the following conditions:

(a) Representations and Warranties. (i) The representations and warranties of the Company set forth in this Agreement (other than (x) the representations and warranties of the Company with respect to the Company and its subsidiaries (but not its Joint Ventures) set forth in Section 3.1(a) (Organization and Qualification; Subsidiaries) with respect to the Company, Section 3.3 (Capitalization), Section 3.4 (Authority), Section 3.5(a)(i) (No Conflict with Organizational Documents), and clause (iii) of the first sentence and the last sentence of Section 3.1(b) (Ownership of Subsidiaries) and (y) the representations and warranties of the Company set forth in Section 3.9(a)(ii) (No Material Adverse Effect)), shall be true and correct in all respects (without giving effect to any "materiality," "Material Adverse Effect" or similar qualifiers contained in any such representations and warranties) as of the Effective Time as though made on and as of such date (except to the extent that any such representation or warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date), except where the failures of any such representations and warranties to be so true and correct, in the aggregate, do not have and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company; (ii) the representations and warranties of the Company with respect to the Company and its subsidiaries (but not its Joint Ventures) (A) set forth in Section 3.1(a) (Organization and Qualification; Subsidiaries) with respect to the Company, Section 3.4 (Authority), Section 3.5(a)(i) (No Conflict with Organizational Documents), and clause (iii) of the first sentence and the last sentence of Section 3.1(b) (Ownership of Subsidiaries) shall be true and correct in all material respects and (B) set forth in Section 3.3 (Capitalization) shall be true and correct in all but de minimis respects, in each such case, as of the date of this Agreement and as of the Effective Time as though made on and as of such date (except to the extent that any such representation or warranty expressly speaks as of an earlier date, in which case as of such earlier

date) and (iii) the representation and warranty of the Company set forth in Section 3.9(a)(ii) (No Material Adverse Effect) shall be true and correct in all respects as of the date of this Agreement;

(b) Performance of Obligations of the Company. The Company shall have performed in all material respects the obligations, and complied in all material respects with the agreements and covenants, required to be performed by, or complied with by, it under this Agreement at or prior to the Effective Time;

(c) Certificate. Parent shall have received a certificate of an executive officer of the Company, certifying that the conditions set forth in Section 7.2(a) and Section 7.2(b) have been satisfied;

(d) No Material Adverse Effect. There shall not have occurred any event, development, change, effect or occurrence that has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(e) Burdensome Effect. No Final Order granting any of the Required Regulatory Approvals and the CFIUS Approval imposes terms or conditions that, individually or in the aggregate (when taken together with the other Final Orders granting such Required Regulatory Approvals and the CFIUS Approval), could reasonably be expected to have a Burdensome Effect;

(f) Dissenting Shares. The total number of Dissenting Shares shall not have exceeded fifteen percent (15%) of the issued and outstanding shares of Company Common Stock as of immediately prior to the Effective Time; and

(g) Four Corners Divestiture. Each of the Four Corners Divestiture Agreements shall have been duly executed and delivered by each of the parties thereto, and shall be in full force and effect as of the Closing, and PNM shall have made all applicable regulatory filings to obtain required approvals from applicable Governmental Entities, including for abandonment authority and securitization from the NMPRC.

SECTION 7.3 **Conditions to Obligations of the Company**. The obligation of the Company to effect the Merger shall be further subject to the satisfaction (or waiver by the Company) at or prior to the Effective Time of the following conditions:

(a) Representations and Warranties. The representations and warranties of Parent and Merger Sub set forth in this Agreement shall be true and correct in all respects (without giving effect to any "materiality," "Parent Material Adverse Effect" or similar qualifiers contained in any such representations and warranties), in each such case, as of the date of this Agreement and as of the Effective Time as though made on and as of such date (except to the extent that any such representation or warranty expressly speaks as of an earlier date, in which case as of such earlier date), except where the failures of any such representations and warranties to be so true and correct, in the aggregate, do not have would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect;

(b) Performance of Obligations of Parent and Merger Sub. Each of Parent and Merger Sub shall have performed in all material respects the obligations, and complied in all

material respects with the agreements and covenants, required to be performed by or complied with by it under this Agreement at or prior to the Effective Time; and

(c) Certificate. The Company shall have received a certificate of an executive officer of Parent, certifying that the conditions set forth in Section 7.3(a) and Section 7.3(b) have been satisfied.

ARTICLE VIII

TERMINATION, AMENDMENT AND WAIVER

SECTION 8.1 **Termination**. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after receipt of the Company Requisite Vote:

(a) by mutual written consent of Parent and the Company;

(b) by Parent or the Company if any court of competent jurisdiction or other competent Governmental Entity shall have issued an order, decree or ruling or taken any other final action restraining, enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action is or shall have become final and nonappealable; provided that (i) the right to terminate this Agreement pursuant to this Section 8.1(b) shall not be available if the order, decree or ruling issued, or other action taken, was primarily due to the material breach of the Party seeking to terminate this Agreement, and (ii) the Party seeking to terminate this Agreement pursuant to this Section 8.1(b) shall have complied in all material respects with Section 6.5;

(c) by Parent or the Company if the Effective Time shall not have occurred on or before 5:00 p.m. New York City time on January 20, 2022 (the "End Date"); provided that if, prior to the End Date, all of the conditions to the Closing set forth in Article VII have been satisfied or waived, as applicable, or for conditions that by their nature are to be satisfied at the Closing, shall then be capable of being satisfied (except for any condition set forth in Section 7.1(c) or Section 7.1(d)), the Company or Parent may, extend the End Date to a date that is three (3) months after the End Date (and if so extended, such later date being the End Date) by providing written notice of such extension not less than three (3) Business Days prior to the End Date; provided, further, that the right to terminate this Agreement pursuant to this Section 8.1(c) shall not be available to the Party seeking to terminate if any action of such Party (or, in the case of Parent, Merger Sub) or the failure of such Party (or, in the case of Parent, Merger Sub) to perform any of its obligations under this Agreement required to be performed at or prior to the Effective Time has been the primary cause of the failure of the Effective Time to occur on or before the End Date;

(d) by written notice from the Company if:

(i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Parent or Merger Sub set forth in this Agreement shall have occurred that would cause the conditions set forth in Section 7.3(a) or Section 7.3(b) not to be satisfied and to be incapable of being satisfied by the End Date, except that, if such breach is curable by Parent or Merger Sub through the exercise of its reasonable best efforts, then, until the

earlier of (x) three (3) Business Days prior to the End Date and (y) thirty (30) days after receipt by Parent of written notice from the Company of such breach, but only as long as Parent or Merger Sub, as applicable, continues to use its reasonable best efforts to cure such breach (the "Parent Cure Period"), such termination shall become effective only if the breach is not cured within the Parent Cure Period; provided that the Parent Cure Period shall not be applicable to any breach or failure to perform by Parent or Merger Sub that gives rise to a termination right under Section 8.1(d)(iii); provided, further, that the Company shall not have the right to terminate this Agreement pursuant to this Section 8.1(d)(i) if it is then in breach of any of its representations, warranties, covenants or other agreements contained in this Agreement and such breach would result in a failure of a condition set forth in Section 7.2(a) or Section 7.2(b);

(ii) prior to obtaining the Company Requisite Vote, in accordance with, and subject to, and in compliance with, all of the terms and conditions of, Section 6.1(d), in order to enter into a definitive agreement with respect to a Superior Proposal; provided that the Company shall pay the Company Termination Fee pursuant to Section 8.2(b)(i) at such time as specified in Section 8.2(b)(i); or

(iii) (A) if all of the conditions set forth in Article VII have been satisfied or waived (other than those conditions that by their terms are to be satisfied at the Closing, each of which is capable of being satisfied at the Closing), (B) the Company has given written notice to Parent and Merger Sub that it is prepared, willing and able to consummate the Closing (the "Satisfaction Notice") and (C) Parent and Merger Sub fail to consummate the transactions contemplated by this Agreement on the date that the Closing should have occurred pursuant to Section 1.3 and fail to consummate the Closing by the close of business on the fifth (5^{th}) Business Day following receipt of the Satisfaction Notice.

(e) by written notice from Parent if:

(i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Company set forth in this Agreement shall have occurred that would cause the conditions set forth in Section 7.2(a) or Section 7.2(b) not to be satisfied and to be incapable of being satisfied by the End Date, except that, if such breach is curable by the Company through the exercise of its reasonable best efforts, then, until the earlier of (x) three (3) Business Days prior to the End Date and (y) (30) days after receipt by the Company of written notice from Parent of such breach, but only as long as the Company continues to use its reasonable best efforts to cure such breach (the "Company Cure Period"), such termination shall become effective only if the breach is not cured within the Company Cure Period; provided, that Parent shall not have the right to terminate this Agreement pursuant to this Section 8.1(e)(i) if it or Merger Sub is then in breach of any of its representations, warranties, covenants or other agreements contained in this Agreement and such breach would result in a failure of a condition set forth in Section 7.3(a) or Section 7.3(b);

(ii) the Company Board of Directors shall have made whether or not in compliance with Section 6.1, a Company Change of Recommendation; or

(f) by either Parent or the Company if the Company Requisite Vote shall not have been obtained at the Company Shareholders Meeting duly convened therefor or at any

adjournment or postponement thereof, at which a vote on the approval of this Agreement was taken.

SECTION 8.2 **Effect of Termination**.

(a) In the event of the termination of this Agreement pursuant to Section 8.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of any Party hereto, except as provided in Section 6.7(b), Section 6.9, this Section 8.2, Section 8.3 and Article IX, each of which shall survive such termination (which damages the Parties acknowledge and agree shall not be limited to reimbursement of expenses or out-of-pocket costs, and in the case of any damages sought by the Company from Parent or Merger Sub, including for any Willful Breach, such damages can be based on the damages incurred by the Company's shareholders in the event such shareholders would not receive the benefit of the bargain negotiated by the Company on their behalf as set forth in this Agreement); provided that, except to the extent set forth in Section 8.2(f), nothing herein shall relieve any Party hereto of any liability for damages resulting from Willful Breach of this Agreement prior to such termination. The Parties acknowledge and agree that nothing in this Section 8.2 shall be deemed to affect their right to specific performance under Section 9.12.

(b) In the event that:

(i) this Agreement is terminated by the Company pursuant to Section 8.1(d)(ii), or by Parent pursuant to Section 8.1(e)(ii), then the Company shall pay $130,000,000 (the "Company Termination Fee") to Parent, at or prior to such termination in the case of a termination pursuant to Section 8.1(d)(ii) or as promptly as reasonably practicable after such termination in the case of a termination pursuant to Section 8.1(e)(ii) (and, in any event, within one (1) Business Day following such notice of termination pursuant to Section 8.1(e)(ii)), payable by wire transfer of immediately available funds; or

(ii) this Agreement is terminated by Parent or the Company pursuant to Section 8.1(c) (but only if the Company Shareholders Meeting has not been held prior to such date) or Section 8.1(f) or is terminated by Parent pursuant to Section 8.1(e)(i) and (A) at any time after the date of this Agreement and prior to such termination an Acquisition Proposal shall have been made to the Company, or to the Company Board of Directors or shareholders, or an Acquisition Proposal shall have otherwise become publicly known, and (B) within twelve (12) months after such termination, the Company shall have entered into a definitive agreement with respect to an Acquisition Proposal or shall have consummated an Acquisition Proposal, then, in the event that the actions described in both clauses (A) and (B) above occur, the Company shall pay to Parent the Company Termination Fee, such payment to be made within two (2) Business Days following the earlier of the entry into such agreement in respect of, or consummation of, an Acquisition Proposal by wire transfer of immediately available funds. For the purpose of this Section 8.2(b)(ii), all references in the definition of the term Acquisition Proposal to "20% or more" will be deemed to be references to "more than 50%". Any Expenses previously paid by the Company to Parent pursuant to Section 8.3 shall be credited toward, and offset against, the payment of the Company Termination Fee.

(c) In the event that (i) this Agreement is terminated by the Company pursuant to Section 8.1(d)(iii), or (ii) (A) this Agreement is terminated by (x) Parent or the Company pursuant to Section 8.1(b) (if, and only if, the applicable Legal Restraint giving rise to such termination arises in connection with the Required Regulatory Approvals) or pursuant to Section 8.1(c), or (y) the Company pursuant to Section 8.1(d)(i) based on a failure by Parent to perform its covenants or agreements under Section 6.5, (B) at the time of such termination, any of the conditions set forth in Section 7.1(c) or, solely in connection with the Required Regulatory Approvals, Section 7.1(b), shall have not been satisfied and (C) (1) Parent is in breach of its obligations pursuant to Section 6.5 (a "Parent Regulatory Covenant Breach"), (2) the Company has notified Parent promptly (and in any event no later than five (5) Business Days) after becoming aware of any such Parent Regulatory Covenant Breach, (3) each of the conditions set forth in Section 7.1 and Section 7.2 (other than any of the Regulatory Conditions) has been and continues to be satisfied (other than those conditions that by their nature are to be satisfied at the Closing, but which condition would be satisfied or would be capable of being satisfied if the Closing Date were then to occur), (4) one or more Regulatory Conditions have not been satisfied (the "Unsatisfied Conditions") and (5) the Parent Regulatory Covenant Breach has materially contributed to the failure of the Unsatisfied Conditions to be satisfied, then, in either of clauses (i) or (ii) above, Parent shall pay to the Company the Parent Termination Fee by wire transfer of immediately available funds, such payment to be made within two (2) Business Days of the applicable notice of termination pursuant to Section 8.1(b), Section 8.1(c), Section 8.1(d)(i) or Section 8.1(d)(iii), as the case may be.

(d) The Parties hereto acknowledge and hereby agree that in no event shall either the Company be required to pay the Company Termination Fee or Parent be required to pay the Parent Termination Fee on more than one occasion.

(e) Each of the Company, Parent and Merger Sub acknowledges that the agreements contained in this Section 8.2 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, the Parties would not enter into this Agreement. If the Company fails to promptly pay an amount due pursuant to Section 8.2(b), or Parent fails to promptly pay an amount due pursuant to Section 8.2(c) and, in order to obtain such payment, Parent, on the one hand, or the Company, on the other hand, commences a suit that results in a judgment against the Company for the amount set forth in Section 8.2(b), or any portion thereof, or a judgment against Parent for the amount set forth in Section 8.2(c), or any portion thereof, the Company shall pay to Parent or Parent shall pay to the Company, as applicable, its reasonable actual out-of-pocket costs and expenses (including reasonable attorneys' fees and the fees and expenses of any expert or consultant engaged by such Party) in connection with such suit, together with interest on the amount of such payment from the date such payment was required to be made until the date of payment at the prime rate as published in *The Wall Street Journal*, Eastern Edition, in effect on the date of such judgment. Any amount payable pursuant to Section 8.2(b) or Section 8.2(c) shall be paid by the applicable Party by wire transfer of same day funds prior to or on the date such payment is required to be made under Section 8.2(b) or Section 8.2(c).

(f) Notwithstanding anything to the contrary in this Agreement, in any circumstance in which this Agreement is terminated and Parent is entitled to receive, or in circumstances that give rise to the payment of, the Company Termination Fee from the Company

or the Company is entitled to receive, or in circumstances that give rise to the payment of, the Parent Termination Fee from Parent, as applicable, pursuant to Section 8.2, then (i) the Company Termination Fee or the Parent Termination Fee, as applicable, and the Expenses payable to Parent or the Company pursuant to Section 8.3, as applicable, shall (x) if Parent is entitled to the Company Termination Fee, be the sole and exclusive remedy of Parent, Merger Sub, and their respective Affiliates against the Company, its subsidiaries and any of their respective former, current, or future general or limited partners, shareholders, directors, officers, managers, members, Affiliates, employees, Representatives or agents, or (y) if the Company is entitled to the Parent Termination Fee, be the sole and exclusive remedy of the Company and its Affiliates against Parent, Merger Sub, their respective subsidiaries and any of their respective former, current, or future general or limited partners, shareholders, directors, officers, managers, members, Affiliates, employees, Representatives or agents, in either case, in the event of termination of this Agreement in circumstances giving rise to the payment of such Company Termination Fee or Parent Termination Fee, as the case may be (including for any loss suffered as a result of any breach of any covenant or agreement in this Agreement giving rise to such termination, or in respect of any representation made or alleged to have been made in connection with this Agreement), and (ii) such paying Party and its respective subsidiaries and their respective former, current, or future general or limited partners, shareholders, directors, officers, managers, members, Affiliates, employees, Representatives and agents shall have no further liability or obligation relating to or arising out of this Agreement including the termination hereof and including in respect of representations made or alleged to be made in connection herewith, whether in equity or at law, in contract, in tort or otherwise.

SECTION 8.3 **Expenses**. If this Agreement is terminated pursuant to (i) Section 8.1(d)(i), then Parent shall promptly, but in no event later than two (2) Business Days after the date of such termination and a written demand by the Company therefore, or (ii) Section 8.1(e)(i), then the Company, shall promptly, but in no event later than two (2) Business Days after the date of such termination and a written demand by Parent therefore, in either case, pay to the Party making such demand, as applicable, all reasonable actual out-of-pocket fees and expenses incurred by the Company and its Affiliates or Parent and its Affiliates, as applicable, in connection with this Agreement and the transactions contemplated by this Agreement (including with respect to obtaining financing), in an amount not to exceed $10,000,000 (provided that the Company or Parent, as applicable, provides reasonable documentation therefor) ("Expenses"). Except as otherwise specifically provided herein (including Section 8.2(b) and this Section 8.3), each Party shall bear its own expenses in connection with this Agreement and the transactions contemplated hereby. Expenses incurred in connection with the filing, printing and mailing of the Proxy Statement shall be shared equally by Parent and the Company.

ARTICLE IX

GENERAL PROVISIONS

SECTION 9.1 **Non-Survival of Representations, Warranties, Covenants and Agreements**. None of the representations, warranties, covenants and agreements in this Agreement shall survive beyond the Effective Time and there shall be no Liability in respect thereof, whether such Liability has accrued prior to or after the Effective Time, on the part of any Party, its Affiliates or any of their respective partners, members, officers, directors, agents or

Representatives except for those covenants and agreements contained herein to the extent that, by their terms, are to be performed after the Effective Time.

SECTION 9.2 **Modification or Amendment**. At any time prior to the Effective Time, the Parties may modify or amend this Agreement by written agreement, executed and delivered by duly authorized officers of the respective Parties; provided, however, that after receipt of the Company Requisite Vote, there shall be made no amendment that by applicable Law requires further approval by the shareholders of the Company without the further approval of such shareholders.

SECTION 9.3 **Waiver**. Any Party hereto may (a) extend the time for the performance of any of the obligations or other acts of the other Parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) subject to the requirements of applicable Law, waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid if set forth in an instrument in writing signed by the Party or Parties to be bound thereby and specifically referencing this Agreement. The failure of any Party to assert any rights or remedies shall not constitute a waiver of such rights or remedies. No waiver by any Party of any breach or anticipated breach of any provision hereof by any other Party shall be deemed a waiver of any other contemporaneous, preceding or succeeding breach or anticipated breach, whether similar or not. Except as provided in this Agreement, no action taken pursuant to this Agreement, including investigation by or on behalf of any Party, shall be deemed to constitute a waiver by the Party taking such action of compliance by any other Party with any representations, warranties, covenants or agreements contained in this Agreement. All consents given hereunder shall be in writing.

SECTION 9.4 **Notices**. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and, in the case of delivery in person, shall be deemed to have been duly given upon receipt) by delivery in person, by e-mail or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified by like notice); provided, however, that delivery by e-mail shall be deemed to have been duly given upon receipt only if confirmed by e-mail or telephone:

(a) if to Parent or Merger Sub:

Avangrid, Inc.
180 Marsh Hill Road
Orange, Connecticut 06477
Attention: R. Scott Mahoney, SVP – General Counsel & Corporate Secretary
E-Mail: Scott.Mahoney@avangrid.com

with an additional copy (which shall not constitute notice) to:

Latham & Watkins LLP
885 Third Avenue

New York, New York 10022-4834
Attention: David Kurzweil
E-Mail: david.kurzweil@lw.com

(b) if to the Company:

PNM Resources, Inc.
414 Silver Ave. SW
Albuquerque, New Mexico 87102-3289
Attention: Patrick V. Apodaca
E-Mail: patrick.apodaca@pnmresources.com

with an additional copy (which shall not constitute notice) to:

Troutman Pepper Hamilton Sanders LLP
1001 Haxall Point
Richmond, Virginia 23219
Attention: R. Mason Bayler, Jr.
E-Mail: mason.bayler@troutman.com

SECTION 9.5 **Certain Definitions**. For purposes of this Agreement, the term:

(a) "Acceptable Confidentiality Agreement" means a confidentiality agreement with counterparty(ies) containing customary provisions that require each counter-party(ies) thereto (and each of its (their) representatives named therein) that receive information of or with respect to the Company or its subsidiaries to keep such information confidential (i) in effect on the date hereof or (ii) entered into on or after the date hereof on terms (x) no less favorable in the aggregate to the Company and (y) no less restrictive in the aggregate to such counter-party(ies) (and each of its (their) representatives) than those contained in the Confidentiality Agreement (except for such changes specifically and expressly permitted pursuant to this Agreement), it being understood that such confidentiality agreement need not prohibit the making or amendment of an Acquisition Proposal.

(b) "Affiliate" means, with respect to any Person, any other Person directly or indirectly, controlling, controlled by, or under common control with, such Person.

(c) "Anti-Corruption Law" means Laws relating to anti-bribery or anti-corruption (governmental or commercial), including laws that prohibit the corrupt payment, offer, promise, or authorization, acceptance, or agreement to accept the payment or transfer of anything of value (including gifts or entertainment), directly or indirectly, to any Government Official, foreign government employee or commercial entity or to anyone to obtain or retain business or other improper benefit or advantage, including the U.S. Foreign Corrupt Practices Act (15 U.S.C. §§78dd-1 et seq.), the U.K. Bribery Act of 2010, and all national and international laws enacted to implement the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions.

(d) "Average Parent Stock Price" means the average of the volume weighted averages of the trading prices of Parent Common Stock on the NYSE (as reported by Bloomberg L.P. or, if not reported therein, in another authoritative source mutually selected by the Parties) on each of the ten (10) consecutive trading days ending on (and including) the trading day that immediately precedes the Closing Date.

(e) "Business Day" means any day other than a Saturday or Sunday or a day on which banks are required or authorized to close in the United States in New York, New York or in Madrid, Spain.

(f) "CFIUS" means the interagency Committee on Foreign Investments in the United States.

(g) "Charter Documents" means, with respect to any entity at any time, in each case as amended, modified and supplemented at that time, (i) the articles of association or certificate of formation, incorporation, partnership or organization (or the equivalent organizational documents) of that entity, (ii) the bylaws, partnership agreement or limited liability company agreement or regulations (or the equivalent governing documents) of that entity, and (iii) each document setting forth the designation, amount and relative rights, limitations and preferences of any class or series of that entity's Equity Securities or of any rights in respect of that entity's Equity Securities.

(h) "Company Collective Bargaining Agreement" means any Contract between the Company or any of its subsidiaries and any labor organization or other authorized employee representative representing current or former employees of the Company or any of its subsidiaries.

(i) "Company Parties" means, collectively, the Company, its subsidiaries and its Joint Ventures, and each of them individually is a "Company Party".

(j) "Contract" means any legally binding written or oral agreement, contract, subcontract, lease, instrument, note, option, warranty, sales order, purchase order, license, sublicense, insurance policy, benefit plan or commitment or undertaking of any nature, excluding any Permit.

(k) "control" (including the terms "controlling", "controlled", "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

(l) "COVID Actions" means any commercially reasonable actions taken by a Party or its subsidiaries (after determination by such Party or its applicable subsidiary that such actions are necessary and prudent) to the extent that such action would have been taken by a reasonable Person similarly situated as such Party and its subsidiaries in connection with (i) mitigating the adverse effects occurring after the date hereof of events caused by the 2019 novel coronavirus pandemic or the public health emergency resulting therefrom (including as reasonably necessary to protect the health and safety of customers, suppliers, employees and other business relationships of such Person) or (ii) ensuring compliance by such Person and its

subsidiaries and their respective directors, officers and employees with any quarantine, "shelter in place", "stay at home", workforce reduction, social distancing, shut down, closure, sequester or any other Laws, in each case, enacted after the date of this Agreement, by any Governmental Entity in response to the 2019 novel coronavirus.

(m) "Credit Facilities" means the agreements (as in effect on the date of this Agreement) listed in Section 9.5(m) of the Company Disclosure Schedule, and any replacements or refinancings thereof entered into after the date hereof in compliance with Section 5.1.

(n) "Derivative Product" means any swap, cap, floor, collar, futures contract, forward contract, option or any other derivative financial instrument or Contract, based on any commodity, security, instrument, rate or index of any kind or nature whatsoever, whether tangible or intangible, including electricity, natural gas, fuel oil, coal, emissions allowances and offsets, and other commodities, currencies, interest rates and indices.

(o) "Equity Conversion Factor" means that number of shares of Parent Common Stock determined by dividing the Per Share Merger Consideration by the Average Parent Stock Price.

(p) "Equity Securities" of any Person means, as applicable (i) any and all of its shares of capital stock, membership interests or other equity interests or share capital, (ii) any warrants, Contracts or other rights or options directly or indirectly to subscribe for or to purchase any capital stock, membership interests or other equity interests or share capital of such Person, (iii) all securities or instruments, directly or indirectly, exchangeable for or convertible or exercisable into, any of the foregoing or with any profit participation features with respect to such Person, or (iv) any share appreciation rights, phantom share rights or other similar rights with respect to such Person or its business.

(q) "ERISA Affiliate" means each entity, trade or business (whether or not incorporated) that would be treated at any relevant time together with the Person or any of its subsidiaries as a "single employer" within the meaning of Section 414 of the Code or 4001(b) of ERISA.

(r) "Exchange Act" means Securities Exchange Act of 1934, as amended.

(s) "FERC" means the Federal Energy Regulatory Commission.

(t) "Final Order" means, with respect to any Governmental Entity, action by such Governmental Entity that has not been reversed, stayed, enjoined, set aside, annulled or suspended and is legally binding and effective.

(u) "FPA" means, the Federal Power Act, as amended, including all regulations promulgated thereunder.

(v) "GAAP" means the generally accepted accounting principles for financial reporting in the United States consistently applied through the periods involved.

(w) "Government Official" means (i) any official, officer, employee or representative of, or any person acting in an official capacity for or on behalf of, any Governmental Entity, (ii) any political party or party official or candidate for political office, or (iii) any official, officer, employee, or any person acting in an official capacity for or on behalf of, any company, business, enterprise or other entity owned (in whole or in substantial part) controlled by or affiliated with a Governmental Entity.

(x) "Governmental Entity" means (i) any government, (ii) any governmental or regulatory entity, body, department, commission, subdivision, board, bureau, administrative agency or instrumentality, (iii) any court, tribunal, judicial body, or arbitrator or arbitration panel, (iv) any non-governmental self-regulatory agency or securities exchange, or (v) the North American Electric Reliability Corporation, in each of clauses (i) through (iv) whether supranational, national, federal, state, county, municipal, provincial, and whether domestic or foreign.

(y) "HSR Act" means Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

(z) "Intellectual Property" means all worldwide intellectual property, industrial property and proprietary rights, including all (i) patents, patent applications (including patents issued thereon), methods, technology, designs, processes, inventions, statutory invention registrations, copyrights, works of authorship, software and systems, Trademarks, service marks, trade names, corporate names, domain names, logos, trade dress and other source indicators and the goodwill of the business symbolized thereby, trade secrets, know-how and tangible and intangible proprietary information and materials (including, in each case, to the extent applicable, reissues, divisions, continuations, continuations in part, extensions and re-examinations of any of the foregoing and all rights therein provided by international treaties or conventions), (ii) registrations, applications, provisionals, divisions, continuations, continuations-in-part, re-examinations, extensions, re-issues, renewals and foreign counterparts of or for any of the foregoing and (ii) the right to sue and collect damages for any past infringement of any of the foregoing.

(aa) "Interim Period" means the period from the date of this Agreement until the earlier of the Closing or the valid termination of this Agreement in accordance with Article VIII.

(bb) "Intervening Event" means any event, development, change, effect or occurrence that affects or would reasonably be expected to affect (i) the business, financial condition or continuing results of operation of the Company and its subsidiaries, taken as a whole or (ii) the shareholders of the Company (including the benefits of the Merger to the shareholders of the Company) in either case that (a) is material, (b) first became known to the Company Board of Directors after the execution of this Agreement, (c) becomes known to the Company Board of Directors prior to obtaining the Company Requisite Vote and (d) does not relate to or involve any Acquisition Proposal; provided that no event, fact, circumstance, development or occurrence that has had or would reasonably be expected to have an adverse effect on the business, financial condition or continuing results of operations of, or the market price of the securities of, Parent or any of its subsidiaries shall constitute an "Intervening Event"

unless such event, fact, circumstance, development or occurrence has had or would reasonably be expected to have a Parent Material Adverse Effect; provided, further, that none of the following shall constitute an Intervening Event: (i) any action taken by any Party hereto pursuant to and in compliance with the affirmative covenants set forth in Section 6.5, or the consequences of any such action, and (ii) the receipt, existence or terms of an Acquisition Proposal, or the consequences thereof.

(cc) "Joint Venture" of a Person, means any Person that is not a subsidiary of such first Person, in which such first Person or one or more of its subsidiaries owns directly or indirectly any Equity Securities, other than Equity Securities held for passive investment purposes that are less than five percent (5%) of each class of the outstanding voting securities or voting capital stock of such second Person.

(dd) "knowledge" (i) with respect to the Company means the actual knowledge of any of the individuals listed in Section 9.5(dd) of the Company Disclosure Schedule and (ii) with respect to Parent or Merger Sub means the actual knowledge of any of the individuals listed in Section 9.5(dd) of the Parent Disclosure Schedule.

(ee) "Law" means any federal, state, local, municipal, foreign or other law, statute, constitution, principle of common law, ordinance, code, decree, order, judgment, injunction, rule, regulation, executive order, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Entity or any order or decision of an applicable arbitrator or arbitration panel.

(ff) "Liability" means any liability, cost, expense, debt or obligation of any kind, character, or description, and whether known or unknown, accrued, matured, absolute, determined, determinable, contingent or otherwise, and regardless of when asserted or by whom.

(gg) "Material Adverse Effect" means any event, development, change, circumstances, effect or occurrence that, individually or in the aggregate with all other events, developments, changes, circumstances, effects or occurrences, (a) would prevent or materially impair or materially delay the consummation of the Merger or (b) has a material adverse effect on or with respect to the business, assets, liabilities, results of operations or condition (financial or otherwise) of the Company and its subsidiaries taken as a whole; provided that, with respect to clause (b) only, no events, developments, changes, circumstances, effects or occurrences relating to, arising out of or in connection with or resulting from any of the following shall be deemed, either alone or in combination, to constitute or contribute to a Material Adverse Effect and no event, development, change, circumstance, effect or occurrence relating to, arising out of or in connection with or resulting from any of the following shall be taken into account when determining whether a Material Adverse Effect has occurred or may, would or could occur: (i) general changes or developments in the legislative or political condition, or in the economy or the financial, debt, capital, credit, commodities or securities markets, in each such case, in the United States or elsewhere in the world, including as a result of changes in geopolitical conditions, (ii) any change affecting any industry in which the Company or its subsidiaries operate, including electric generating, transmission or distribution industries (including, in each case, any changes in operations thereof) or any change affecting retail markets for electric power, capacity or fuel or related products, (iii) any changes in the national, regional, state, provincial or

local electric generation, transmission or distribution systems or increases or decreases in planned spending with respect thereto, (iv) the entry into this Agreement or the public announcement of the Merger or other transactions contemplated hereby, including any impact thereof on relationships, contractual or otherwise, with customers, suppliers, regulators, lenders, partners or employees of the Company and its subsidiaries, (v) any action taken or omitted to be taken by such Party at the express written request of or with the express written consent of the other Parties, (vi) any actions required to be undertaken by the Company in accordance with, subject to and consistent with Section 6.5 of this Agreement to obtain any Consent or make any Filing required for the consummation of the Merger and the other transactions contemplated herein or, in connection therewith, any written proposal or commitment made by either Party or its Affiliates to any Governmental Entity in accordance with, subject to and consistent with Section 6.5 or imposed by any Governmental Entity, in each case, in order to obtain the Required Regulatory Approvals or the CFIUS Approval, (vii) changes after the date hereof in any applicable Laws or applicable binding accounting regulations or principles or interpretation or enforcement thereof by any Governmental Entity, (viii) any hurricane, tornado, earthquake, flood, tsunami, natural disaster, act of God, pandemic or epidemic, including the coronavirus and the taking of any COVID Action, (ix) any outbreak or escalation of hostilities or war (whether or not declared), military actions or any act of sabotage, terrorism, or national or international political or social conditions, (x) any change in the market price or trading volume of the shares of the Company or the credit rating of the Company or any of its subsidiaries, (xi) any failure by the Company to meet any published analyst estimates or expectations of such Party's revenue, earnings or other financial performance or results of operations for any period, in and of itself, or any failure by the Company to meet its internal or published projections, budgets, plans or forecasts of its revenues, earnings or other financial performance or results of operations, in and of itself, or (xii) any litigation or claim threatened or initiated by shareholders, ratepayers, customers or suppliers of the Company (each in their capacity as such) against the Company, any of its subsidiaries or any of their respective officers or directors (in each case, in their capacity as such), in each case, arising out of the execution of this Agreement or the transactions contemplated hereby (it being understood that in the cases of clauses (x) or (xi), the facts, events or circumstances giving rise to or contributing to such change or failure may be deemed to constitute, and may be taken into account in determining whether there has been a Material Adverse Effect); except in the cases of clauses (i), (ii), (iii), (vi), (vii) or (viii), to the extent that the Company and its subsidiaries, taken as a whole, are disproportionately affected thereby as compared with other participants in the industry in which such Party operates in the United States (in which case solely the incremental disproportionate impact or impacts may be taken into account in determining whether there has been a Material Adverse Effect); provided, however, that, notwithstanding anything herein or otherwise to the contrary, the effect of the failure to obtain the consent of the Existing Lenders to the execution of this Agreement prior to the execution and delivery hereof (but not the effect of the failure to obtain consents from Existing Lenders to the Closing that may be required under the Contracts with the Existing Lenders) may be considered, and taken into account, in determining whether a "Material Adverse Effect" has occurred or may, would or could occur (without giving effect to, and disregarding, any of the exceptions set forth in each of the preceding clauses (i) through (xii)).

(hh) "Material Business Transaction" means a transaction (i) that would prevent, materially delay or materially impair the consummation of the Merger or (ii) in which the holders of Company Shares would not be entitled to receive, in respect of each Company

Share held thereby (other than Cancelled Shares and Dissenting Shares), an amount in cash equal to the Per Share Merger Consideration (taking into account the amounts paid in respect thereof pursuant to this Agreement).

(ii) "NMBCA" means the Business Corporation Act of the State of New Mexico, as amended.

(jj) "NYSE" means the New York Stock Exchange.

(kk) "Parent Common Stock" means the common stock, $0.01 par value per share, of Parent.

(ll) "Parent Material Adverse Effect" means, with respect to Parent or Merger Sub, any event, development, change, circumstances, effect or occurrence that, individually or in the aggregate with all other events, developments, changes, circumstances, effects or occurrences, would prevent or materially impair or materially delay the consummation of the Merger by Parent or Merger Sub.

(mm) "Parent Parties" means, collectively, Parent, its subsidiaries and Joint Ventures (including Merger Sub), and each of them individually, a "Parent Party."

(nn) "Parent Termination Fee" means an amount equal to $184,000,000.

(oo) "Person" means an individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, unincorporated organization, other entity or group (as defined in Section 13(d)(3) of the Exchange Act).

(pp) "Personal Information" means, in addition to any information defined or described by a Person or any of its subsidiaries as "personal information" in any privacy notice or other public-facing statement by or on behalf of such Person or its subsidiaries, all information identifying an individual or regarding an identified or identifiable individual (such as name, address, telephone number, email address, financial account number, government-issued identifier, and any other data used or intended to be used to identify, contact or precisely locate a person).

(qq) "PUHCA" means the Public Utility Holding Company Act of 2005, including all regulations promulgated thereunder.

(rr) "Privacy Rules and Policies" means any privacy policies and any other terms applicable to the collection, retention, use, disclosure and distribution of Personal Information from individuals, and any laws related to the collection, use, access to, transmission, disclosure, alteration or handling of Personal Information.

(ss) "Regulatory Condition" means (a) the approvals required to satisfy the conditions to closing set forth in Section 7.1(c) and Section 7.1(d) and (b) each of the conditions to Closing set forth in Section 7.2(e) as it relates to the Company Regulatory Approvals.

(tt) "Significant Subsidiary" means a subsidiary of any Person that would be a "significant subsidiary" within the meaning of Rule 1-02 of Regulation S-X of the SEC.

(uu) "Specified Required Regulatory Approval" means each of the Required Regulatory Approvals marked with two number signs (##) on Section 3.5(b) of the Company Disclosure Schedule or Section 4.4(b) of the Parent Disclosure Schedule, as applicable.

(vv) "subsidiary" or "subsidiaries" means, with respect to any Person, (a) any corporation, association or other business entity (other than a partnership, joint venture or limited liability company) of which 50% or more of the total voting power of shares of stock or other equity interests of such Person entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other subsidiaries of that Person or a combination thereof and (b) any partnership, joint venture or limited liability company of which (i) 50% or more of the capital accounts, distribution rights, total equity or voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise or (ii) such Person or any subsidiary of such Person is a controlling General Partner or otherwise controls such entity.

(ww) "Tax Return" means all returns, declarations, reports, statements and other documents (including any elections, amended returns, claim for refund, disclosures, schedules, estimated Tax declaration or filing or information returns) filed or required to be filed with a Taxing Authority in respect of any and all Taxes, including any and all attachments, amendments and supplements thereto.

(xx) "Taxes" means all federal, state, local and non-U.S. taxes, charges, fees, levies, imposts, duties or other assessments of a similar nature, including income, profits, franchise, gross receipts, environmental, customs duty, capital stock, severance, stamp, payroll, sales, employment, unemployment, disability, use, property, withholding, excise, license, production, value added, occupancy, escheat or unclaimed property or other taxes, duties, assessments and similar governmental charges of any kind whatsoever imposed by any Taxing Authority, together with all interest, penalties and additions imposed with respect to such amounts.

(yy) "Taxing Authority" means any Governmental Entity exercising any authority to impose, regulate or administer the imposition of Taxes.

(zz) "Trademark" means trademarks, service marks, trade names, service names, trade dress, logos and other identifiers of source, including all goodwill associated therewith, and any and all common law rights, and registrations and applications for registration thereof, all rights therein provided by international treaties or conventions, and all renewals of any of the foregoing and Internet domain names.

(aaa) "Treasury Regulations" means the final or temporary Treasury Regulations promulgated by the United States Department of Treasury.

(bbb) "Willful Breach" means any material breach of, or material failure to perform, any covenant or other agreement contained in this Agreement that is a consequence of an act or failure to act undertaken by or on behalf of the breaching Party with actual or constructive knowledge that such Party's act or failure to act would, or would reasonably be expected to, result in or constitute a material breach of this Agreement. For the avoidance of doubt, a Willful Breach will include a Party's failure to consummate the Closing when required under this Agreement.

SECTION 9.6 **Severability**. If any term or other provision of this Agreement is found by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, this Agreement shall be interpreted as to effect the original intent of the Parties as closely as possible to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

SECTION 9.7 **Entire Agreement; Assignment**. This Agreement (including the Exhibits hereto and the Company Disclosure Schedule and the Parent Disclosure Schedule) and the Confidentiality Agreement constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements and undertakings, both written and oral, among the Parties, or any of them, with respect to the subject matter hereof and thereof. This Agreement shall not be assigned by operation of law or otherwise without the prior written consent of each of the other Parties, and any assignment without such consent shall be null and void. Subject to the preceding sentences, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective successors and assigns.

SECTION 9.8 **Parties in Interest**. This Agreement shall be binding upon and inure solely to the benefit of each Party hereto and their successors and permitted assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement, other than (a) with respect to the provisions of Section 6.11 which shall inure to the benefit of the Indemnified Parties benefiting therefrom who are intended to be third-party beneficiaries thereof, (b) at and after the Effective Time, the rights of the holders of Company Shares to receive the Per Share Merger Consideration in accordance with the terms and conditions of this Agreement (c) at and after the Effective Time, the rights of the holders of Restricted Stock Rights and Performance Shares to receive the payments contemplated by the applicable provisions of Section 2.2 at the Effective Time in accordance with the terms and conditions of this Agreement, and (d) prior to the Effective Time, the rights of the holders of Company Common Stock to pursue claims for damages and other relief, including equitable relief, for Parent's or Merger Sub's breach of this Agreement subject to Section 8.2(a); provided that the rights granted to the holders of Company Common Stock pursuant to the foregoing clause (d) of this Section 9.8 shall only be enforceable on behalf of such holders by the Company in its sole and absolute discretion. The representations and warranties in this Agreement are the product of negotiations among the Parties hereto and are for the sole benefit of the Parties hereto. Any inaccuracies in such representations and warranties are subject to waiver by the Parties in

accordance with Section 9.3 without notice or liability to any other Person. In some instances, the representations and warranties in this Agreement may represent an allocation among the Parties hereto of risks associated with particular matters regardless of the knowledge of any of the Parties hereto. Consequently, Persons other than the Parties hereto may not rely upon the representations and warranties in this Agreement as characterizations of actual facts or circumstances as of the date of this Agreement or as of any other date.

SECTION 9.9 **Governing Law**. This Agreement, and all claims or causes of action (whether at Law, in contract or in tort) that may be based upon, arise out of or relate to this Agreement or the negotiation, execution or performance hereof, shall be governed by, and construed in accordance with, the Laws of the State of Delaware (without giving effect to choice of law principles thereof or of any other jurisdiction that would mandate or permit the application of the Laws of any jurisdiction other than the State of Delaware), except that any matter relating to the (a) fiduciary obligations of the Company Board of Directors shall be governed by the Laws of the State of New Mexico and (b) the mechanics of the Merger shall be governed by the NMBCA.

SECTION 9.10 **Headings**. The descriptive headings contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 9.11 **Counterparts**. This Agreement may be executed and delivered (including by facsimile transmission, ".pdf," or other electronic transmission) in one or more counterparts, and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

SECTION 9.12 **Specific Performance**.

(a) The Parties agree that irreparable damage for which monetary damages, even if available, may not be an adequate remedy, would occur in the event that the Parties do not perform the provisions of this Agreement (including failing to take such actions as are required of it hereunder in order to consummate this Agreement) in accordance with its specified terms or otherwise breach such provisions. The Parties acknowledge and agree that the Parties shall be entitled to an injunction, specific performance and other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof (including the Parties' obligation to consummate the Merger and Parent's obligation to pay, and (i) the right of Company shareholders to receive following the Closing, the aggregate Per Share Merger Consideration, (ii) the right of holders of Restricted Stock Rights to receive the consideration as and to the extent payable pursuant to Section 2.2, (iii) the right of holders of Performance Shares to receive the consideration as and to the extent payable pursuant to Section 2.2(b), and (iv) the right of holders of Company Common Stock issued under the Direct Plan or the Directors Deferred Plan to receive the consideration as and to the extent payable pursuant to Section 2.2(c) or Section 2.2(d), respectively, subject in each case to the terms and conditions of this Agreement), without any requirement for the posting of security, this being in addition to any other remedy to which they are entitled at law or in equity. The Parties hereby further acknowledge and agree that prior to the Closing, each Party shall be entitled to seek specific

performance to enforce specifically the terms and provisions of, and to prevent or cure breaches of Section 6.5 by the other Parties and to cause the other Parties to consummate the transactions contemplated hereby, including to effect the Closing in accordance with Section 1.3, on the terms and subject to the conditions in this Agreement.

(b) Each of the Parties agrees that it will not raise any objections to the availability of the equitable remedy of specific performance or other equitable relief as provided herein, including objections on the basis that (i) a Party has an adequate remedy at law or equity or (ii) an award of specific performance is not an appropriate remedy for any reason at law or equity. Any Party seeking an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement shall not be required to provide any bond or other security in connection with any such order or injunction. The election to pursue an injunction or specific performance shall not restrict, impair or otherwise limit the Company from, in the alternative, seeking to terminate this Agreement and collect the Parent Termination Fee pursuant to Section 8.2(c). The Parties hereto agree that nothing set forth in this Section 9.12 shall require any party hereto to institute any proceeding for specific performance under this Section 9.12 prior to or as a condition to exercising any termination right under Article VIII (and/or receipt of any amounts due pursuant to Section 8.2), nor shall the commencement of any legal action or legal proceeding pursuant to this Section 9.12 or anything set forth in this Section 9.12 restrict or limit any Party's right to terminate this Agreement in accordance with the terms of Article VIII.

(c) If the Company has the right to terminate this Agreement pursuant to Section 8.1(d)(iii) but instead elects to bring an action for specific performance pursuant to this Section 9.12, then if such action for specific performance is unsuccessful, the Company shall not be deemed to have waived its right to terminate this Agreement pursuant to Section 8.1(d)(iii) and may thereafter terminate this Agreement pursuant to Section 8.1(d)(iii) and Parent shall pay the Parent Termination Fee pursuant to Section 8.2(c).

(d) If, prior to the End Date, any Party brings an action to enforce specifically the performance of the terms and provisions of this Agreement by another Party, the End Date shall automatically be extended by (i) the amount of time during which such action is pending, plus ten (10) Business Days, or (ii) such other time period established by the court presiding over such action.

SECTION 9.13 **Jurisdiction**. Each of the Parties irrevocably (a) agrees that it shall bring any and all actions or proceedings in respect of any claim arising out of, related to, or in connection with, this Agreement, the Merger or the other transactions contemplated by this Agreement, whether in tort or contract or at law or in equity, exclusively in Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware or, if such court shall not have or declines to accept jurisdiction over a particular matter, then any federal court within the State of Delaware, (b) submits with regard to any such action or proceeding, generally and unconditionally, to the personal jurisdiction of such courts and agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the courts described above, and (d) consents to service being made through the notice procedures set forth in Section 9.4.

Each of the Company, Parent and Merger Sub hereby agrees that service of any process, summons, notice or document by U.S. registered mail to the respective addresses set forth in Section 9.4 shall be effective service of process for any suit or proceeding in connection with this Agreement or the transactions contemplated hereby. Each Party hereto hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason other than the failure to serve process in accordance with this Section 9.13, that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and to the fullest extent permitted by applicable Law, that the suit, action or proceeding in any such court is brought in an inconvenient forum, that the venue of such suit, action or proceeding is improper, or that this Agreement, or the subject matter hereof or thereof, may not be enforced in or by such courts and further irrevocably waives, to the fullest extent permitted by applicable Law, the benefit of any defense that would hinder, fetter or delay the levy, execution or collection of any amount to which the Party is entitled pursuant to the final judgment of any court having jurisdiction. Each Party expressly acknowledges that the foregoing waiver is intended to be irrevocable under the Laws of the State of Delaware and of the United States of America; provided that each such Party's consent to jurisdiction and service contained in this Section 9.13 is solely for the purpose referred to in this Section 9.13 and shall not be deemed to be a general submission to said courts or in the State of Delaware other than for such purpose.

SECTION 9.14 **WAIVER OF JURY TRIAL**. EACH OF PARENT, MERGER SUB AND THE COMPANY HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF PARENT OR THE COMPANY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT HEREOF OR THEREOF.

SECTION 9.15 **Transfer Taxes**. All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including penalties and interest) incurred in connection with the Merger shall be paid by Parent, Merger Sub or the Surviving Corporation when due.

SECTION 9.16 **Interpretation**. When reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference shall be to an Article, Section, Exhibit or Schedule of this Agreement, as applicable, unless otherwise indicated. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "hereof," "herein," "hereby" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The word "or" shall not be exclusive and has the meaning represented by the phrase "and/or". References to "dollars" or "$" are to United States of America dollars. When used herein, the word "extent" and the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such word or phrase shall not simply mean "if". Whenever the phrase "ordinary course" or

"ordinary course of business" is used in this Agreement, it shall be deemed to be followed by the words "consistent with past practice" whether or not so specified. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted. Terms defined in the singular have a comparable meaning when used in the plural, and vice versa. References herein to any gender include any other gender. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural, and vice versa. Any dollar or percentage thresholds set forth herein shall not be used as a benchmark for the determination of what is or is not "material" or a "Material Adverse Effect" under this Agreement. Unless otherwise indicated, all references herein to the subsidiaries of a Person shall be deemed to include all direct and indirect subsidiaries of such Person unless otherwise indicated or the context otherwise requires. Each representation or warranty in Article III or Article IV made by any Party relating to a Joint Venture of such Party that is neither operated nor managed solely by such Party or a subsidiary of such Party, shall be deemed to be made only to the knowledge of such Party. When used in this Agreement, the phrase "made available" shall mean provided by the Company or Parent, as applicable, (i) via email to the other Party or its Representatives, (ii) in a virtual data room accessible by the other Party established in connection with the transactions contemplated by this Agreement, (iii) at the offices of a Party or its Affiliates or (iv) included in, as an exhibit or schedule, the Company SEC Reports or Parent SEC Reports, as applicable, in each cases of clauses (i), (ii), (iii) or (iv) above, as of or prior to 4:00 p.m., Eastern Time, on October 19, 2020.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, Parent, Merger Sub and the Company have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

COMPANY:

PNM RESOURCES, INC.

By: _____

Patricia K. Collawn
Chairman, President and
Chief Executive Officer

IN WITNESS WHEREOF, Parent, Merger Sub and the Company have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

PARENT:

AVANGRID, INC.

By: _____
Name: Dennis V. Arriola
Title: Chief Executive Officer

MERGER SUB:

NM GREEN HOLDINGS, INC.

By: _____
Name: Dennis V. Arriola
Title: President and Treasurer

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC. FOR APPROVAL OF THE MERGER OF NM GREEN HOLDINGS, INC. WITH PNM RESOURCES, INC.; APPROVAL OF A GENERAL DIVERSIFICATION PLAN; AND ALL OTHER AUTHORIZATIONS AND APPROVALS REQUIRED TO CONSUMMATE AND IMPLEMENT THIS TRANSACTION	**Case No. 20-00____-UT**
AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC.,	
JOINT APPLICANTS.	

SELF AFFIRMATION

Pedro Azagra Blazquez, Chief Development Officer and a Member of the Executive Committee of Iberdrola, S.A. and Director on Avangrid's Board of Directors upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read the foregoing **Direct Testimony of Pedro Azagra Blazquez** and it is true and correct based on my personal knowledge and belief.

DATED this 23rd day of November, 2020.

/s/ Pedro Azagra Blazquez
PEDRO AZAGRA BLAZQUEZ

GCG # 527333

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF AVANGRID, INC., AVANGRID NETWORKS, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC. FOR APPROVAL OF THE MERGER OF NM GREEN HOLDINGS, INC. WITH PNM RESOURCES, INC.; APPROVAL OF A GENERAL DIVERSIFICATION PLAN; AND ALL OTHER AUTHORIZATIONS AND APPROVALS REQUIRED TO CONSUMMATE AND IMPLEMENT THIS TRANSACTION	)	**Case No. 20-_____-UT**
AVANGRID, INC., AVANGRID NETWORKS, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC.,	)	
JOINT APPLICANTS.	)	

DIRECT TESTIMONY AND EXHIBITS

OF

ROBERT D. KUMP

November 23, 2020

NMPRC CASE NO. 20-00_____-UT
INDEX TO THE DIRECT TESTIMONY OF
ROBERT D. KUMP

DIRECT TESTIMONY OF
ROBERT D. KUMP
NMPRC CASE NO. 20-00_____-UT

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Robert "Bob" Kump. I am the Deputy Chief Executive Officer and President of Avangrid, Inc. ("Avangrid"). My business address is 180 Marsh Hill Road, Orange, CT 06477.

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AT AVANGRID.

A. I lead Avangrid's accelerated growth strategy and am responsible for ensuring the successful execution of Avangrid's strategic plan.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND, PROFESSIONAL QUALIFICATIONS AND EXPERIENCE.

A. I have a Bachelor's Degree in Accounting from Binghamton University, and I am a certified public accountant in New York State.

I have spent more than thirty years in the utility industry in the United States. Before my current position, I served as President and Chief Executive Officer of Avangrid Networks, Inc. ("Networks") where I oversaw Avangrid's eight electric and natural gas utilities serving approximately 3.3 million customers across New York and New England. I was also previously the Chief Corporate Officer of Iberdrola USA, Inc. (now Avangrid) and President and Chief Executive Officer of Iberdrola USA Networks, Inc. (now Avangrid

Networks). Prior to that, I held positions at Energy East Corporation, including Senior Vice President and Chief Financial Officer, Vice President, Controller and Chief Accounting Officer, Treasurer and Secretary. I also previously held a number of positions at New York State Electric & Gas Corporation, including Senior Accountant-External Financial Reporting, Director-Investor Relations, Director-Financial Services, and Treasurer. My CV is attached as JA Exhibit RDK-1.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN A CASE BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION ("NMPRC" OR THE "COMMISSION")?

A. I have not testified before the NMPRC. I have previously testified before the Federal Energy Regulatory Commission, the New York State Public Service Commission, the Connecticut Public Utilities Regulatory Authority, and the Massachusetts Department of Public Utilities.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to support the Joint Application filed by Public Service Company of New Mexico ("PNM"), PNM Resources, Inc. ("PNMR"), Networks, and Avangrid for approval of: 1) the merger of NM Green Holdings, Inc. ("NM Green") with PNMR ("Merger"), as set forth in the Agreement and Plan of Merger dated as of October 20, 2020 ("Merger Agreement") among PNMR, NM Green, and Avangrid; and 2)

Avangrid's proposed transfer of PNMR to Networks after the merger is consummated (collectively the "Proposed Transaction"); and 3) PNM's 2021 General Diversification Plan ("2021 GDP") to add Networks, Avangrid, and Iberdrola, S.A. ("Iberdrola") as indirect public utility holding companies of PNM.

Q. WHAT DO YOU ADDRESS IN YOUR TESTIMONY?

A. In my testimony I will: (1) discuss Avangrid and its businesses, (2) describe how the public utilities owned by Networks are managed and how PNM will be managed if the Commission approves the Proposed Transaction, and (3) identify the standards the Commission has used to evaluate the acquisition of public utilities, and describe how the Proposed Transaction satisfies those standards, including describing the commitments the Joint Applicants are making in relation to the benefits of the Proposed Transactions and the protections that will be put in place related to PNM ("Regulatory Commitments"). For convenience, the Regulatory Commitments are also attached to my testimony as JA Exhibit RDK-2.

II. AVANGRID AND ITS BUSINESS

Q. PLEASE DESCRIBE AVANGRID.

A. Avangrid's common stock is publicly traded on the New York Stock Exchange, and Iberdrola owns 81.5% of Avangrid's stock. Avangrid is a leading, sustainable energy company with approximately $36 billion in assets and operations in 24 U.S. states.

Avangrid has two primary lines of business through two intermediate holding companies: (i) Networks (i.e., Avangrid Networks, Inc.); and (ii) Avangrid Renewables Holdings, Inc. ("Avangrid Renewables"). Networks indirectly owns eight electric and natural gas utilities, serving more than 3.3 million customers in New York and New England. Avangrid Renewables indirectly owns and operates a portfolio of renewable energy generation facilities across the United States. Avangrid is the third largest wind and solar power operator in the United States. Avangrid employs approximately 6,600 people. Attached to my testimony as JA Exhibit RDK-3 is a chart showing Avangrid's corporate structure.

Avangrid supports the U.N.'s Sustainable Development Goals, and received a Climate Development Project score of A-, the top score received in the utilities sector. Avangrid's has targeted to be carbon-neutral by 2035.

Ethisphere named Avangrid one of the World's Most Ethical Companies in 2019 and 2020. In October of this year, Avangrid was named one of America's Most Just Companies on the annual Forbes JUST 100 list, and ranked number one within the utility industry for its commitment to the environment and the communities it serves.

Q. PLEASE DESCRIBE AVANGRID'S BUSINESS PHILOSOPHY.

A. Avangrid's corporate values focus on certain key concepts. Our purpose is "working together to deliver a more accessible clean energy model that promotes healthier, more sustainable communities every day." We seek to be a model of inspiration for creating economic, social and environmental values in our communities and we act positively to affect local development, generate employment, and give back to the communities in which we operate. We act efficiently and with passion to drive innovation and continuous improvement at both the local and global level. We work together toward a common purpose and mutual benefit while valuing each other and our differences. Our strategy and actions are inspired by and built on values established by our Board of Directors and articulated in our Code of Business Conduct and Ethics. Our commitment creates value in a sustainable way by focusing on integrity and social responsibility in our business, with the goal of benefiting our employees, the customers we serve and the communities in which we operate. Accordingly, we believe that public utilities play a critical role in the local communities we serve, and agree with the statement in NMSA 1978, Section 62-3-1(A) of the Public Utility Act ("PUA"), that "public utilities … are affected with the public interest."

Q. PLEASE DESCRIBE AVANGRID RENEWABLES.

A. Avangrid Renewables is a leading renewable energy company in the United States. It owns and operates approximately 7.5 gigawatts of wind and solar electric generation, with a

presence in 22 states. This ranks Avangrid Renewables as one of the top three largest renewable energy producers in the United States. Avangrid Renewables currently operates 65 wind farms and four solar facilities across the United States, and is positioned to be the leader of the North American offshore wind industry.

I would like to note that as a matter of practice, Avangrid Renewables seeks to fully subscribe its new renewable projects with long-term purchase power agreements.

Q. DOES AVANGRID RENEWABLES CURRENTLY HAVE ANY PROJECTS IN NEW MEXICO?

A. Yes. Avangrid currently has two wind power projects in Torrance County, New Mexico. The first project is the El Cabo Wind Farm, which was completed in 2017 with 142 turbines and a generating capacity of 298 megawatts. The second project is the La Joya Wind Farm, which is currently under construction, and will ultimately have at least 111 turbines and a generating capacity of 306 megawatts.

And of course, Avangrid will fully comply with the Commission's affiliate transaction rules. We have experience in other jurisdictions with similar requirements, and we are accustomed to ensuring transactions between affiliates are conducted on an arm-length basis.

Q. PLEASE DESCRIBE NETWORKS.

A. Networks is the holding company for all of Avangrid's regulated public utility businesses. Its mission is to build and operate responsible energy infrastructure that benefit communities, improves economic development, delivers environmental sustainability for future generations, and provides high quality and reliable service to customers. Currently, approximately 3.3 million customers receive electric and natural gas utility services from Networks' eight utilities operating in four states:

- New York State Electric & Gas Corp. – established in 1852, serves approximately 894,000 electric customers and 266,000 natural gas customers in more than 40% of the upstate New York area;
- Rochester Gas and Electric Corp. – established in 1848, serves approximately 378,500 electric customers and 313,000 natural gas customers in and around Rochester, N.Y.,
- Central Maine Power Company – established in 1899, Maine's largest electric transmission and distribution utility, serves approximately 624,000 customers in central and southern Maine;
- The United Illuminating Company – established in 1899, serves approximately 355,000 electric customers in Connecticut;
- Connecticut Natural Gas Corp. – established in 1848, serves approximately 177,000 customers in Connecticut;

- The Southern Connecticut Gas Company – established in 1847, serves approximately 197,000 customers in Connecticut;
- Maine Natural Gas Corporation – established in 1999, serves approximately 4,600 customers in central and southern Maine; and
- The Berkshire Gas Company – established in 1853, serves more than 39,000 customers in western Massachusetts.

Out of these 3.3 million customers, approximately 2.3 million are electric utility customers and 1.0 million are natural gas utility customers.

Q. IS AVANGRID PROPOSING TO TRANSFER ALL OF ITS OWNERSHIP INTEREST IN PNMR TO NETWORKS AFTER THE MERGER?

A. Yes. Networks is a public utility holding company, and its sole purpose is to own Avangrid's interest in public utilities. All of Avangrid's utilities are owned under the Networks' umbrella. Thus, Avangrid will transfer its interest in PNMR to Networks promptly after the Merger is consummated, and PNMR will be held like Avangrid's other utilities.

Q. HOW IS NETWORKS STRUCTURED?

A. Each of the public utilities identified above is held as an independent wholly-owned entity. Each public utility has its own corporate structure, its own board of directors, and its own

management team. Networks provides services and support as necessary to support the mission of each utility – namely to ensure public utility service to its customers.

Q. HOW DOES NETWORKS MANAGE THE UTILITIES IT OWNS?

A. Avangrid's and Networks' longstanding practice has been to recognize the value of local management and expertise at its utilities. To that end, each of the utilities owned by Networks has its own local headquarters, its own local management team that has day-to-day operational control, and local representation on each company's board of directors.

Avangrid and Networks value the experience and skills of PNM's management team and employees, who will continue to play a vital role following the Proposed Transaction if it is approved.

Q. HOW WILL PNM BE MANAGED AFTER THE PROPOSED TRANSACTION CLOSES?

A. PNM will largely be managed the way it is today. Local management will control day-to-day operations, and will remain the primary point of contact for regulators. While Pat Vincent-Collawn will step down as Chairman, President and Chief Executive Officer upon closing, we are excited to have Don Tarry, PNMR's current Senior Vice President and Chief Financial Officer, lead PNM after the Proposed Transaction closes.

III. REGULATORY APPROVAL STANDARDS AND CONDITIONS

Q. AS YOU UNDERSTAND IT, WHAT STANDARD DOES THE NMPRC APPLY IN RULING UPON AN APPLICATION FOR APPROVAL OF A TRANSACTION INVOLVING THE ACQUISITION OF A UTILITY?

A. I understand that the statutory standards for whether the Commission will grant approval of the Proposed Transaction are laid out in Sections 62-6-12 and 62-6-13 of the PUA. Section 62-6-12 provides that the merger and acquisition of a utility or its public utility holding company and another entity are permissible with the prior authorization of the Commission. Transactions that require NMPRC approval under Section 62-6-12 include mergers, purchases of public utility plant, and acquisitions of stock of a public utility holding company. Section 62-6-13 directs the NMPRC to approve such proposed acquisitions and consolidations "unless the commission shall find that the proposed transaction is unlawful or is inconsistent with the public interest."

I understand that the Commission has previously applied the following four principal factors when determining whether to approve a utility acquisition:

1) whether the acquisition is beneficial to utility customers;

2) whether the Commission's jurisdiction will be preserved;

3) whether the quality of utility service will be diminished; and

4) whether the acquisition will result in the improper subsidization of non-utility activities.

Additionally, I understand that the Commission has considered two additional important factors:

1) careful verification of the qualifications and financial health of the new owner and

2) adequate protections against harm to customers.

Q. TAKING THESE STANDARDS IN ORDER, HOW DOES THE PROPOSED TRANSACTION SATISFY THE FIRST OF THE SIX FACTORS – THAT THE ACQUISITION WILL BE BENEFICIAL TO UTILITY CUSTOMERS?

A. The Proposed Transaction will provide significant benefits to PNM's customers. I will detail these benefits in Section IV of my testimony.

Q. HOW DOES THE PROPOSED TRANSACTION SATISFY THE SECOND FACTOR – THAT NMPRC JURISDICTION WILL BE PRESERVED?

A. Nothing contained in the Merger Agreement or in the Proposed Transaction will diminish the NMPRC's jurisdiction. On behalf of Avangrid and Networks, I affirm that the NMPRC's jurisdiction over PNM, as well the NMPRC's jurisdiction over Avangrid and Networks as the indirect holding companies of PNM, will be preserved. Additionally, as part of this Joint Application, PNM is filing a new general diversification plan in which it affirms the NMPRC's jurisdiction over Iberdrola, Avangrid, Networks, PNMR, and PNM as described in the 2021 GDP. PNM will continue to abide by all Commission rules, regulations, and orders.

Q. HOW DOES THE PROPOSED TRANSACTION SATISFY THE THIRD FACTOR – THAT QUALITY OF SERVICE WILL NOT BE DIMINISHED?

A. Avangrid and Networks are committed to maintaining the quality of service provided to PNM's customers. Nothing in the Proposed Transaction will diminish the level of customer service PNM provides to its customers. PNM will remain a separate entity, with local management responsible for day-to-day operations, and with the presence of at least two local New Mexicans on the PNM Board of Directors. Avangrid recognizes that retention of local management ensures continuation of the quality of service to which PNM's customers are accustomed.

Q. HOW DOES THE PROPOSED TRANSACTION SATISFY THE FOURTH FACTOR – THAT THE TRANSACTION WILL NOT RESULT IN IMPROPER SUBSIDIZATION OF NON-UTILITY ACTIVITIES?

A. Avangrid currently owns a geographically diverse mix of utility and non-utility operations, and will continue to do so in the future. Networks, through its operation of eight utilities across four states with approximately 3.3 million customers, has extensive experience in ensuring separate financing and accounting for each of its utilities. Avangrid and Networks affirmatively commit to take all actions necessary to ensure that PNM's customers do not subsidize the activities of Networks' other utilities, or Avangrid's non-utility activities. Avangrid and Networks acknowledges the obligation to report Class I and Class II transactions, and that in any future rate case, or upon the Commission's initiative, the

Commission can inquire into any concerns regarding subsidization between Avangrid's businesses. Additionally, Avangrid is proposing a robust suite of financial protection measures for PNM.

Q HOW DOES THE PROPOSED TRANSACTION SATISFY THE FIFTH FACTOR – THE QUALIFICATIONS AND FINANCIAL HEALTH OF AVANGRID.

A. As described more fully in Mr. Azagra's testimony, Avangrid has very strong financial metrics. It has over $36 billion in assets, and its net income in 2019 was approximately $700 million. Avangrid's credit ratings are BBB+ and Baa1 from S&P and Moody's respectively, and Avangrid has extensive access to, and low costs of, capital. Across the board, Avangrid's credit ratings are higher than those of PNM and PNMR, and Avangrid has access to substantially greater capital financing at lower costs than PNM or PNMR.

Q. HOW DOES THE PROPOSED TRANSACTION SATISFY THE SIXTH FACTOR – THAT THE TRANSACTION WILL PROVIDE ADEQUATE PROTECTIONS AGAINST HARM TO CUSTOMERS?

A. Avangrid understands the need to ensure that each of its public utilities have adequate protections for customers. The Joint Applicants are committed to protecting PNM's customers from harm. I discuss the Joint Applicants' protection commitments in Section V of my testimony.

Q. WILL THERE BE ANY "ECONOMIC IMPACT OF ANTICIPATED JOB LOSSES" ARISING OUT OF THE PROPOSED TRANSACTION, AS WAS DISCUSSED IN NMPRC CASE NO. 13-00231-UT (TECO ENERGY INC.'S ACQUISITION OF NEW MEXICO GAS COMPANY)?

A. Joint Applicants commit that there will be no involuntary terminations except for cause or performance (other than those associated with the planned closure of San Juan Generating Station), and no reductions of wages or benefits for a minimum of two years following the closing of the Proposed Transaction. Additionally, Avangrid commits to create or bring at least 100 full-time jobs to New Mexico within three years following the closing of the Proposed Transaction. Avangrid has a strong track record of increasing job opportunities in states following previous acquisitions. For example, following the acquisition of UIL Corporation in Connecticut in 2015, Avangrid hired 329 people in Connecticut within three years following closing.

Q. IN SEVERAL CASES, THE COMMISSION HAS IDENTIFIED 15 OTHER CONDITIONS THAT THE NMPRC IN PAST ACQUISITION CASES HAS ATTACHED TO ITS APPROVALS (BUT NOT ALL CONDITIONS IN ALL CASES) TO ENSURE THAT AN ACQUISITION IS IN THE PUBLIC INTEREST. PLEASE BRIEFLY DISCUSS HOW THESE VARIOUSLY APPLIED CONDITIONS ARE ADDRESSED IN THE PROPOSED TRANSACTION.

A. As set forth below, Avangrid and Networks satisfy all of these conditions.

- *No adverse impact on utility's existing rates:* The Proposed Transaction will not have an adverse impact on PNM's existing rates. Avangrid commits to providing bill credits totaling $24.6 million to PNM's customers over the three years following the close of the Proposed Transaction. Additionally, Avangrid commits that PNM will not seek to recover from rate payers any acquisition premium, transaction costs, or transition costs associated with the Proposed Transaction.
- *Maintain current offices for a period of time:* Avangrid commits that PNM's headquarters will remain in Albuquerque for so long as Avangrid owns PNM. Avangrid has no plans to close any other PNM office in New Mexico for a minimum of two years.
- *Maintain employee wages and benefits:* Avangrid commits that PNM will honor all current collective-bargaining agreements, and that there will not be any reductions to wages or benefits for at least two years following closing.
- *Not recover transaction costs from ratepayers:* Avangrid agrees to separately account for transaction costs, and that it will not seek to recover any transaction costs incurred in connection with the Proposed Transaction from PNM's customers.
- *Hold customers harmless from negative impacts of transaction:* Avangrid does not foresee any negative impacts arising out of the Proposed Transaction. To the contrary, customers will experience positive benefits as a result of the Proposed Transaction.

- *Require utility to give NMPRC notice of intent to pay dividends to the holding company:* PNM will provide at least 15 days' notice to the NMPRC before making any dividend payments.
- *Agreement by utility not to recover acquisition adjustment from ratepayers:* Avangrid commits that PNM will not seek to recover from rate payers any acquisition premium resulting from the Proposed Transaction.
- *Require utility to waive any claims of preemption as a basis for challenging the NMPRC's disallowance of costs:* Avangrid agrees to waive any claims of preemption as a basis for challenging the NMPRC's disallowance of PNM's cost allocations resulting from the creation of the proposed holding company structure, including relating to affiliate transactions.
- *Prohibit utility from recovering increased costs of capital that may result from transaction:* Avangrid and Iberdrola have stronger financial profiles and credit ratings than PNM, and therefore, PNM's cost of capital will not be increased as a result of the Proposed Transaction. Moreover, Avangrid intends to extinguish all debt at PNMR after closing.
- *Sharing of synergy savings with ratepayers:* This is not a synergy-driven transaction. But Joint Applicants understand that any savings resulting from the Proposed Transaction would inure to the benefit of rate payers in future PNM rate cases.
- *File Cost Allocation Manual:* PNM already files its Cost Allocation Manual with the NMPRC on an annual basis. This will continue after the Proposed Transaction closes.

- *Hold ratepayers harmless from increases in the cost of replacement debt:* Avangrid does not anticipate that the Proposed Transaction will trigger the need to replace any of PNM's current debt.
- *Rate freeze:* Avangrid understands that PNM has not filed a rate case since 2016. Avangrid understands that PNM will not file a rate case while this proceeding is pending.
- *Agreement by acquiring company to not sell for a period of time*: Avangrid invests in utilities for the long-term. Accordingly, Avangrid commits that it will not sell its controlling interest in PNMR or PNM for at least five years from the close of the Proposed Transaction.
- *Agreement by acquiring company to invest certain amount in utility for a period of time:* PNM will invest in its system to ensure reliability and safety.

IV. DISCUSSION OF DIRECT AND OTHER BENEFITS

Q. HOW WILL THE PROPOSED TRANSACTION PROVIDE BENEFITS TO PNM'S CUSTOMERS?

A. The Proposed Transaction will provide several benefits to customers:

- Joint Applicants commit to providing rate credits to PNM's customers in the total amount of $24.6 million over a three-year period following the closing of the Proposed Transaction. Joint Applicants Witness Ronald N. Darnell discusses in his testimony how the credit will be implemented;

- Joint Applicants commit that PNM will maintain its existing low-income customer assistance programs, including the Good Neighbor Fund, for a minimum of three years following the closing of the Proposed Transaction;
- Joint Applicants commit that PNM will not, directly or indirectly, seek to recover in any future rate case filing, any acquisition premium, or transaction costs, or merger transition costs resulting from the Proposed Transaction and allocated to PNM;
- Joint Applicants commit that PNM and PNMR will not take on any new debt in conjunction with the Proposed Transaction;
- Joint Applicants commit that Avangrid will maintain an indirect controlling ownership interest in PNM for not less than five years following the closing of the Proposed Transaction;
- Joint Applicants commit that PNM will continue to abide and be bound by the commitments set forth in all stipulations that are currently in effect until the commitments expire on their own accord or the Commission enters any order that supersede such commitments; and
- Joint Applicants make the following commitments to local management:
    - PNM's Board of Directors will include at least two local leaders from New Mexico;
    - PNM's Board of Directors' meetings will be held in New Mexico or virtually;

- PNM's day-to-day operations will be conducted by PNM's local management and employees, and PNM's local management will continue to establish company priorities and respond to local conditions; and
- PNM's headquarters will remain in Albuquerque, New Mexico for so long as Avangrid owns PNM.

- PNM will enjoy the benefits of a larger, well capitalized, and financially-strong parent, including improved access to capital at lower costs that will help PNM in its transition to renewable energy;
- Avangrid will extinguish all debt at PNMR after closing, which will improve the credit metrics at PNMR;
- PNM will enjoy the procurement benefits associated with being part of a larger organization, namely the ability to obtain certain necessary equipment timely and at a better price than PNM would be able to obtain on its own; and
- PNM will be affiliated with companies (Iberdrola – the world leader in wind power; Avangrid Renewables – the 3rd largest renewables generator in the US) with significant expertise and experience in renewable energy which can help PNM reach zero-carbon emissions in its electric generation by 2040.

Q. HOW WILL THE PROPOSED TRANSACTION PROVIDE BENEFITS TO PNM'S EMPLOYEES?

A. The Proposed Transaction offers benefits to PNM's employees:

- Joint Applicants commit that there will be no involuntary terminations except for cause or performance (other than those associated with the planned closure of San Juan) and no reductions of wages or benefits to non-union employees for a minimum of two years following the closing of the Proposed Transaction; and
- Joint Applicants will honor PNM's current collective bargaining agreements.

Q. HOW WILL THE PROPOSED TRANSACTION BENEFIT THE COMMUNITIES SERVED BY PNM?

A. The Proposed Transaction offers many benefits for the communities PNM serves:

- Joint Applicants will create or bring an additional 100 full-time jobs in total to New Mexico over the three-year period following the closing of the Proposed Transaction;
- Joint Applicants commit that PNM and PNMR's charitable contributions in New Mexico will be maintained at historical levels for a minimum of three years following closing of the Proposed Transaction, with a similar expectation for the PNM Resources Foundation's separate charitable activities;
- Joint Applicants commit that they will make contributions to economic development projects or programs in New Mexico, at shareholder expense, totaling $2.5 million over the two years following the closing of the Proposed Transaction; and
- Avangrid has a long track record of commitment to the local communities they serve through their subsidiaries. New Mexicans will benefit in the future from the charitable activities of the Avangrid Foundation, which is the principal philanthropic arm of

Avangrid. The Avangrid Foundation is committed to supporting initiatives that enhance the quality of life where Avangrid and its subsidiaries operate, with a focus on energy sustainability, the environment, arts and culture.

V. DISCUSSION OF PROTECTIONS

Q. ARE THE JOINT APPLICANTS MAKING ANY COMMITMENTS THAT WILL PROVIDE FINANCIAL PROTECTIONS FOR PNM?

A. Yes. Avangrid understands that customers and regulators have concerns when a larger entity acquires the local utility company. We have experienced this concern in the other states in which we operate. The Joint Applicants are therefore making the following commitments that provide financial protections, also known as ring fencing, to PNM:

- Joint Applicants commit that PNM will not lend money to or borrow money from any of its affiliates, other than as permitted by the Commission;
- Joint Applicants commit that PNM will not share credit facilities with any affiliates, other than as approved by the Commission;
- Joint Applicants commit that PNM will not include in any of its debt or credit agreements cross-default provisions relating to any of its affiliates;
- Joint Applicants commit that PNM will not acquire or transfer to any of its affiliates any material assets from or to any of its affiliates, except on an arm's length basis and in accordance with the Commission's affiliate transaction standards and requirements;

- Joint Applicants commit that they will take the actions necessary to ensure the existence of stand-alone bond credit and debt ratings for PNM;
- Joint Applicants commit that PNM will not pay dividends, except for contractual tax payments, at any time that PNM's debt rating is below investment grade with any of the credit-rating agencies absent Commission approval;
- Joint Applicants commit that PNM's assets or revenues shall not be pledged by any of its affiliates for the benefit of any entity other than PNM;
- Joint Applicants commit that PNM will invest in its system to ensure reliability and safety;
- Joint Applicants commit that PNM will maintain accurate, appropriate, and detailed books, financial records, and accounts, including checking and other bank accounts, and custodial and other securities safekeeping accounts that are separate and distinct from those of any other entity;
- Joint Applicants commit that the Commission and its Staff will have access to the books, records, accounts, or documents of PNM, its corporate subsidiaries and its holding companies, including PNMR, Networks, Avangrid, and Iberdrola pursuant to NMSA 1978, Section 62-6-17 and 62-6-19; and
- PNM will maintain a separate name and logo from Avangrid, Iberdrola, and all other Avangrid and Iberdrola subsidiaries and affiliates, but may also include the same Avangrid name and logo for branding purposes (*e.g.*, "an Avangrid company").

Q. IN YOUR OPINION, IS APPROVAL OF THE PROPOSED TRANSACTION IN THE PUBLIC INTEREST?

A. Yes. As laid out in the testimonies of the Joint Applicant witnesses, the Proposed Transaction satisfies all of the factors the Commission has evaluated in prior proceedings to determine whether an acquisition was in the public interest. The Proposed Transaction will bring many significant benefits to New Mexico, while also providing robust commitments that will protect PNM from the activities of any of its affiliates or parents.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

Curriculum Vitae of Robert “Bob” Kump

JA Exhibit RDK-1

Is contained in the following 1 page.

Robert Kump
Deputy CEO and President, AVANGRID

Robert Kump is Deputy Chief Executive Officer and President of AVANGRID, a position he has held since 2019. In this position, Mr. Kump works directly with the Avangrid CEO on strategy and oversees both the Networks and Renewables business of Avangrid. Prior to his current position, Mr. Kump was CEO of Avangrid Networks. As CEO of AVANGRID Networks, Mr. Kump oversaw eight regulated utilities in New England and New York that serve 3.2 million electric and natural gas customers and employ approximately 5,000 people.

With over thirty years of experience in the utility industry, Mr. Kump has held executive positions of increasing responsibility in Finance, Treasury and Investor Relations for New York State Electric and Gas Corporation (NYSEG); Energy East Corporation, which was acquired by Iberdrola S.A in 2008; Iberdrola USA, and AVANGRID. As Senior Vice President and Chief Financial Officer of Energy East, he guided the acquisition, managing the integration of Iberdrola S.A. business strategies, practices and procedures.

Over his career in the energy sector, Mr. Kump has developed expertise in mergers, acquisitions, asset divestitures, corporate reorganizations, organizational leadership, integration and process improvement.

He holds a B.S. in Accounting (Magna Cum Laude) from Binghamton University and is a Certified Public Accountant in New York State.

Joint Applicants' Regulatory Commitments

JA Exhibit RDK-2

Is contained in the following 4 pages.

JOINT APPLICANTS' REGULATORY COMMITMENTS

1. Joint Applicants[1] commit to providing rate credits to PNM's customers in the total amount of $24.6 million over a three-year period following the closing of the Proposed Transaction.
2. Joint Applicants commit that PNM will maintain its existing low-income customer assistance programs, including the Good Neighbor Fund, for a minimum of three years following the closing of the Proposed Transaction.
3. Joint Applicants commit that PNM will not, directly or indirectly, seek to recover in any future rate case filing, any acquisition premium, or transaction costs, or merger transition costs resulting from the Proposed Transaction and allocated to PNM.
4. Joint Applicants commit that PNM and PNMR will not take on any new debt in conjunction with the Proposed Transaction.
5. Joint Applicants commit that Avangrid will maintain an indirect controlling ownership interest in PNM for not less than five years following the closing of the Proposed Transaction.
6. The Commission jurisdiction over PNM remains and will not be adversely affected in any manner by the Proposed Transaction, as PNM will continue to abide and to be bound by existing applicable NMPRC rules, regulations, and orders.
7. Joint Applicants commit that PNM will continue to abide and be bound by the commitments set forth in all stipulations that are currently in effect until the

[1] Public Service Company of New Mexico ("PNM"), PNM Resources, Inc. ("PNMR"), NM Green Holdings, Inc., Avangrid Networks, Inc. ("Networks"), and Avangrid, Inc. ("Avangrid") are collectively referred to as Joint Applicants.

commitments expire on their own accord or the New Mexico Public Regulation Commission ("Commission") enters any order that supersede such commitments.

8. Joint Applicants make the following commitments to local management:
    - PNM's Board of Directors will include at least two local leaders from New Mexico;
    - PNM's Board of Directors meetings will be held in New Mexico or virtually;
    - PNM's day-to-day operations will be conducted by PNM's local management and employees, and PNM's local management will continue to establish company priorities and respond to local conditions; and
    - PNM's headquarters will remain in Albuquerque, New Mexico for so long as Avangrid owns PNM.
9. Avangrid will extinguish all debt at PNMR after closing.
10. Joint Applicants commit that there will be no involuntary terminations except for cause or performance (other than those associated with the planned closure of San Juan) and no reductions of wages or benefits to non-union employees for a minimum of two years following the closing of the Proposed Transaction.
11. Joint Applicants will honor PNM's current collective bargaining agreement.
12. Joint Applicants will create or bring an additional 100 full-time jobs in total to New Mexico over the three-year period following the closing of the Proposed Transaction.
13. Joint Applicants commit that PNM and PNMR's charitable contributions in New Mexico will be maintained at historical levels for a minimum of three years following closing of the Proposed Transaction, with a similar expectation for the PNM Resources Foundation's separate charitable activities.

14. Joint Applicants commit that they will make contributions to economic development projects or programs in New Mexico, at shareholder expense, totaling $2.5 million over the two years following the closing of the Proposed Transaction.
15. Joint Applicants commit that PNM will not lend money to or borrow money from any of its affiliates, other than as permitted by the Commission.
16. Joint Applicants commit that PNM will not share credit facilities with any affiliates other than as approved by the Commission.
17. Joint Applicants commit that PNM will not include in any of its debt or credit agreements cross-default provisions relating to any of its affiliates.
18. Joint Applicants commit that PNM will not acquire or transfer material assets from or to any of its affiliates, except on an arm's length basis, and in accordance with the Commission's affiliate transaction standards and requirements.
19. Joint Applicants commit that they will take the actions necessary to ensure the existence of stand-alone bond credit and debt ratings for PNM.
20. Joint Applicants commit that PNM will not pay dividends, except for contractual tax payments, at any time that PNM's debt rating is below investment grade with any of the credit-rating agencies absent Commission approval.
21. Joint Applicants commit that PNM's assets or revenues shall not be pledged by any of its affiliates for the benefit of any entity other than PNM.
22. Joint Applicants commit that PNM will invest in its system to ensure reliability and safety.
23. Joint Applicants commit that PNM will maintain accurate, appropriate, and detailed books, financial records, and accounts, including checking and other bank accounts, and custodial

and other securities safekeeping accounts that are separate and distinct from those of any other entity.

24. Joint Applicants commit that the Commission and its Staff will have access to the books, records, accounts, or documents of PNM, its corporate subsidiaries and its holding companies, including PNMR, Networks, Avangrid, and Iberdrola, S.A. ("Iberdrola"), pursuant to NMSA 1978, Sections 62-6-17 and 62-6-19.

25. PNM will maintain a separate name and logo from Avangrid, Iberdrola, and all other Avangrid and Iberdrola subsidiaries and affiliates, but may also include the same Avangrid name and logo for branding (*e.g.*, "an Avangrid company").

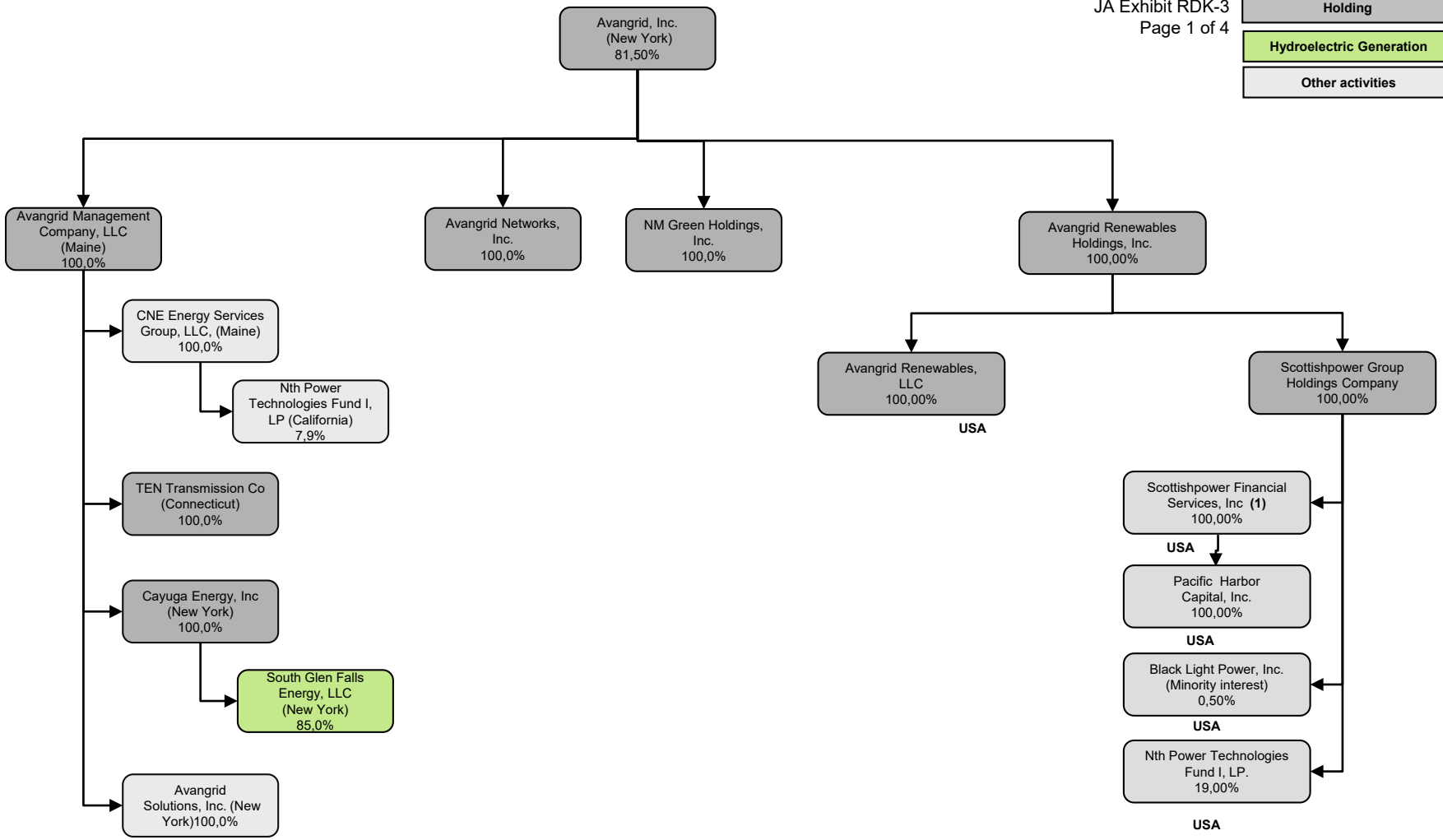
26. PNM will provide at least 15 days' notice to the Commission before making any dividend payments.

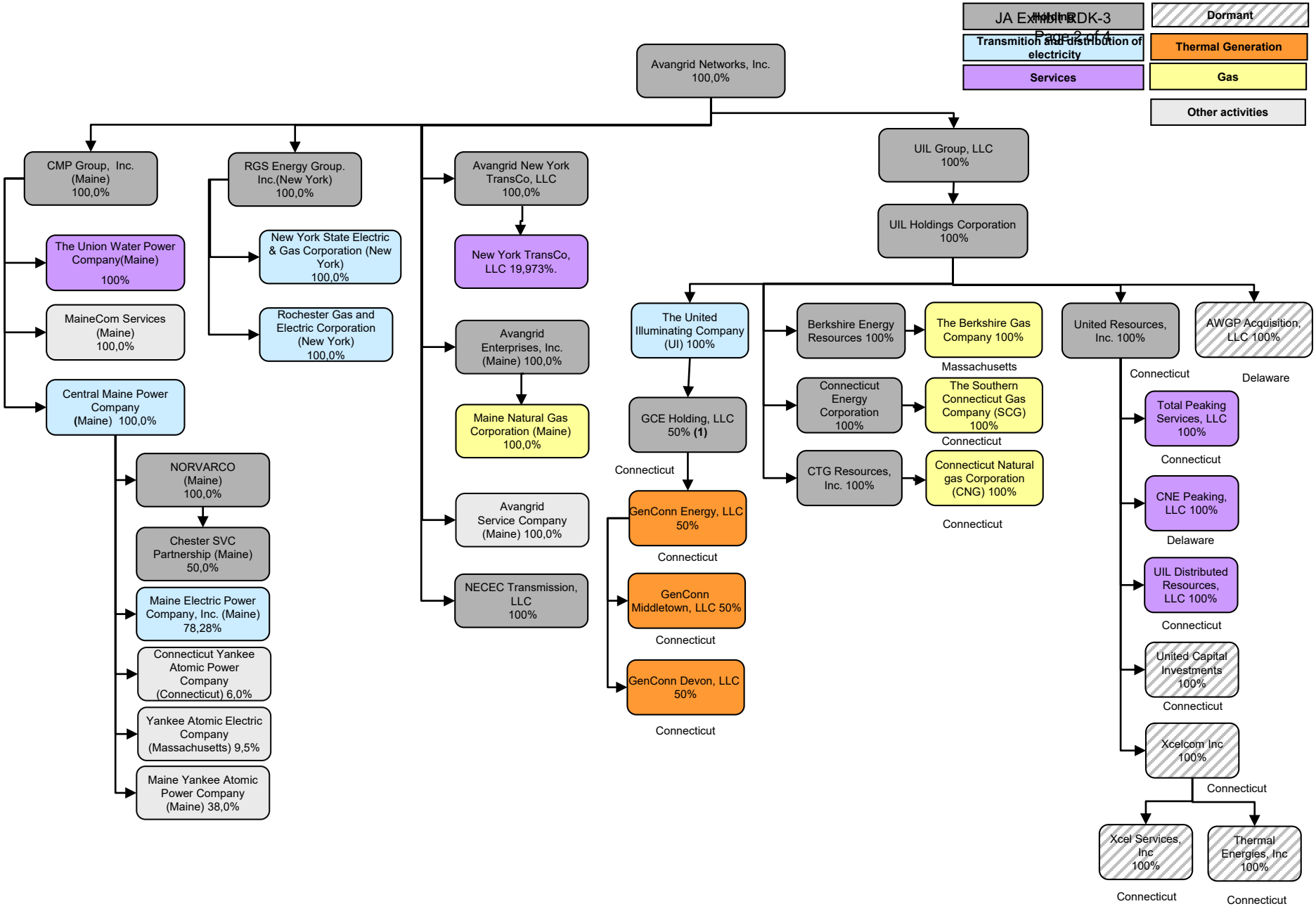
Chart of Avangrid Corporate Structure

JA Exhibit RDK-3

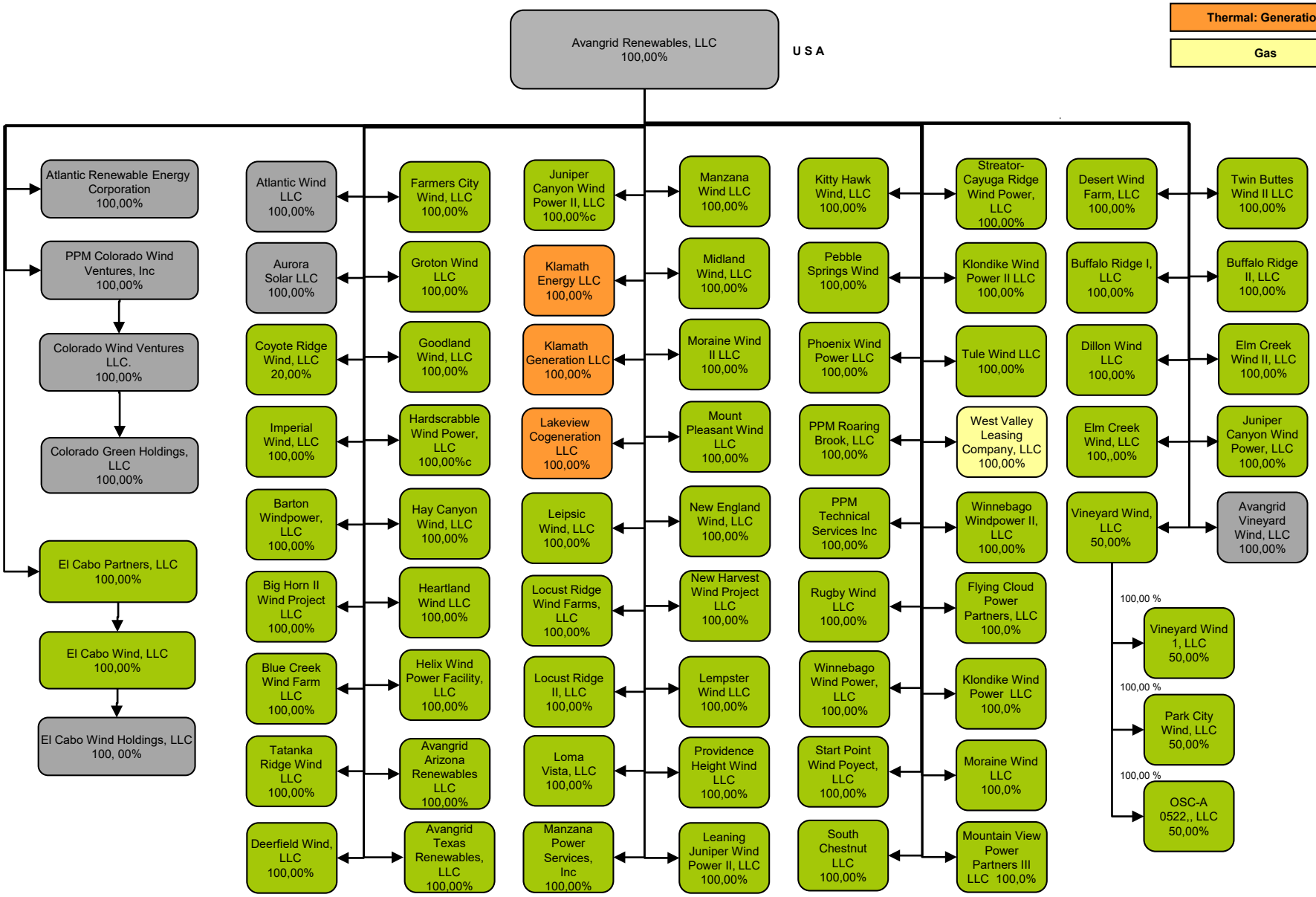
Is contained in the following 4 pages.

Holding
Hydroelectric Generation
Other activities

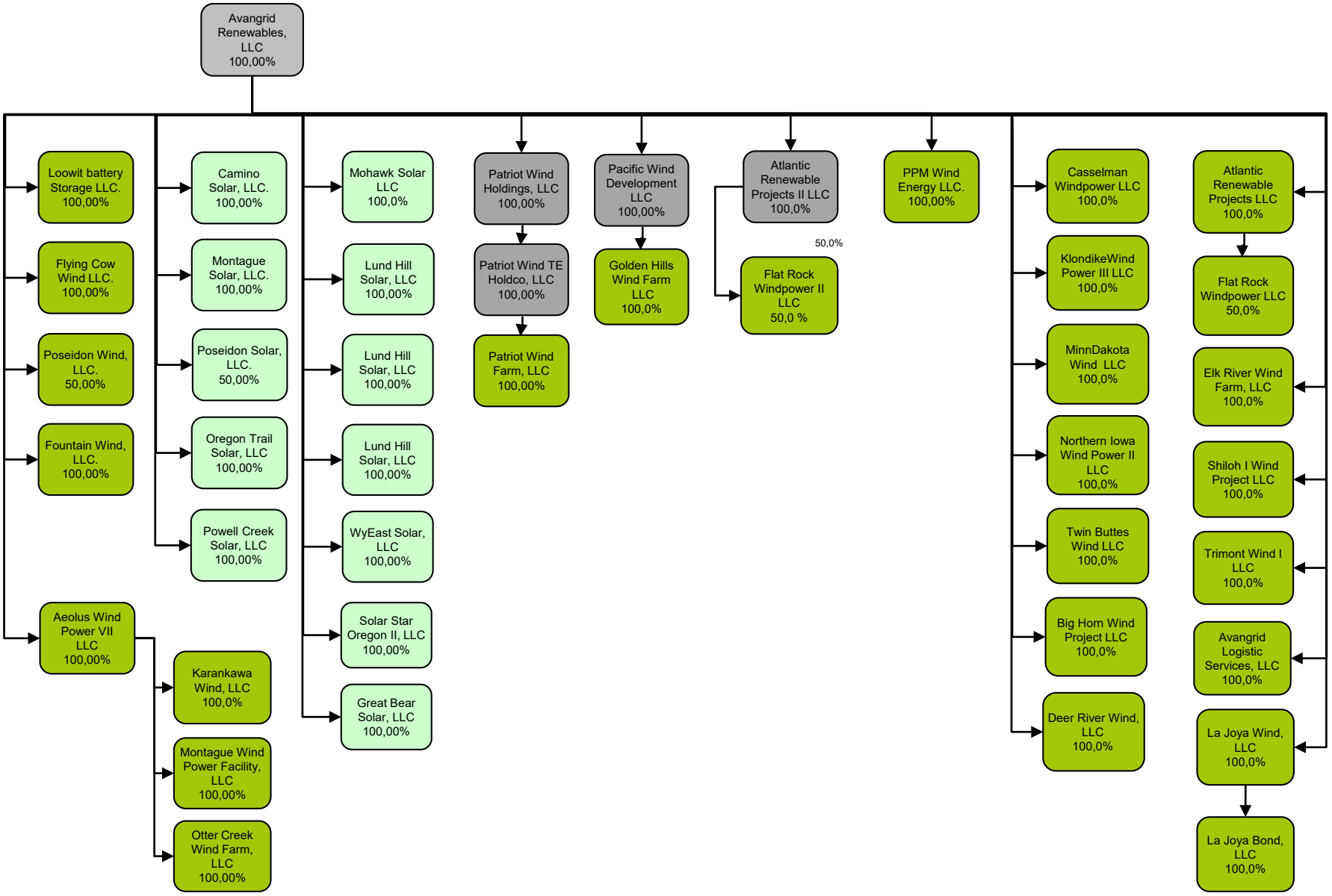



Transmition and distribution of electricity
Services
Other activities
Dormant
Thermal Generation
Gas
Avangrid Networks, Inc. 100,0%
CMP Group, Inc. (Maine) 100,0%
The Union Water Power Company(Maine) 100%
MaineCom Services (Maine) 100,0%
Central Maine Power Company (Maine) 100,0%
NORVARCO (Maine) 100,0%
Chester SVC Partnership (Maine) 50,0%
Maine Electric Power Company, Inc. (Maine) 78,28%
Connecticut Yankee Atomic Power Company (Connecticut) 6,0%
Yankee Atomic Electric Company (Massachusetts) 9,5%
Maine Yankee Atomic Power Company (Maine) 38,0%
RGS Energy Group. Inc.(New York) 100,0%
New York State Electric & Gas Corporation (New York) 100,0%
Rochester Gas and Electric Corporation (New York) 100,0%
Avangrid New York TransCo, LLC 100,0%
New York TransCo, LLC 19,973%.
Avangrid Enterprises, Inc. (Maine) 100,0%
Maine Natural Gas Corporation (Maine) 100,0%
Avangrid Service Company (Maine) 100,0%
NECEC Transmission, LLC 100%
UIL Group, LLC 100%
UIL Holdings Corporation 100%
The United Illuminating Company (UI) 100%
GCE Holding, LLC 50% (1)
Connecticut
GenConn Energy, LLC 50%
Connecticut
GenConn Middletown, LLC 50%
Connecticut
GenConn Devon, LLC 50%
Connecticut
Berkshire Energy Resources 100%
The Berkshire Gas Company 100%
Massachusetts
Connecticut Energy Corporation 100%
The Southern Connecticut Gas Company (SCG) 100%
Connecticut
CTG Resources, Inc. 100%
Connecticut Natural gas Corporation (CNG) 100%
Connecticut
United Resources, Inc. 100%
Connecticut
AWGP Acquisition, LLC 100%
Delaware
Total Peaking Services, LLC 100%
Connecticut
CNE Peaking, LLC 100%
Delaware
UIL Distributed Resources, LLC 100%
Connecticut
United Capital Investments 100%
Connecticut
Xcelcom Inc 100%
Connecticut
Xcel Services, Inc 100%
Connecticut
Thermal Energies, Inc 100%
Connecticut

Holding
Wind Power
Thermal: Generation
Gas



Holding
Wind Power
Photovoltaic Power



BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC. FOR APPROVAL OF THE MERGER OF NM GREEN HOLDINGS, INC. WITH PNM RESOURCES, INC.; APPROVAL OF A GENERAL DIVERSIFICATION PLAN; AND ALL OTHER AUTHORIZATIONS AND APPROVALS REQUIRED TO CONSUMMATE AND IMPLEMENT THIS TRANSACTION	)	**Case No. 20-00____-UT**
AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC.,	)	
JOINT APPLICANTS.	)	

SELF AFFIRMATION

Robert D. Kump, Deputy Chief Executive Officer and President of Avangrid, Inc., upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read the foregoing **Direct Testimony of Robert D. Kump** and it is true and correct based on my personal knowledge and belief.

DATED this 23rd day of November, 2020.

/s/ Robert D. Kump
ROBERT D. KUMP

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF AVANGRID, INC., AVANGRID NETWORKS, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC. FOR APPROVAL OF THE MERGER OF NM GREEN HOLDINGS, INC. WITH PNM RESOURCES, INC.; APPROVAL OF A GENERAL DIVERSIFICATION PLAN; AND ALL OTHER AUTHORIZATIONS AND APPROVALS REQUIRED TO CONSUMMATE AND IMPLEMENT THIS TRANSACTION	**Case No. 20-_____-UT**
AVANGRID, INC., AVANGRID NETWORKS, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC.,	
JOINT APPLICANTS.	

DIRECT TESTIMONY AND EXHIBITS

OF

ELLEN LAPSON, CFA

November 23, 2020

NMPRC CASE NO. 20-00____-UT
INDEX TO THE DIRECT TESTIMONY OF
ELLEN LAPSON, CFA

DIRECT TESTIMONY OF
ELLEN LAPSON, CFA
NMPRC CASE NO. 20-_____-UT

GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym / Defined Term	Meaning
Cash Flow Credit Metrics	Key financial ratios used by credit rating agencies to assess debt leverage by comparison of the level of debt and debt-like liabilities with a measure of operating cash flow. These ratios take the form of Debt-to-Operating Cash Flow, Debt-to-EBITDA, or Operating Cash Flow as a percentage of Debt.
Commission	New Mexico Public Regulation Commission
Company or PNM	Public Service Company of New Mexico
EBITDA	Net Income Before Interest, Income Taxes, Depreciation, and Amortization (a proxy for Operating Cash Flow
Iberdrola	Iberdrola S.A.
Moody's	Moody's Investors Service
Opco	Operating utility company subsidiary of a parent holding company
PNMR	PNM Resources, parent of PNM
S&P	Standard & Poor's or S&P Global Ratings
SACP	Stand-alone credit profile (a partial component of S&P's final credit rating of entities that are subsidiary companies and whose formal ratings are produced using S&P's consolidated rating methodology)
Proposed Transaction or Transaction	Proposed acquisition of PNMR by Avangrid Inc.
TNMP	Texas New Mexico Power, another subsidiary of PNMR and affiliate of PNM

DIRECT TESTIMONY OF
ELLEN LAPSON, CFA
NMPRC CASE NO. 20-_____-UT

I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Ellen Lapson. My business address is 370 Riverside Drive, New York, NY 10025.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am the founder and principal of Lapson Advisory, a division of Trade Resources Analytics, LLC. Through Lapson Advisory, I provide independent consulting services relating to the financial strength of utilities and infrastructure companies. I advise client companies on access to capital and debt markets. I frequently testify as an expert witness relating to utility finance, financial strength, and utility capital markets matters. Also, I develop and teach executive seminars about utility investment analysis, credit evaluation, and corporate finance.

Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A. I am appearing on behalf of Avangrid, Inc. ("Avangrid"), Avangrid Networks, Inc. ("Networks"), NM Green Holdings, Inc. ("NM Green"), PNM, and PNMR (collectively, "Joint Applicants") in an application regarding the proposed acquisition of PNMR by Avangrid (the "Proposed Transaction").

Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE.

A. I am a Chartered Financial Analyst and earned a Master of Business Administration from New York University Stern School of Business with a specialization in Accounting. I have worked in the capital markets space with particular focus on financing or analyzing the finances of regulated public utilities for the past 50 years. I began my career as a securities analyst at Argus Research Corporation analyzing utility company equity securities. For the next 20 years, I held several posts at a predecessor of J.P. Morgan as a corporate banker and investment banker, structuring and executing financing transactions for utility and infrastructure companies. Thereafter, I worked for 17 years, first as a senior director, and then as a managing director at Fitch Ratings, a major credit rating agency, where I managed analysts who rated credits in the sectors of electricity, natural gas and project finance, and chaired rating committees. After leaving Fitch Ratings nine years ago, I founded Lapson Advisory. The list of my professional qualifications appears as JA Exhibit EL-1.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THIS COMMISSION OR IN OTHER JURISDICTIONS?

A. Yes. I have submitted testimony or appeared before this Commission in two prior proceedings:

i. Case No. 19-00234-UT, Joint Application of El Paso Electric Company, Sun Jupiter Holdings, and IIF US Holdings 2 for Merger, on behalf of the Applicants, regarding ring-fencing and financial strength.

ii. Case No. 17-00255-UT, Application of Southwestern Public Service Co.

for Retail Rates, on behalf of SPS Co., regarding ADIT-related cash flow impacts.

JA Exhibit EL-1 includes a list of my expert witness assignments in a number of jurisdictions.

Q. HAVE YOU PREVIOUSLY TESTIFIED AS AN EXPERT WITNESS IN UTILITY MERGER PROCEEDINGS?

A. Yes, I have testified in merger proceedings in six state jurisdictions involving El Paso Electric Company; Washington Gas Light Inc.; Hawaiian Electric Inc.; and Pepco Holdings, as detailed in JA Exhibit EL-1.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. I am appearing as an expert financial witness on behalf of Joint Applicants. My testimony assesses the impact of the Proposed Transaction on the ongoing financial well-being of PNM and its future access to debt and equity capital.

Q. HOW IS THE BALANCE OF YOUR TESTIMONY ORGANIZED?

A. The remainder of my testimony is comprised of the following sections:

II. Executive Summary

III. Financial Status of PNMR and PNM before the Transaction

IV. Financial Aspects of the Proposed Transaction

V. Beneficial Financial Impacts for PNM and Customers

VI. Conclusions and Recommendations

II. EXECUTIVE SUMMARY

I have reviewed the business combination agreed to by PNMR and Avangrid and have assessed the impact of the combination of these entities upon the future financial well-being of PNM and its ability to serve its customers. As a result of the Proposed Transaction, PNM will be financially stronger and more resilient and will not suffer any financial harm. Avangrid enjoys higher credit ratings than PNMR or PNM from well-regarded credit rating agencies. As Mr. Kump explains in his testimony, Avangrid plans to entirely eliminate the debt of PNMR, which will benefit PNM. PNMR and PNM are likely to experience credit upgrades by both Standard & Poor's ("S&P") and Moody's Investors Services ("Moody's") upon consummation of the Proposed Transaction. Those credit upgrades as well as the reduced financial leverage of PNMR will improve PNM's financial flexibility and resilience and access to debt capital. While that is favorable under all capital market conditions, it will have particular benefits during periods of stress in the capital and credit markets.

Going forward, PNM will have greater access to equity capital via Avangrid and Iberdrola, Avangrid's majority owner, as compared to the present basis with its current parent PNMR. Customers will benefit from a financially stronger and more resilient utility with greater access to capital funding, enabling PNM to fund

external financial needs on more favorable terms and carry out its capital projects more efficiently.

In summary, I find that the Proposed Transaction will preserve and improve the financial viability of PNM and will enhance its ability to serve customers by improving financial flexibility and providing consistent access to capital. I recommend that the Commission approve the Proposed Transaction.

III. FINANCIAL STATUS OF PNMR AND PNM BEFORE TRANSACTION

Q. WHAT ARE PNM'S AND PNMR'S CURRENT FINANCIAL CIRCUMSTANCES?

A. PNM is a wholly-owned subsidiary of PNMR. PNM's common equity is sourced from PNMR, which in turn issues shares to public investors. PNMR's shares are listed on the New York Stock Exchange. PNM issues its own individual long-term debt to investors in the form of senior unsecured notes. Its debt carries credit ratings from two credit rating agencies, Moody's and S&P. PNM has its own revolving credit facilities to provide liquidity for capital expenditure projects and seasonal needs. As of September 30, 2020, PNM had $440 million of committed credit facilities in addition to an intercompany credit line of $100 million allowing PNM to borrow from its parent.

Q. PRIOR TO THE ANNOUNCEMENT OF THE PROPOSED TRANSACTION, WHAT WERE PNM'S AND PNMR'S CREDIT RATINGS?

A. Moody's and S&P ratings of PNM and PNMR are within the lower part of the investment grade category.

S&P: In April 2020, S&P lowered its issuer credit ratings of PNMR and PNM to BBB from BBB+, citing weakening financial ratios and higher capital expenditures with more investment in renewable energy resources.[1] Because PNM represents a high proportion of the business of PNMR, the financial circumstances of PNM and PNMR are closely linked. Thus, S&P lowered ratings of both PNM and PNMR in April 2020.

Moody's: Moody's rating methodology for PNMR differs from S&P's, in that Moody's rating of PNM is based primarily upon the operating utility's individual financial condition and its "Cash Flow Credit Measures," rather than that of its parent or consolidated group of companies. Moody's rating for PNM of Baa2 is not currently constrained by the agency's rating of PNMR; instead, the rating of PNM represents the agency's view of the Company's financial condition on a reasonably separate basis.

[1] S&P Global Ratings, "PNM Resources, Inc., Public Service Co. of New Mexico, Texas-New Mexico Power Co. Downgraded One Notch; Outlook Stable," 6 April 2020. (JA Exhibit EL-7)

Both agencies' long-term credit ratings as of October 20, 2020, prior to the public announcement of the Proposed Transaction, and reflecting the rating agencies' response to the announcement on October 21, are shown below in Table EL-1.[2]

Table EL-1: Credit Ratings and Outlooks of PNMR and PNM
Before and After Transaction Announcement (a)

	PNMR	PNM
S&P		
Issuer Rating	BBB	BBB
Senior Secured Bonds	*None*	*none*
Senior Unsecured Notes	BBB-	BBB+
Outlook 10/20/20	Stable	Stable
Outlook 10/21/20	Positive	Positive
Moody's		
Issuer Rating	Baa3	Baa2
Senior Secured Bonds	*None*	*none*
Senior Unsecured Notes	Baa3	Baa2
Outlook 10/20/20	Stable	Stable
Outlook 10/21/20	Stable	Stable

(a) Ratings are shown as of Oct. 20 and 21, 2020. S&P Outlooks changed on Oct. 21

Q. IS IT YOUR UNDERSTANDING THAT PNM PROJECTS AN INCREASE IN ITS CAPITAL EXPENDITURES PROGRAM IN THE FUTURE?

A. Yes. I understand that PNM's capital expenditures for infrastructure additions in the future are significantly higher than in the prior years.

[2] A table showing the correspondence between the credit rating symbols of Moody's and S&P appears as JA Exhibit EL-2.

Q. DOES PNM'S CAPITAL EXPENDITURE INCREASE AFFECT ITS CREDIT RATINGS AND FINANCIAL STRENGTH?

A. Yes, utilities with projected growth in capital expenditures that exceed internal cash flow face the need for external financing, which can be a source of financial pressure. In the case of PNM, forecasted capital investments will exceed funding available from PNM's operating cash flow and so will require external financing with a balanced mix of equity and debt so as to maintain the regulatory capital structure. Moody's notes that a "credit challenge" facing PNM is the "[s]ubstantial increase in capital spending in 2021".[3] To fund the external financing necessitated by the capital budget, PNM will need consistent and steady access to sources of debt and equity in order to remain in balance with its authorized regulatory capital structure and avoid ratings downgrades. Thus, the Proposed Transaction's positive impact on PNM's access to external capital will be a benefit to PNM and its customers.

IV. FINANCIAL ASPECTS OF THE PROPOSED TRANSACTION

Q. HOW IS AVANGRID VIEWED IN THE FINANCIAL MARKETS?

A. Avangrid is viewed as a sound and low-risk participant within the U.S. utility sector, compared to other utilities. Among its primary characteristics:

1. Low-risk electric and gas distribution and transmission subsidiaries, with a diversity of regulatory jurisdictions, provide more than 60% of the

[3] Moody's Investors Service, "Credit Opinion, Public Service Company of New Mexico, Update to Credit Analysis," 1 September, 2020, page 2. (JA Exhibit EL-3)

consolidated cash flow of the group; and this percentage will rise with the acquisition of PNMR;

2. Its non-utility business involves renewables under long-term agreements, generally with credit-worthy counterparties;
3. Its 81.5% owner, Iberdrola, is a highly-regarded company in the E.U. and globally; and
4. Iberdrola and Avangrid's credit ratings are strong, and Avangrid has a successful record of raising money in the debt capital market and short-term funding market.

Q. HOW DO AVANGRID AND IBERDROLA COMPARE WITH PNMR IN TERMS OF CREDIT STRENGTH?

A. Avangrid and Iberdrola have stronger financial characteristics than PNMR, as reflected in S&P ratings that are one notch higher than PNMR's, and Moody's ratings that are two notches higher than PNMR's, as shown in Table EL-2.

Table EL-2: Comparative Ratings for Transaction Entities

	PNMR	Avangrid	Iberdrola
S&P			
Issuer Rating	BBB	BBB+	BBB+
Senior Unsecured Notes	BBB-	BBB	BBB*
Short-term debt		A-2	A-2
Moody's			
Issuer Rating	Baa3	Baa1	Baa1
Senior Unsecured Notes	Baa3	Baa1	Baa1*
Short-term debt		P-2	P-2

* No such issues are rated, but this is an indicative rating.

Q. PLEASE DESCRIBE HOW THE OWNERSHIP OF PNMR AND TNMP WILL CHANGE AS A RESULT OF THE PROPOSED TRANSACTION?

A. A specially-formed subsidiary of Avangrid will acquire all of PNMR's shares for cash of approximately $4.3 billion. In his prepared testimony, Mr. Robert Kump explains that no incremental debt will be placed at PNMR or at PNMR's operating subsidiaries as a result of the Proposed Transaction.

V. BENEFICIAL IMPACTS FOR PNM AND PNM'S CUSTOMERS

Q. WHAT BENEFICIAL CHANGES DO YOU ANTICIPATE WILL RESULT FROM AVANGRID'S OWNERSHIP OF PNMR?

A. First, PNM will become part of a significantly larger corporate entity with greater economies of scale and the advantage of regulatory and jurisdictional diversity. When a utility parent holding company has a diverse set of subsidiaries, as is the case with Avangrid, an adverse circumstance at a single subsidiary is unlikely to impede the parent from obtaining funding in the equity market or fixed income market. If PNM needs equity for any reason, Avangrid (and its 81.5% parent, Iberdrola) will have broader sources and greater assurance of the ability to supply capital to PNM.

Q. DO YOU FORESEE ANY CHANGE IN PNM'S CREDIT RATINGS AS A RESULT OF THE PROPOSED TRANSACTION?

A. Yes, I expect that the Proposed Transaction will be accompanied by an upgrade by S&P of PNM's credit rating. The S&P issuer rating of Iberdrola and Avangrid are BBB+ (one notch higher than the BBB issuer rating of PNMR). Upon the announcement of the Proposed Transaction, S&P changed the rating outlook of PNMR and PNM to Positive from Stable and commented:

> We expect the ratings on PNMR and PSNM will be aligned with the new owner's ICR [Issuer Credit Rating] as per S&P Global Ratings criteria for core subsidiaries. [4]

In that release and a concurrent October 21, 2020 release, S&P reports its affirmation of its BBB+ rating and Stable outlook of Iberdrola. [5]

Q. IS IT LIKELY THAT MOODY'S ALSO WILL IMPROVE PNMR'S RATING AT THE CONSUMMATION OF THE TRANSACTION?

A. I expect an immediate ratings upgrade from Moody's for PNMR. Moody's October 21 report on the Proposed Transaction signals that the Proposed Transaction "would be credit positive for PNMR"[6], and indicates that upon the consummation of the Proposed Transaction, Moody's is likely to upgrade its rating of PNMR by one or two notches, to Baa2 or possibly to Baa1, which would equalize with Moody's Avangrid rating.

[4] S&P Global Ratings, "PNM Resources and Subsidiaries' Outlook Revised to Positive on Announced Acquisition by Avangrid Inc.; Ratings Affirmed", 21 October 2020. (JA Exhibit EL-4)
[5] S&P Global Ratings, "Avangrid Inc. Ratings Affirmed on PNM Resources Acquisition; Outlook Stable," October 21, 2020. (JA Exhibit EL-5)
[6] Moody's Investors Service, "Issuer Comment: PNM Resources, Inc.: Acquisition by Avangrid, Inc. would be positive and bring long-term benefits to its utilities", 21 October 2020. (JA Exhibit EL-6).

Moody's rating commentary upon the announcement of the Proposed Transaction favorably comments that the merger would produce future benefits for the operating utilities, PNM and TNMP, that "would become part of a larger enterprise bringing medium and long-term benefits including economies of scale, expertise in developing renewable generation and modernizing grid networks to incorporate intermittent resources. Moreover, Iberdrola has access to global markets providing diversity in capital sourcing."[7] If PNM's individual credit metrics improve there is certainly an opportunity for a higher credit rating for PNM from Moody's; Avangrid's credit ratings would not imply any constraint upon ratings upgrades for PNM.

Q. ARE THERE OTHER ASPECTS OF THE PROPOSED TRANSACTION THAT WILL ENHANCE THE FINANCIAL STATUS OF PNM?

A. Yes. Robert D. Kump's testimony states that Avangrid plans to eliminate PNMR's debt at the consummation of the Proposed Transaction. Removing the parent company debt would reduce the consolidated debt leverage of PNMR, a positive credit development for PNM as viewed by fixed-income investors and credit rating agencies.

[7] JA Exhibit EL-6, ibid.

Q. WHY IS THE EXPECTED REDUCTION IN PNMR'S LEVERAGE MEANINGFUL?

A. First, removing debt at PNMR would further justify a credit rating upgrade by S&P for PNM. Second, in general, a minimally-levered or unlevered parent company is unlikely to experience financial stress for itself or to trigger financial stress affecting its subsidiaries; and that circumstance over the intermediate term may be reflected in Moody's view of PNM. Parent-level debt is currently about 21% of total PNMR debt, and that share would be eliminated. The financial community would consider that a substantial, favorable development.

Q. WHAT BENEFITS CAN PNM ANTICIPATE FROM S&P'S EXPECTED UPGRADE OF ITS CREDIT RATING?

A. One example of the immediate cost-savings benefit of a higher credit rating is that a one-notch upgrade of PNM's rating by S&P to BBB+ would boost PNM into a more favorable pricing category under PNM's existing revolving credit. That, in turn, would reduce the lender's commitment fee by 2.5 basis points (.025%) per annum, and would reduce the borrowing margin over the rate index by 12.5 basis points (0.125%) on outstanding loans.

Another longer-term benefit is that a higher credit rating from S&P would increase PNM's access to debt funding in the long-term debt capital market even during periods of uncertainty or distress in credit markets. Typically, during periods of stressed market conditions, only higher-rated companies have free access to issue

new debt under favorable terms. Unlike many other companies, utilities are obliged to provide service, including making needed capital investments, under all financial market conditions. Thus, when capital markets undergo crises that sharply increase the cost differential between high-credit quality and lower-credit quality borrowers, utilities must still raise capital to provide services and undertake necessary capital investments. Capital raised at increased cost, both for new projects and to refund maturing debt, may remain on utility balance sheets for as long as thirty years, thereby increasing utility customers' costs well into the future. Higher credit ratings for PNM would produce lower rates for PNM's customers over many years, since the cost of debt capital is a factor in the utility's cost of service.

A higher credit rating may make a meaningful difference both in the cost of debt and in the amount of new debt that can be raised when capital markets are stressed. Also, if interest rates increase from current levels, the cost of the credit differential from one ratings notch to a higher notch will become more advantageous to PNM and its customers as compared to the current condition of very low interest rates.

VI. CONCLUSIONS AND RECOMMENDATIONS

Q. IN SUMMARY, DO YOU FORESEE ANY FINANCIAL INJURY TO PNM AS A RESULT OF THE PROPOSED TRANSACTION?

A. No, I do not. On the contrary, I see the Proposed Transaction providing PNM with greater financial strength and resilience.

Q. DO YOU FORESEE ANY FINANCIAL BENEFITS TO PNM AND ITS CUSTOMERS AS A RESULT OF THE PROPOSED TRANSACTION?

A. Yes. PNM will benefit from reduced financial risk by the removal of debt at its parent, PNMR; and this will enhance the financial market's perception of PNM as a low-risk utility. Also, I expect that S&P will raise PNM's credit rating by one notch to BBB+ from BBB as an immediate consequence of closing the Proposed Transaction. The favorable perception of Avangrid in the financial community, combined with Avangrid's higher credit ratings and larger base of financial counterparties and relationships, is likely to enhance PNM's reception in financial markets. As a consequence of these factors, I expect that PNM will have greater financial resilience and ability to attract capital during periods of adverse capital market conditions. Due to their greater size and scale, Avangrid and Iberdrola also have a broader investor base than PNMR, and they benefit from greater diversification of risk. As a result, they have a broader range of sources from which to raise equity capital should their subsidiaries require capital infusions.

Q. WHAT ARE YOUR CONCLUSIONS?

A. Based upon my financial analysis, I conclude that there are no downside financial risks for PNM as a result of the Proposed Transaction. There are a number of benefits for PNM and its customers from joining PNM with a strong and robust parent company such as Avangrid. Therefore, I recommend that the Commission approve the Proposed Transaction.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

GCG#527326

Lapson Experience and Credentials

JA Exhibit EL-1

Is contained in the following 8 pages.

EXPERIENCE AND QUALIFICATIONS
ELLEN LAPSON, CFA

LAPSON ADVISORY
Financial Consulting
Expert Testimony
Financial Training

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SUMMARY OF QUALIFICATIONS

Expert on financing utilities and infrastructure projects, with over 50 years of professional experience in commercial and investment banking, securities analysis, and credit ratings. Focus on utilities, power generation and alternative energy sources, natural gas and fuels, corporate and project finance. Services include expert financial witness testimony; credit rating advisory services; executive training in utility securities and credit analysis.

MBA Accounting and finance, NYU Stern School of Business; Chartered Financial Analyst (CFA).

EMPLOYMENT

Lapson Advisory
Principal
Dec. 2011 to present

Financial consulting services to utilities and developers of infrastructure projects. Financial strategy and credit advisory for power, energy, infrastructure companies, and utilities. Expert witness testimony. Design and conduct financial and credit training.

Fitch Ratings
Utilities, Power & Gas
Managing Director
1999-2011
Senior Director
1994-1999

Chair of Fitch's global Corporate Finance Criteria Committee overseeing criteria for rating corporations, financial institutions, insurers, REITs, and project finance transactions (2010-2011).
Manager or primary analyst on credit ratings of over 200 utility, pipeline, power generation companies. Utility tariff monetization. Senior member of rating committees for utilities and energy and power-related projects.
Liaison with utility sector fixed income investors, focusing on 50 largest institutional investors holding utility and power bonds, buy-side and sell-side analysts, and utility bankers.

JP Morgan Chase (formerly Chemical NY Corp.) Vice President 1975-94 Asst. Vice President 1974-1975	Managed financial advisory transactions, structured debt private placements, syndicated credit facilities for utilities, mining and metals, project finance. Structured financing for utility regulatory assets (first of its kind "stranded cost" securitization transaction) for Puget Energy, 1992-94. Led financing for bankrupt utility as debtor-in-possession; prepared financing plans for distressed utilities; structured exit financing for reorganization of two utilities emerging from Chapter 11. Divisional Controller - 1981-1986
Argus Research Corp. Equity Security Analyst – Utilities 1969-1974	Equity analysis of U.S. electric and gas utilities, natural gas pipelines, and telecommunications companies. Modeling and projecting corporate financial statements. Research coverage and reports.

EDUCATION & CHARTER

Stern School of Business, New York University, MBA, 1975
Major concentration: Accounting
Master's Thesis: Cash Flow vs. Accrual Accounting Data in Utility Equity Valuation
Chartered Financial Analyst (CFA) since 1978
Barnard College, Columbia University, BA, 1969

PROFESSIONAL ASSOCIATIONS

Institute of Chartered Financial Analysts, 1978 - present
Wall Street Utility Group, 1996 - present

ADVISORY COUNCILS AND BOARD SERVICE

Rocky Mountain Institute Sustainable Finance Advisory Board member. 2016 to 2018.

Represented U.S. investment community in advisory panel on International Accounting Standard Board proposals for financial reporting for rate-regulated activities, sponsored by Edison Electric Institute and American Gas Association, Dec. 2014

National Academy of Sciences/ National Research Council, Resilient America Forum, July 2014.

MIT Energy Institute, External Advisory Council, The Future of Solar Energy, 2012-2014.

Electric Power Research Institute, Advisory Council, 2004-2011; Chair, 2009 and 2010.

EXPERT WITNESS TESTIMONY

Jurisdiction	Proceeding	Topic
Massachusetts Department of Public Utilities	DPU 20-16, 20-17, and 20-18, Long-term purchase contract for offshore wind energy, Eversource, National Grid, Unitil (2020)	Remuneration to utilities for entering into long-term contracts
Public Utilities Commission Texas	Docket No. 49849, Joint Application of El Paso Electric, Sun Jupiter Holdings and IIF US Holding 2 for Acquisition of El Paso Electric… (2019-20)	Ring-fencing for utility merger and formation of holdco; financial strength
New Mexico Public Regulation Commission	Docket No. 19-00234 UT, Joint Application of El Paso Electric, Sun Jupiter Holdings, and IIF US Holding 2 (2019-20)	Ring-fencing for utility merger and formation of holdco; financial strength
Public Utilities Commission of Colorado	Proceeding No. 19AL-0268E, Filing to Revise Electric Tariff, on behalf of Xcel Public Service Co, of Colorado (2019)	Capital structure and cash flow measures
Public Utilities Commission Texas	Docket No. 49421, Application of CenterPoint Energy Houston to change rates, on behalf of CEHE (2019)	Ring-fencing in context of a rate proceeding; financial strength
Public Utilities Commission Texas	Docket No. 48929, Application of Oncor Electric Delivery Co. LLC, Sharyland Utilities LP, and Sempra Energy, on behalf of Sharyland Utilities (2019)	Ring-fencing for formation of an electric transmission utility
Public Utilities Commission of Colorado	Proceeding No. 17AL-0363G, Filing to Revise Gas Tariff, on behalf of Xcel Public Service Co, of Colorado (2018)	Cash flow and credit impacts of tax reform; capital structure
South Carolina Public Service Commission	Docket No. 2017-370-E; Joint Application for Merger and for Prudency Determi-nation, on behalf of South Carolina Electric & Gas Company (2018)	Benefits of merger and proposed rate plan; implications for cash flow and access to capital.
U.S. Federal District Court, District of SC	Civil Action No.: 3:18-cv-01795-JMC, Motion for Preliminary Injunction, on behalf of South Carolina Electric & Gas	Financial harm of rate cut compliant with Act
Public Utilities Commission Texas	Docket No. 48401, Texas-New Mexico Power Co. Application to Change Retail Rates, on behalf of TNMP (2018)	Cash flow and credit impacts of tax reform
Public Utilities Commission Texas	Docket No. 48371, Entergy Texas Inc., Application to Change Retail Rates, on behalf of ETI (2018)	Cash flow and credit impacts of tax reform
Public Utilities Commission Texas	Docket No. 47527, Southwestern Public Service Co. Application for Retail Rates, on behalf of SPS Co. (2018)	Adverse cash flow and credit impacts of tax reform; cap structure
New Mexico Public Regulation Commission	Case No. 17-00255-UT, Southwestern Public Service Co. Application for Retail Rates, on behalf of SPS Co. 2018)	Adverse cash flow and credit impacts of tax reform; cap structure

South Carolina Public Service Commission	Docket No. 2017-305-E, Response to ORS Request for Rate Relief, on behalf of S. Carolina Electric and Gas (2017)	Adverse financial implications of rate reduction sought by ORS
DC Public Service Commission	Formal Case No. 1142, Merger Application of AltaGas Ltd. and Washington Gas Light, Inc. (2017)	Ring-fencing for utility merger; financial strength
Public Service Commission of Maryland	Docket No. 9449, In the Matter of the Merger of AltaGas Ltd. and Washington Gas Light, Inc. (2017)	Ring-fencing for utility merger; financial strength
Public Utilities Commission Texas	Docket No. 46957, Application of Oncor Electric Delivery LLC to Change Rates, on behalf of Oncor. (2017)	Appropriate capital structure. Financial strength.
Public Utilities Commission Texas	Docket No. 46416, Application of Entergy Texas, Inc. for a Certificate of Convenience & Necessity, Montgomery County, on behalf of Entergy Texas (2016-2017)	Debt equivalence and capital cost associated with capacity purchase obligations (PPA)
U.S. Federal Energy Regulatory Commission	Dockets No. EL16-29 and EL16-30, NCEMC, et al. vs Duke Energy Carolinas and Duke Energy Progress, on behalf of the Respondents (2016)	Capital market environment affecting the determination of the cost of equity capital
Hawaii Public Utilities Commission	Docket No. 2015-0022, Merger Application on behalf of NextEra Energy and Hawaiian Electric Inc. (2015)	Ring-fencing and financial strength
U.S. Federal Energy Regulatory Commission	Dockets No. EL14-12 and EL15-45, ABATE, vs MISO, Inc. et al., on behalf of MISO Transmission Owners (2015)	Capital market environment; capital spending and risk
U.S. Federal Energy Regulatory Commission	Dockets No. EL12-59 and 13-78, Golden Spread Electric Coop., on behalf of South-western Public Service Co. (2015)	Capital market environment; capital spending and risk
U.S. Federal Energy Regulatory Commission	Dockets No. EL13-33 and EL14-86, ENE et al. vs. Bangor Hydro-Electric Co. et al., on behalf of New England Transmission Owners. (2015)	Capital market environment affecting the measurement of the cost of equity capital
U.S. Federal Energy Regulatory Commission	Dockets No. ER13-1508 et alia, Entergy Arkansas, Inc. and other Entergy utility subsidiaries, on behalf of Entergy Services Inc. (2014)	Capital market environment affecting the measurement of the cost of equity capital
Delaware Public Service Commission	DE Case 14-193, Merger of Exelon Corp. and Pepco Holdings, Inc. on behalf of the Joint Applicants (2015)	Ring-fencing for utility merger; avoidance of financial harm
Maryland Public Service Commission	Case No. 9361, Merger of Exelon Corp. and Pepco Holdings, Inc. on behalf of the Joint Applicants (2015)	Ring-fencing for utility merger; avoidance of financial harm

New Jersey Board of Public Utilities	BPU Docket No. EM 14060581, Merger of Exelon Corp. and Pepco Holdings, Inc., on behalf of the Joint Applicants (2015)	Ring-fencing for utility merger; avoidance of financial harm
U.S. Federal Energy Regulatory Commission	Docket ER15-572 Application of New York Transco, LLC, on behalf of NY Transco, LLC. (2015)	Incentive compensation for electric transmission; capital market access
U.S. Federal Energy Regulatory Commission	Docket EL 14-90-000 Seminole Electric Cooperative, Inc. and Florida Municipal Power Agency vs. Duke Energy FL on behalf of Duke Energy (2014)	Capital market environment affecting the determination of the cost of equity capital
DC Public Service Commission	Formal Case No. 1119 Merger of Exelon Corp. and Pepco Holdings Inc., on behalf of the Joint Applicants (2014-2015)	Ring-fencing for utility merger; avoidance of financial harm
U.S. Federal Energy Regulatory Commission	Docket EL14-86-000 Attorney General of Massachusetts et. al. vs. Bangor Hydro-Electric Company, et. al on behalf of New England Transmission Owners (2014)	Return on Equity; capital market environment
Arkansas Public Service Commission	Docket No. 13-028-U. Rehearing direct testimony on behalf of Entergy Arkansas. (2014)	Investor and rating agency reactions to ROE set by Order.
Illinois Commerce Commission	Docket No. 12-0560 Rock Island Clean Line LLC, on behalf of Commonwealth Edison Company, an intervenor (2013)	Access to capital for a merchant electric transmission line.
U.S. Federal Energy Regulatory Commission	Docket EL13-48-000 Delaware Division of the Public Advocate, et. al. vs. Baltimore Gas and Electric Company and PEPCO Holdings et al., on behalf of (i)Baltimore Gas and Electric and (ii) PEPCO and subsidiaries (2013)	Return on Equity; capital market view of transmission investment
U.S. Federal Energy Regulatory Commission	Docket EL11-66-000 Martha Coakley et. al. vs. Bangor Hydro-Electric Company, et. al on behalf of a group of New England Transmission Owners (2012-13)	Return on Equity; capital market view of transmission investment
New York Public Service Commission	Cases 13-E-0030; 13-G-0031; and 13-S-0032 on behalf of Consolidated Edison Company of New York. (2013)	Cash flow and financial strength; regulatory mechanisms
Public Service Commission of Maryland	Case. 9214 re "New Generating Facilities To Meet Long-Term Demand For Standard Offer Service", on behalf of Baltimore Gas and Electric Co., Potomac Electric Power Co., and Delmarva Power & Light (2012)	Effect of proposed power contracts on the credit and financial strength of MD utility counterparties

CONSULTING & ADVISORY ASSIGNMENTS

Public Service Co. of New Hampshire, 2020	Analyzed impacts of methods for recovering costs of energy efficiency program. Objective: Regulatory strategy
Washington Gas Light Co., 2019	Quantified the effect of merger upon the cost of long-term and short-term debt. Objective: Comply with regulatory order.
Cravath, Swaine & Moore LLP, 2019	Evaluated factors that influenced utility spending decisions on operations, maintenance, and capital projects. Objective: Support litigation strategy in contentious bankruptcy proceedings.
NJ American Water Co. 2018	Analyzed impacts of tax reform on water utility's cash flow and ratings. Objective: Regulatory strategy
AltaGas Ltd. 2017	Credit advisory on ratings under merger and no-merger cases. Objective: Compare strategic alternatives for M&A
Entergy Texas, Inc. 2016	Research study on debt equivalence and capital cost associated with capacity purchase obligations. Impact of new GAAP lease accounting standard on PPAs. Objective: Economic comparison of resource options
Eversource Energy 2014	Evaluated debt equivalence of power purchase obligations. Objective: Clarify credit impact of various contract obligations.
International Money Center Bank (Undisclosed) 2014	Research study and recommendations on estimating Loss Given Default and historical experience of default and recovery in the regulated utility sector. Objective: Efficient capital allocation for loan portfolio
GenOn Energy Inc. 2012	White Paper on appropriate industry peers for a competitive power generation and energy company. Objective: Improve peer comparisons in shareholder communications and for compensation studies
Transmission Utility (Undisclosed) 2012	Recommended the appropriate capital structure and debt leverage during a period of high capital spending. Objective: Efficient equity level during multi-year capex project; preserve existing credit ratings
Toll Highway (Undisclosed) 2012	Advised on adding debt while minimizing risk of downgrade. Recommended strategy for added leverage and rating agency communications. Free up equity for alternate growth investments via increased leverage while preserving credit ratings
District Thermal Cooling Company (Private)	Recommended a project loan structure to deal with seasonal cash flow. Optimized payment schedule, form and timing of financial covenants. Objectives: Reduce default risk; efficient borrowing structure

PROFESSIONAL AND EXECUTIVE TRAINING

In-house Training, Southern California Edison Co., Rosemead CA	Designed and delivered in-house training program on evaluating the credit of energy market counterparties, Nov. 2016
In-house Training, Undisclosed Financial Institution, NYC	Developed corporate credit case for internal credit training program and coordinated use in training exercise, 2016
CoBank, Denver CO	Designed and delivered "Midstream Gas and MLPs: Advanced Credit Training", 2014
Empire District Electric Co., Joppa MO	Designed and delivered in-house executive training session Utility Sector Financial Evaluation, 2014
PPL Energy Corp, Allentown PA	Designed and delivered in-house Financial Training, 2014
SNL Knowledge Center Courses	"Credit Analysis for the Power & Gas Sector", 2011-2014 "Analyst Training in the Power & Gas Sectors: Financial Statement Analysis", 2013-2014
EEI Transmission and Wholesale Markets School	"Financing and Access to Capital", 2012
National Rural Utilities Coop Finance Corp.	"Credit Analysis for the Power Sector", 2012
Judicial Institute of Maryland (Private seminar for MD judges)	"Utility Regulation and the Courts: Impact of Court Decisions on Financial Markets and Credit", Annapolis MD, 2007
Edison Electric Institute	"New Analyst Training Institute: Fixed Income Analysis and Credit Ratings", 2008 and 2004

PUBLICATIONS/ BOOK CHAPTERS

"Managing Credit Risk in the Electricity Market", Ellen Lapson and Denise Furey, chapter 21 in Managing Energy Price Risk, 4th Edition, Vincent Kaminski ed., Risk Publications, London, 2016.

"Standard Market Design: Credit of Some Sectors Will Be Affected by SMD", Ellen Lapson. Chapter in: Electric & Natural Gas Business: Understanding It, 2003 and Beyond, Robert E. Willett ed., Financial Communications Company, Houston, TX, 2003.

Energy Modeling and the Management of Uncertainty, Robert Jameson ed., Risk Publications, London, 1999. "Managing Risks Through Contract Technology: Know Your Counterparty", Ellen Lapson, pp 154-155.

"Managing Credit Risk in the Electricity Market", Ellen Lapson (pp 281-291). Chapter in: The US Power Market: Restructuring and Risk Management, Robert Jameson ed., Risk Publications, London, 1997.

Deregulation of the Electric Utility Industry – Proceedings of the AIMR Seminar; ed. AIMR (CFA Institute), Charlottesville, VA, 1997. Speaker 3: E. Lapson.

Correspondence of Rating Agency Symbols

JA Exhibit EL-2

Is contained in the following 1 page.

Correspondence of Credit Rating Agency Rating Scales

Investment Grade Rating Categories

Moody's	Standard & Poors	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
	Speculative Grade Rating Categories	
Ba1	BB+	BB+
Ba2	BB	BB
Ba3	BB-	BB-
B1	B+	B+
B2	B	B
B3	B-	B-
Caa1	CCC+	CCC+
Caa2	CCC	CCC
Caa3	CCC-	CCC-
Ca	CC	cc'
C	C	c
D*	D*	d*
	SD*	sd*

*D= In default; SD and sd denote a selective default on specific debt instruments rather than a general default.

Moody's Investors Service, "Credit Opinion, Public Service Company of New Mexico, Update to Credit Analysis," September 1, 2020

JA Exhibit EL-3

Is contained in the following 14 pages.

MOODY'S INVESTORS SERVICE

CREDIT OPINION
1 September 2020

Update

Rate this Research

RATINGS

Public Service Company of New Mexico

Domicile	Albuquerque, New Mexico, United States
Long Term Rating	Baa2
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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MD-Utilities
james.hempstead@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Public Service Company of New Mexico

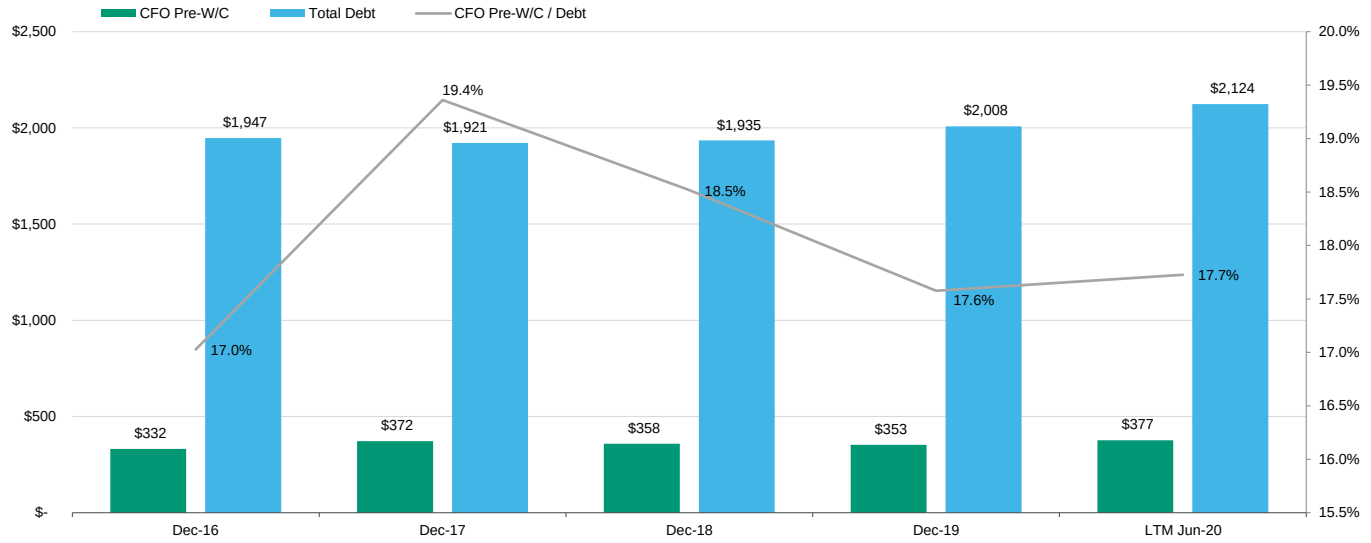
Update to credit analysis

Summary

Public Service Company of New Mexico's (PNM) credit profile reflects its business risk as a vertically integrated utility in New Mexico where we view the regulatory environment to be relatively challenging. Based on regulatory outcomes, PNM's relationship with regulators has demonstrated signs of inconsistency and unpredictability. However, the passage of New Mexico's Energy Transition Act (ETA) in March 2019 and recent related regulatory orders will facilitate the transition of PNM's generation fleet to meet New Mexico's renewable portfolio standard (RPS) of 80% by 2040 and carbon-free by 2045. On 1 April, PNM received unanimous approval from the New Mexico Public Regulation Commission (NMPRC) to abandon the San Juan coal-fired power generating station (Units 1 and 4) and issue securitization bonds as outlined under the ETA. On 29 July, the NMPRC decided on 100% renewable and battery storage replacement power resources. These orders will accelerate the recovery of undepreciated plant, lower PNM's carbon transition risk and provide capital for reinvestment in modernizing its grid, all credit positive. PNM's financial profile did weaken in 2019 due to the regulatory disallowance of $149 million in capital from its 2015 general rate case. We expect PNM's ratio of cash from operations pre-working capital (CFO pre-W/C) to debt to remain in the high teens range.

Coronavirus - The rapid spread of the coronavirus outbreak, severe global economic shock, low oil prices, and asset price volatility are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. However, we expect PNM to be relatively resilient to recessionary pressures because of its rate regulated business model and regulatory mechanisms.

Exhibit 1
Historical CFO Pre-WC, Total Debt and CFO Pre-WC to Debt ($ MM)



Source: Moody's Financial Metrics

Credit strengths

» New Mexico Energy Transition Act (ETA) and recent regulatory decisions are providing the construct for PNM to transition its generation portfolio toward clean energy and recover coal rate base through securitization

» Relatively stable and consistent credit metrics

» Growing FERC rate base

Credit challenges

» Regulatory environment in New Mexico is challenging compared to most other jurisdictions

» Successful execution of renewable purchased power contracts, closure and remediation of San Juan coal plant and execution of securitization financing

» Substantial increase in capital spending in 2021

Rating outlook

PNM's stable outlook reflects our expectation that financial metrics will remain generally consistent including a ratio of CFO pre-W/C to debt in the high teens range, mitigating a challenging New Mexico regulatory environment. The stable outlook also incorporates our view that PNM will be able to successfully execute recent regulatory orders recovering its investments in coal generation and integrate new renewable resources planned for 2022. Furthermore, the stable outlook incorporates our expectation that financial policies will remain balanced, including funding of planned capital expenditures and dividend payouts.

Factors that could lead to an upgrade

PNM's ratings could move upward if the New Mexico regulatory environment continues to improve resulting in lower business and financial risks, improving PNM's ability to consistently earn its allowed return. Moreover, if financial metrics improve such that PNM's ratio of CFO pre-W/C to debt is sustained above 20%, the rating could be upgraded.

Factors that could lead to a downgrade

PNM's ratings could move down if the New Mexico regulatory environment becomes more contentious such that the company's ability to earn its allowed return becomes more challenging or its business risks elevated. Moreover, if financial metrics decline such that PNM's ratio of CFO pre-W/C to debt is sustained below 16%, the rating could be downgraded.

Key indicators

Exhibit 2

Public Service Company of New Mexico [1]

	Dec-16	Dec-17	Dec-18	Dec-19	LTM Jun-20
CFO Pre-W/C + Interest / Interest	4.2x	4.8x	4.9x	5.1x	5.4x
CFO Pre-W/C / Debt	17.0%	19.4%	18.5%	17.6%	17.7%
CFO Pre-W/C – Dividends / Debt	16.8%	16.2%	14.5%	17.5%	15.8%
Debt / Capitalization	46.7%	49.7%	49.6%	49.6%	50.9%

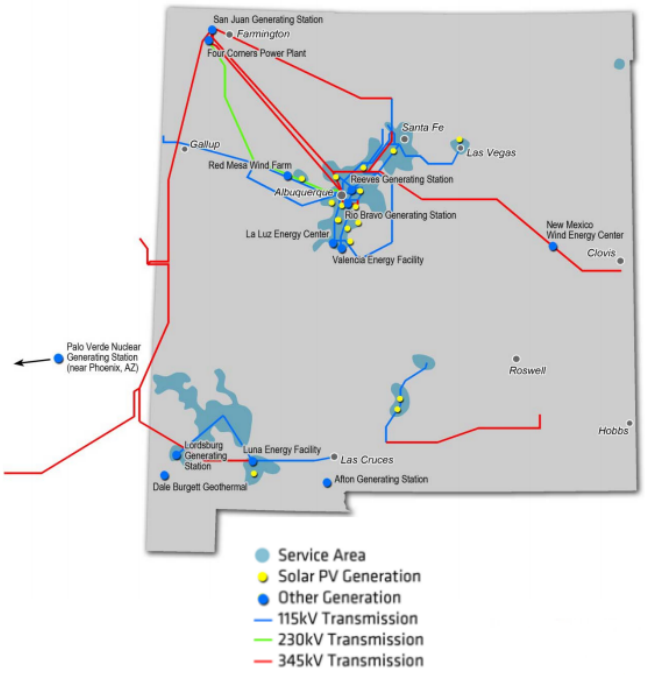
[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations
Source: Moody's Financial Metrics

Profile

PNM is the principal operating subsidiary of PNM Resources, Inc. (PNMR, Baa3 stable), a utility holding company that also owns Texas-New Mexico Power Company (A3 stable) and 50% of a joint venture with American Electric Power (AEP Baa2 stable) called New Mexico Renewable Development (NMRD) to develop renewable resources in New Mexico. PNM is a regulated vertically integrated electric utility with over 532,000 electricity customers in north central New Mexico, including the cities of Albuquerque, Rio Rancho, and Santa Fe, and certain areas of southern New Mexico. PNM also provides electricity to wholesale customers in New Mexico and Arizona with 65 MWs of merchant generation.

Exhibit 3

Service Territory



Source: Company Presentations

Detailed credit considerations

PNM's RELATIONSHIP WITH NEW MEXICO REGULATORS HAS SHOWN SIGNS OF INCONSISTENCY AND UNPREDICTABILITY

Due to regulatory outcomes in New Mexico, we view the regulatory framework as being less predictable and transparent compared to other US jurisdictions. PNM's most recent general rate case outcome adversely modified a multi-party settlement. The initial settlement reduced PNM's initially requested rate increase from $99.2 million to $62.3 million. Subsequently, the Hearing Examiner cited PNM's continuation in the Four Corners Coal fired facility (Four Corners) as imprudent and recommended against PNM's ability to collect a debt or equity return on incremental investments of approximately $148 million in Four Corners. PNM was granted a rehearing and the NMPRC allowed a debt only return on Four Corners but deferred further consideration of PNM's decision to continue participation in Four Corners until the next GRC filing expected in 2021. While the initial settlement provided for the impact of the Tax Cuts and Jobs Act (TCJA) on customer rates to begin in 2019, the final order incorporated the impact of the TCJA beginning in February 2018. This further reduced the proposed rate increase in the settlement from $62.3 million to $10.3 million with approximately 50% of the increase implemented in February 2018 and the remainder in January 2019. Customer rates were also frozen with no general rate increases permitted through 1 January 2020.

In 2016, PNM appealed the NMPRC's prior 2015 general rate order to the New Mexico Supreme Court. The Supreme Court issued its opinion on 16 May 2019 confirming the majority of the NMPRC's decision. This resulted in a write-off of $149.3 million of invested capital and a $104 million after-tax earnings loss, a credit negative. The invested capital that was written off was related to PNM's interest in the Palo Verde Nuclear Generating Station (PV) and on emissions equipment for the San Juan Coal units 1 and 4. The Supreme Court remanded the issue of collecting nuclear decommissioning costs from customers back to the NMPRC. As a result, PNM's debt to book capitalization ratio deteriorated to over 50%. An NMPRC rule limiting PNM's parent dividends to its rolling four quarters of earnings reduced dividends to the parent in 2019, mitigating the financial impact of the write-off.

MORE SUPPORTIVE REGULATORY OUTCOMES RECENTLY

On 1 April, the NMPRC unanimously approved PNM's consolidated application requesting the abandonment of the San Juan coal plant and the securitization of its unrecovered investment in San Juan. The application was filed under the construct of the New Mexico ETA, passed in March 2019. PNM has over $500 million of rate base associated with its coal generation investments. The plan will accelerate recovery of undepreciated plant, reduce PNM's carbon transition risk, provide for investment in rate base and improve community relations as PNM works toward New Mexico's clean energy goals.

San Juan will close by July 2022, coinciding with the expiration of the plant's participation and coal supply agreements, and this is consistent with the company's Integrated Resource Plan (IRP). The state of New Mexico is moving forward with plans to achieve a zero emissions goal by 2045, facilitated by the ETA. PNM also requested approval for replacement power and proposed four options based on the receipt of hundreds of responses to a request for proposals for cleaner and reasonably priced power for the NMPRC to consider as the company seeks to balance replacement power cost, the environment and reliability.

The NMPRC adopted the requested financing order that will permit PNM to issue $361 million of "energy transition bonds," or securitization bonds. Proceeds from the securitization bonds will be used to recover $283 million of the undepreciated San Juan plant, which will be reinvested in integrating replacement power resources, $29 million of reclamation and decommissioning costs and $9 million in financing costs. In addition, $40 million of securitization proceeds will fund community and economic development in San Juan County, including severance and job training for affected employees as well as additional tribal and regional support through state administered programs.

On 29 July, the NMPRC ordered that the replacement power resources for San Juan consist entirely of renewable solar generation and storage under purchased power agreements (PPAs) the company is expected to execute within 60 days. PNM requested and was granted an extension of the IRP deadline to six months following the issuance of a final order in the San Juan generating station replacement resource case, which was received on 29 July.

On 24 June, the NMPRC approved the joint filing of New Mexico utilities to allow the deferral of incremental costs related to COVID-19.

On 28 May, PNM filed a petition with the NMPRC for approval of a Rate Adjustment Mechanism that would decouple authorized revenues from volumetric sales. Hearings on this petition are scheduled for October 2020 with a decision expected before year-end.

Exhibit 4

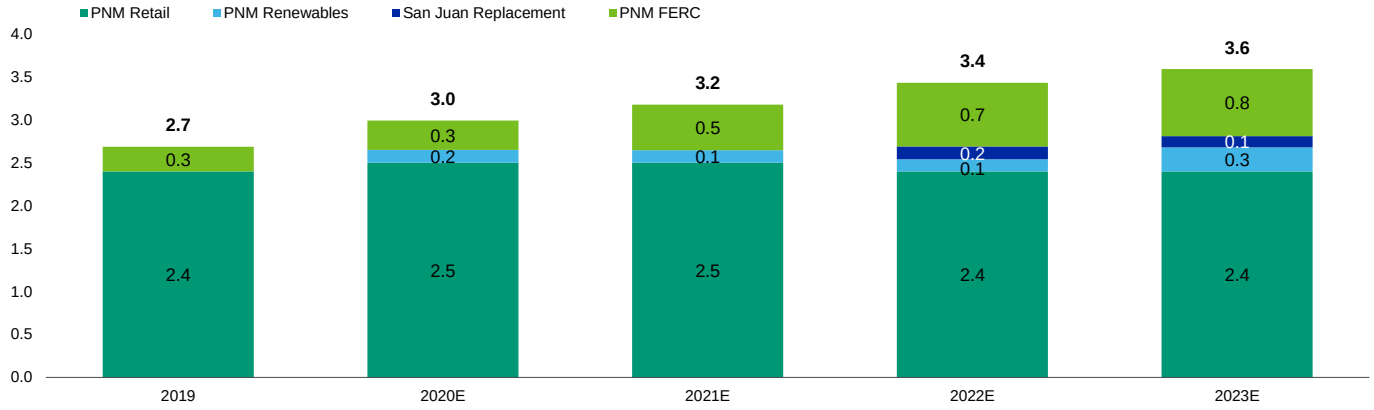
PNM's past general rate cases in New Mexico

Rate Case Service Type	Increase Requested					Increase Authorized							Rate Case Duration (months)
	Date	Rate Increase ($M)	Return on Equity (%)	Common Equity to Total Capital (%)	Rate Base ($M)	Date	Decision Type	Rate Increase ($M)	Interim Authorized?	Return on Equity (%)	Common Equity to Total Capital (%)	Rate Base ($M)	
Electric	12/7/2016	99.2	10.13	49.61	2,381.20	12/20/2017	Modified Settlement	10.3	No	9.58	49.61	2,363.89	12
Electric	8/27/2015	123.5	10.50	49.61	2,458.09	9/28/2016	Fully Litigated	61.2	No	9.58	49.61	2,263.00	13
Electric	12/11/2014	107.4	10.50	49.60	2,387.76	5/13/2015	Fully Litigated	NA	No	NA	NA	NA	5
Electric	6/1/2010	165.2	11.75	49.62	1,858.51	8/8/2011	Settled	72.1	No	10.00	51.28	1,802.31	14
Electric	9/22/2008	123.3	11.75	50.47	1,599.19	5/28/2009	Settled	77.1	No	10.50	50.47	1,489.00	8
Electric	2/21/2007	76.8	10.75	51.37	1,230.32	4/24/2008	Fully Litigated	34.4	No	10.10	51.37	1,191.64	14

12/20/2017 Settled increase was finalized at $10.3 million including impacts of TCJA.
Source: S&P Global Market Intelligence

Exhibit 5

PNM Estimated Rate Base
($ billions)



Includes FERC Rate Base
Source: Company Presentations

Exhibit 6

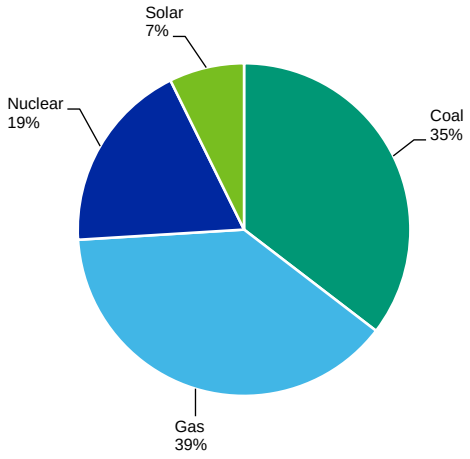
Generation Capacity

Fuel	Name	Location	Capacity (MW)
Coal	SJGS	Waterflow, NM	562
Coal	Four Corners	Fruitland, NM	200
Gas	Reeves Station	Albuquerque, NM	154
Gas	Afton (combined cycle)	La Mesa, NM	230
Gas	Lordsburg	Lordsburg, NM	80
Gas	Luna (combined cycle)	Deming, NM	189
Gas/Oil	Rio Bravo	Albuquerque, NM	138
Gas	La Luz	Belen, NM	40
Nuclear	PVNGS	Wintersburg, AZ	402
Solar	PNM-owned solar	15 sites in NM	157
Solar	NMRD-owned solar [1]	5 sites in NM	130
Gas	Valencia [2]	Belen, NM	158
Wind	New Mexico Wind [2]	House, NM	204
Wind	Red Mesa Wind [2]	Seboyeta, NM	102
Wind	Casa Mesa Wind [2]	House, NM	50
Geothermal	Lightning Dock Geothermal [2]	Lordsburg, NM	15
			2,811

[1] Under PPA, no ownership stake by PNM. Parent owns 50% share through JV.
[2] Under PPA's, no ownership stake
Source: Company Filings

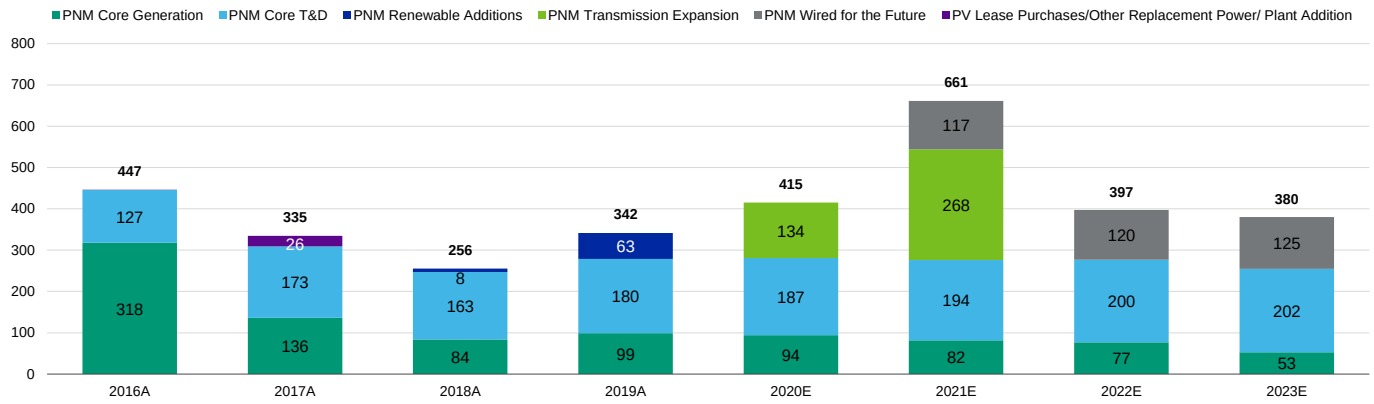
Exhibit 7

Owned generation by fuel type



As of December 31, 2019
Source: Company Filings

Exhibit 8
PNM Capital Investments



Source: Company Presentations

FINANCIAL METRICS EXPECTED TO REMAIN STABLE AS CAPITAL SPEND INCREASES

Although the New Mexico regulatory environment remains challenging, PNM has historically been able to maintain a relatively stable credit profile and financial metrics. PNM's capital plan has moderated from prior projections as PNM will enter into PPAs for San Juan replacement power needs and PNM will not own any of the replacement generation. However, PNM announced it will increase its spending on T&D to integrate renewable resources and deploy advanced technologies under its 'wired for the future' capital program. In addition, PNM will complete the $285 million purchase of the Western Spirit transmission line on its commercial operation date expected in 2021. The new 165 mile, 345-kv transmission line and related facilities will serve approximately 800 MWs of new wind generation in New Mexico. PNM's funding of its elevated capital expenditures and regulatory lag may pressure the company's credit metrics during the near term period of elevated investment. However we expect credit metrics to remain relatively stable due to an expected balanced funding of external capital needs. Over the next two years, we expect PNM's ratio of CFO pre-W/C to debt to be in the high teens and retained cash flow (RCF or CFO pre-W/C less dividends) to debt to be in the low teens. For the twelve months ended 30 June 2020, PNM's three-year average ratio of CFO pre-W/C to debt and RCF to debt were 17.9% and 14.9%, respectively.

ESG considerations

Environmental

PNM has elevated carbon transition risk within the regulated utility sector with its high coal generation and gas fired generation ownership placing it at a higher risk than most other utilities. About 63% of PNM's total generation capacity is carbon emitting, including 27% coal and 36% gas. PNM will close 562 MWs, or nearly 75%, of its coal generation in 2022 as it moves towards its goal of being 100% emissions free by 2040. Moody's framework for assessing carbon transition risk in this industry is set out in "Prudent regulation key to mitigating risk, capturing opportunities of decarbonization" (2 Nov 2017).

PNM is also exposed to environmental risk, most notably from water stress. According to Moody's affiliate Four Twenty Seven, PNM's service territory faces high risk for water stress based on the counties it serves. Please refer to Moody's report on "Intensifying climate hazards to heighten focus on infrastructure investments" (16 Jan 2020).

Social

Social risks are primarily related to societal and demographic trends, health and safety as well as customer and regulatory relations. Social risks may also emanate from its environmental risk profile. Moody's see the potential for rising social risks associated with the COVID-19 pandemic and the effect on PNM's customers' ability to absorb rate hikes in the current weakened economic environment.

Governance

From a governance perspective, financial and risk management policies are key to managing the company's environmental and social risks. The governance of PNM is effected through its parent company PNMR, which scores highly in Moody's framework for assessing corporate governance is discussed in "Utilities and power companies – North America Corporate governance assessments show generally credit-friendly characteristics" (September 19, 2019).

Management has historically generally employed a balanced fiscal policy which is an important consideration as maintaining strong financial measures and good liquidity and improves the company's ability to respond to environmental and socials risks.

Liquidity analysis

PNM's liquidity profile is adequate and driven by stable cash flow generation and available external credit facilities.

For the twelve months ended 30 June 2020, PNM's cash flow from operations of $325 million, capital expenditures of $367 million and dividends to its parent of $41 million resulted in negative free cash flow of $83 million. PNM's capital investments last peaked in 2016 primarily due to additional investments associated with San Juan environmental compliance as well as generation capacity additions. In 2021, when capital investment sets a new peak, we expect negative free cash flow of approximately $400 million. We expect PNM will incur additional debt as well as receive capital contributions from its parent to fund these investments. PNM's retained cash flow from operations as well as known sources of future capital include the completion of the parent's forward equity sale of about $280 million in December 2020 and PNM will issue $361 million of securitization bonds in 2022. These sources will help fund capital needs while maintaining its overall capital structure at a level of around a 50% debt to capitalization.

Over the last few years, PNM's dividend distributions to its parent have varied substantially each year. Over the last four years, PNM's dividend payout ratio (excluding non-recurring items) was approximately 6%, 85%, 141% and 1% for 2016, 2017 and 2018 and 2019 respectively. The average payout over those four years was approximately 58%, which is lower than the industry average of about 65%. The volatility in dividend distributions to its parent seems to depend on several variables during the year including capital expenditures, debt issuances, capital contributions from the parent as well as other factors.

PNM has a $400 million revolving credit facility that expires in October 2023 and an additional $40 million with local New Mexico banks, which expires in December 2022. As of 24 July 2020, PNM had $93.9 million of borrowings outstanding under the credit facilities, $2.2 million of letters of credit outstanding and no cash on hand. In April 2020, PNM entered into a $250 million term loan due June 2021 and used $100 million of proceeds from the issuance of $200 million of new senior unsecured notes to prepay PNM's 2020 term loan. The credit facility does not contain a material adverse change clause for new borrowings and has only a financial covenant limiting debt to total capitalization to 65%. As of 24 July 2020 PNM was in compliance with this debt covenant. PNM can also borrow up to $100 million from its parent as part of an inter-company borrowing arrangement. As of 24 July 2020, PNM had no borrowings from its parent company. PNM's nearest debt maturities include a $150 million unsecured term loan due June 2021, a $40 million unsecured term loan in June 2021, and a $160 million of unsecured notes due October 2021.

Rating methodology and scorecard factors

Exhibit 9
Rating Factors
Public Service Company of New Mexico

Regulated Electric and Gas Utilities Industry [1][2]	Current LTM 6/30/2020		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	Baa	Baa	Baa	Baa
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Baa	Baa	Baa	Baa
b) Sufficiency of Rates and Returns	Ba	Ba	Ba	Ba
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	5.0x	A	4.5x - 5x	A
b) CFO pre-WC / Debt (3 Year Avg)	17.9%	Baa	16% - 19%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	14.9%	Baa	11% - 14%	Baa
d) Debt / Capitalization (3 Year Avg)	50.2%	Baa	49% - 52%	Baa
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		Baa2		Baa2
HoldCo Structural Subordination Notching	0	0	0	0
a) Scorecard-Indicated Outcome		Baa2		Baa2
b) Actual Rating Assigned		Baa2		Baa2

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 6/30/2020(L)
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Appendix

Exhibit 10
PNM sources & uses and free cash flow analysis
($ in millions as reported)

	2016	2017	2018	2019	LTM
Sources:					
CFO	289	408	283	355	325
Net Debt Issued	111	4	22	86	185
Capital Contribution	28	0	0	0	0
Other Financing	22	(41)	28	(99)	(101)
Total Sources:	**450**	**370**	**334**	**342**	**408**
Uses:					
Capital Expenditures	(445)	(309)	(256)	(342)	(367)
Dividends	(5)	(61)	(78)	(1)	(41)
Total Uses:	**(450)**	**(370)**	**(334)**	**(342)**	**(408)**

FCF	2016	2017	2018	2019	LTM
CFO	289	408	283	355	325
Capex	(445)	(309)	(256)	(342)	(367)
Dividends	(5)	(61)	(78)	(1)	(41)
Free Cash Flow	**(161)**	**38**	**(50)**	**13**	**(83)**
Funded:					
Capital Contributions	28	-	-	-	-
Net Debt issued	111	4	22	86	185
Other Financing	22	(41)	28	(99)	(101)
% Funded:					
Equity Issued	17.5%	0.0%	0.0%	0.0%	0.0%
Debt issued	82.5%	100.0%	100.0%	100.0%	100.0%
	100.0%	100.0%	100.0%	100.0%	100.0%

Other financing is predominantly short-term debt
Source: Moody's Investors Service

Exhibit 11

Cash Flow and Credit Metrics [1]

CF Metrics	Dec-16	Dec-17	Dec-18	Dec-19	LTM Jun-20
As Adjusted					
FFO	**320**	**339**	**289**	**210**	**391**
+/- Other	11	33	69	143	(14)
CFO Pre-WC	**332**	**372**	**358**	**353**	**377**
+/- ΔWC	(14)	55	(55)	19	(35)
CFO	**317**	**427**	**304**	**372**	**342**
- Div	5	61	78	1	41
- Capex	465	328	276	359	385
FCF	**(152)**	**38**	**(50)**	**13**	**(84)**
(CFO Pre-W/C) / Debt	17.0%	19.4%	18.5%	17.6%	17.7%
(CFO Pre-W/C - Dividends) / Debt	16.8%	16.2%	14.5%	17.5%	15.8%
FFO / Debt	16.5%	17.7%	14.9%	10.5%	18.4%
RCF / Debt	16.2%	14.5%	10.9%	10.4%	16.4%
Revenue	1,036	1,104	1,092	1,094	1,095
Cost of Good Sold	282	307	300	306	290
Interest Expense	102	98	92	85	85
Net Income	88	86	64	159	158
Total Assets	5,038	5,076	5,171	5,238	5,372
Total Liabilities	3,633	3,646	3,767	3,781	3,919
Total Equity	1,405	1,430	1,404	1,457	1,454

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are Financial Year-End unless indicated. LTM = Last Twelve Months
Source: Moody's Financial Metrics

Exhibit 12

Peer Comparison Table [1]

	Public Service Company of New Mexico			Tucson Electric Power Company			Evergy Metro, Inc.			El Paso Electric Company			Southwestern Public Service Company		
	Baa2 Stable			A3 Stable			(P)Baa1 Stable			Baa2 Stable			Baa2 Stable		
	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM
(in US millions)	Dec-18	Dec-19	Jun-20	Dec-18	Dec-19	Mar-20	Dec-18	Dec-19	Mar-20	Dec-18	Dec-19	Mar-20	Dec-18	Dec-19	Mar-20
Revenue	1,092	1,094	1,095	1,433	1,418	1,364	1,823	1,807	1,757	904	862	846	1,933	1,826	1,767
CFO Pre-W/C	358	353	377	471	438	436	641	614	627	270	253	250	435	463	468
Total Debt	1,935	2,008	2,124	1,880	1,938	2,071	3,433	3,444	3,700	1,531	1,604	1,731	2,335	2,557	2,697
CFO Pre-W/C / Debt	18.5%	17.6%	17.7%	25.1%	22.6%	21.1%	18.7%	17.8%	16.9%	17.6%	15.7%	14.4%	18.6%	18.1%	17.3%
CFO Pre-W/C – Dividends / Debt	14.5%	17.5%	15.8%	20.5%	18.8%	17.4%	13.4%	12.7%	10.6%	13.9%	11.9%	10.8%	13.0%	5.1%	4.3%
Debt / Capitalization	49.6%	49.6%	50.9%	46.2%	44.6%	44.6%	52.5%	51.8%	53.9%	50.8%	50.8%	53.7%	42.8%	42.1%	43.4%

[1] All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade
Source: Moody's Financial Metrics

Ratings

Exhibit 13

Category	Moody's Rating
PUBLIC SERVICE COMPANY OF NEW MEXICO	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
PARENT: PNM RESOURCES, INC.	
Outlook	Stable
Issuer Rating	Baa3
Senior Unsecured	Baa3

Source: Moody's Investors Service

REPORT NUMBER 1234732

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

S&P Global Ratings, "PNM Resources and Subsidiaries' Outlook Revised to Positive on Announced Acquisition by Avangrid Inc.; Ratings Affirmed," October 21, 2020

JA Exhibit EL-4

Is contained in the following 6 pages.

S&P Global
Ratings

PNM Resources And Subsidiaries Outlook Revised To Positive On Announced Acquisition By Avangrid Inc.; Ratings Affirmed

- 21-Oct-2020 10:30 EDT

View Analyst Contact Information

Rating Action Overview

- On Oct. 21, 2020, Connecticut-based utility operator Avangrid Inc. announced it will acquire PNM Resources Inc. (PNMR) and its subsidiaries, Public Service Co. of New Mexico (PSNM) and Texas-New Mexico Power Co. (TNMP), for about $8.3 billion, including the assumption of about $4 billion in debt at PNMR. S&P Global Ratings expects Avangrid to finance the acquisition in a balanced fashion to maintain credit metrics near current levels. We expect the transaction to close by the fourth quarter of 2021.
- We are revising our outlook on PNMR and its subsidiaries, including PSNM and TNMP, to positive from stable.
- We are affirming our ratings, including the 'BBB' issuer credit ratings (ICRs) on PNMR and PSNM and the 'BBB+' ICR on TNMP.
- The positive outlooks reflect the probability that the companies will be acquired by a higher-rated entity, Avangrid (BBB+/Stable) and our expectation that the entities will be core to Avangrid following completion of the acquisition. We expect the ICRs on PNMR and PSNM will be aligned with Avangrid's ICR given the group credit profile rating of 'bbb+'.

- The positive outlook on TNMP reflects the potential for a one-notch upgrade given our expectation that the company's stand-alone credit profile will remain 'a-' and the insulation will remain in place post-acquisition. We also expect TNMP to be a core subsidiary of Avangrid.

NEW YORK (S&P Global Ratings) Oct. 21, 2020-- S&P Global Ratings today took the rating actions listed above. The outlook revision to positive from stable on PNMR, PSNM, and TNMP reflects the announcement of a pending acquisition by a higher-rated entity, Avangrid. The 'BBB+' ICR at Avangrid was affirmed following its announcement of the acquisition. We expect the ratings on PNMR and PSNM will be aligned with the new owner's ICR as per S&P Global Ratings criteria for core subsidiaries. The positive outlook on TNMP reflects our expectation that the company's stand-alone credit profile will remain 'a-' and that the insulation will remain in place following the acquisition, thereby supporting ratings one-notch higher than the parent.

Avangrid intends to purchase PNMR and its subsidiaries for about $8.3 billion, including the assumption of roughly $4 billion of debt. We expect Avangrid to fund the transaction in a well-balanced manner in order to support credit quality.

Our ratings affirmation on PNMR reflects our assessment of its Business Risk Profile (BRP) as strong and its Financial Risk Profile (FRP) as significant. We continue to assess PNMR's BRP as strong. This reflects the lower-risk regulated utility operations in New Mexico (70%) and Texas (30%), which is offset by its historically challenging New Mexico regulatory environment that frequently demonstrates above-average regulatory lag. It also incorporates a history of regulatory decisions, including disallowances that have challenged the consistency of the regulatory construct in New Mexico, and resulted in more volatile profit measures for the company, compared to that of peers.

Further, we continue to assess PNMR's FRP as significant using our medial volatility financial ratio benchmarks. In our base-case scenario, we forecast that adjusted funds from operations (FFO) to total debt will be about 15% over the next two years. This incorporates rate-case increases, partially offset by robust capital spending.

Our ratings affirmation on TNMP reflects our continued assessment of its BRP as excellent and its FRP as significant. The excellent BRP reflects the company's low-risk, regulated, electric transmission and distribution utility operations. In addition, we continue to expect robust capital spending on transmission assets and FFO to debt about 18%-20% over the forecast period.

Under our group rating methodology, we continue to assess the insulating measures in place as sufficient to rate TNMP one-notch higher than parent PNMR. These measures include that:

- TNMP is a separate stand-alone legal entity, functioning independently--both financially and operationally;
- TNMP files its own rate cases and is independently regulated by the Public Utility Commission of Texas;
- TNMP has its own records and books, including stand-alone audited financial statements;

- TNMP has its own funding arrangements, issues its own long-term debt, and has a separate committed credit facility for its short-term funding needs;
- TNMP does not commingle funds, assets, or cash flows with its parent or with its other subsidiary;
- TNMP does not have any cross-default obligations and a default by its parent or its other subsidiary would not directly lead to a default; and
- There is a clear economic incentive for PNMR to maintain TNMP's financial strength as TNMP contributes a significant portion to the company's consolidated operations.

PNMR and PSNM

The positive outlooks on PNMR and PSNM reflect the potential for higher ratings following the entities' acquisition by a higher-rated entity, Avangrid Inc. Following closing, we expect the issuer credit ratings to be aligned with the parent's group credit profile. In addition, we expect PNMR will consistently maintain FFO-to-debt ratio around 15% over the next two years and will continue to manage regulatory risk in New Mexico and Texas.

We could revise the outlook to stable from positive should the entities not be acquired. In addition, we could lower the ratings on PNMR and PSNM if PNMR's consolidated financial measures continue to weaken, including FFO to debt consistently less than 14%, or if PNMR's ability to manage regulatory risk weakens, resulting in higher business risk.

We could raise our rating on PNMR and PSNM if the entities are acquired by Avangrid Inc. We could also raise our rating on PNMR and PSNM if PNMR's consolidated financial measures improve, including FFO to debt consistently higher than 17% absent any material weakening in the business risk profile.

TNMP

The positive outlook on TNMP reflects the potential for higher ratings following the acquisition by Avangrid. It also reflects our expectation that the stand-alone credit profile will remain 'a-' following the transaction and that the insulation will remain in place, thereby supporting an ICR one notch above the 'bbb+' group credit profile of Avangrid. In addition, we expect TNMP's stand-alone financial measures will consistently reflect FFO to debt of about 19% over the next two years and that TNMP will continue to manage regulatory risk in Texas.

We could revise the outlook to stable from positive should the entity not be acquired. In addition, we could lower the rating on TNMP over the next two years if we lowered the rating on parent PNMR or if TNMP's stand-alone financial measures materially weakened, reflecting FFO to debt consistently below 13%. We could also lower our rating on TNMP if we determined there was a weakening to TNMP's management of regulatory risk, thereby weakening the utility' business risk profile.

We could raise our rating on TNMP by one notch if it is acquired by Avangrid, the insulation remains in place and, at the same time, TNMP's stand-alone credit profile does not materially weaken.

Related Criteria

-
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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S&P Global Ratings, "Avangrid Inc. Ratings Affirmed on PNM Resources Acquisition; Outlook Stable," October 21, 2020

JA Exhibit EL-5

Is contained in the following 6 pages.

Avangrid Inc. Ratings Affirmed On PNM Resources Acquisition; Outlook Stable

- 21-Oct-2020 10:23 EDT

https://www.standardandpoors.com/en_US/web/guest/article/-/view/type/HTML/id/2540476

View Analyst Contact Information

- Avangrid Inc. announced it is acquiring 100% of PNM Resources (PNMR) in a transaction valued at approximately $8 billion, including assumed debt. We expect the acquisition to be funded in a well-balanced manner and to close in the fourth quarter of 2021.
- We are affirming our ratings on Avangrid, including our 'BBB+' issuer credit rating and 'BBB' issue-level rating on its senior unsecured debt.
- We are also affirming our issuer credit ratings on Avangrid's subsidiaries, including Connecticut Natural Gas Corp., Southern Connecticut Gas Co., Central Maine Power Co., New York State Electric & Gas Corp., Rochester Gas & Electric Corp., The United Illuminating Co., and Berkshire Gas Co. The outlooks are stable, consistent with the outlook on parent Iberdrola S.A.
- The stable outlook reflects our expectation that Iberdrola's proposed hybrid issuance will partially offset the weakening in credit metrics in 2021 due to the PNM acquisition. In particular, we expect adjusted FFO to debt to be restored above 18% in 2022 (after a low 17.5% in 2021). The stable outlook also reflects our view that Iberdrola's business activities are highly diversified and resilient, with the majority of its cash flows coming from regulated activities and regulated revenue contribution slightly increasing via the PNM acquisition. At the same time, we perceive management as committed to the current rating level and to maintaining adjusted FFO to debt at 18%-20% over the coming two-to-three years.

NEW YORK (S&P Global Ratings) Oct. 21, 2020-- S&P Global Ratings today took the rating actions listed above. The affirmation and stable outlook reflect the affirmation and stable outlook on Avangrid parent Iberdrola. They also reflect that post acquisition on a consolidated basis Avangrid will benefit from a higher percentage contribution from fully regulated operations and additional scale with the addition of Public Service Co. of New Mexico (PSNM) and Texas-New Mexico Power Co. However, we see this improvement being offset by New Mexico's historically challenging regulatory environment, weaker regulatory advantage at PSNM, and its somewhat weaker financial risk profile following the acquisition.

Overall, we expect the transaction to be credit neutral to Avangrid. After the acquisition closes, we believe the company's fully regulated businesses would consist of about 80% of Avangrid's

consolidated EBITDA, improving from about 75% preacquisition. We assess the fully regulated assets as having the lowest business risk. However, we ascribe significantly higher business risk to Avangrid's unregulated operations (Avangrid Renewables Holdings Inc., ARHI) given its focus on renewable energy generation. These businesses increase Avangrid's exposure to counterparty credit, volumetric, commodity, and additional operational risks. About 66% of ARHI's capacity is lower-risk, long-term, contracted operations. Avangrid continues to gradually increase the capacity under long-term contracts, adding additional cash flow stability.

We assess Avangrid's financial risk profile as significant using our medial volatility financial ratio benchmarks. In our base-case scenario, we forecast adjusted FFO to total debt will be around 17% over the next two years, slightly lower than our previous forecast, due to the acquisition target's weaker financial risk profile.

The stable outlook reflects our expectation that Iberdrola's proposed hybrid issuance will partially offset the weakening in credit metrics in 2021 due to the PNMR acquisition. In particular, we expect adjusted FFO to debt to be restored above 18% in 2022 (after a low 17.5% in 2021). The stable outlook also reflects our view that Iberdrola's business activities are highly diversified and resilient, with the majority of its cash flows coming from regulated activities and regulated revenue contribution slightly increasing via the PNM acquisition. At the same time, we perceive management as committed to the current rating level and to maintaining adjusted FFO to debt at 18%-20% over the coming two-to-three years.

Rating pressure could arise if Iberdrola's cash flow and leverage metrics do not recover so that adjusted FFO to debt remains below 18% in 2022. In our view, this could occur if:

Iberdrola does not secure the expected amount of hybrid bonds to mitigate the acquisition of PNM;

COVID-19 has a more substantial effect in 2020 and 2021 than what we anticipate, coupled with insufficient mitigation measures adopted by the company;

Regulation in one of Iberdrola's key markets is more adverse than we anticipate; or

There is a substantial increase in exposure to markets with a higher country risk than the core of the company (Spain, the U.K., and U.S.), beyond what is already announced.

Other risk factors, in our view, include execution risks on the group's large offshore wind projects, as well as a degree of volatility from currency risks. Although debt is adequately spread by currency, a material weakening in the U.S. dollar or pound sterling to the euro could somewhat reduce the group's financial flexibility within the 'BBB+' rating category.

Given the group's growth appetite and financial policy, we see rating upside as unlikely in the coming years. Moreover, because of the group's particularly strong business profile among European integrated utilities, a one-notch upgrade could ultimately depend upon a combination of:

A continuous focus on network activities in favorable regulatory frameworks and highly rated countries;

Improving market conditions in liberalized power market activities and Spain;

Timely delivery on the ambitious renewables pipeline; and

A more supportive financial policy, such that the group targets adjusted FFO to debt sustainably at or above 20%.

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
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Moody's Investors Service, "Issuer Comment: PNM Resources, Inc.: Acquisition by Avangrid, Inc. would be positive and bring long-term benefits to its utilities," October 21, 2020

JA Exhibit EL-6

Is contained in the following 3 pages.

PNM Resources, Inc.

Moody's ISSUER COMMENT

21 October 2020

RATINGS

PNM Resources
Rating Baa3 Outlook Stable

Public Service Company of New Mexico
Rating Baa2 Outlook Stable

Texas-New Mexico Power Company
Rating A3 Outlook Negative

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Acquisition by Avangrid, Inc. would be positive and bring long- term benefits to its utilities

On 21 October 2020, PNM Resources (PNMR, Baa3 stable) announced an agreement to be acquired by Avangrid, Inc. (Baa1 negative) for $7.8 billion including $4.3 billion in cash and the assumption of approximately $3.5 billion of consolidated debt. The transaction value is approximately 20x PNMR's 2022 projected earnings and 1.6x 2022 projected total rate base. The cash consideration is expected to be funded with a mix of debt and equity backed by funding support from Avangrid's 81.5% owner, Iberdrola SA (Baa3 stable).

The acquisition by Avangrid would be credit positive for PNMR given the high likelihood that PNMR would be collapsed into Avangrid. Moreover, PNMR's utilities, Public Service Company of New Mexico (PNM, Baa2 stable) and Texas-New Mexico Power (TNMP, A3 negative) would become part of a larger

enterprise bringing medium and long-term benefits including economies of scale, expertise in developing renewable generation and modernizing grid networks to incorporate intermittent resources. Moreover, Iberdrola has access to global markets providing diversity in capital sourcing.

The transaction would require the approval of the New Mexico Public Regulation Commission (NMPRC) and the Public Utility Commission of Texas. New Mexico has been a relatively unpredictable regulatory environment compared to most U.S. jurisdictions due to investment disallowances and outstanding issues regarding the prudence of PNM's investments in the Four Corners' coal facility.

The acquisition is part of Iberdrola's long term strategy to grow its regulated and renewable generation businesses and marries well with PNM's goal to have zero emissions by 2040. Avangrid owns approximately 1,800 MWs of unregulated renewable generation in New Mexico and Texas. PNMR has a higher than industry average carbon transition risk largely driven by the fossil generation ownership at PNM, mitigated by the electric transmission and distribution operations at TNMP. However, under legislation passed in March 2019, New Mexico's Energy Transition Act provides a blueprint for PNM to transition its generation profile to emission free generation. Importantly, under this prescriptive legislation, the NMPRC unanimously approved the closure of PNM's San Juan coal facility in 2022 and recovery of the remaining related rate base through securitization, credit supportive outcomes.

PNMR scores highly under Moody's framework for assessing corporate governance where prudent financial and risk management policies have been employed. Iberdrola is showing its support of Avangrid through this acquisition, by providing a funding commitment up to the full amount transaction, by seeking to maintain its 81.5% ownership share and by making

On 21 October 2020, PNM Resources (PNMR, Baa3 stable) announced an agreement to be acquired by Avangrid, Inc. (Baa1 negative) for $7.8 billion including $4.3 billion in cash and the assumption of approximately $3.5 billion of consolidated debt. The transaction value is approximately 20x PNMR's 2022 projected earnings and 1.6x 2022 projected total rate base. The cash consideration is expected to be funded with a mix of debt and equity backed by funding support from Avangrid's 81.5% owner, Iberdrola SA (Baa3 stable).

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PNMR scores highly under Moody's framework for assessing corporate governance where prudent financial and risk management policies have been employed. Iberdrola is showing its support of Avangrid through this acquisition, by providing a funding commitment up to the full amount transaction, by seeking to maintain its 81.5% ownership share and by making

a material investment as part of its strategy to grow US operations. Upon completion of the transaction, governance practices are expected to be directed by Iberdrola. The financial policies to be employed by Iberdrola through Avangrid will have credit implications for PNM and TNMP.

We expect additional information around the transaction to be provided during Avangrid's 5 November Investor Day, including important new disclosure regarding Avangrid's financial outlook and overall strategy. We also view the transaction as having a degree of execution risk, since alternative bids could be made for PNMR and negotiations with state regulators and stakeholders could result in concessions such as customer credits, rate freezes or other economic compromises requisite to close the deal.

S&P Global Ratings, "PNM Resources, Inc., Public Service Co. of New Mexico, Texas-New Mexico Power Co. Downgraded One Notch; Outlook Stable," 6 April 2020.

JA Exhibit EL-7

Is contained in the following 10 pages.

S&P Global
Ratings

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Research Update:

PNM Resources Inc., Public Service Co. Of New Mexico, Texas-New Mexico Power Co. Downgraded One Notch; Outlook Stable

April 6, 2020

Rating Action Overview

- S&P Global Ratings is lowering our ratings, including our issuer credit rating (ICR) on PNM Resources Inc. (PNMR) and its subsidiary, Public Service Co. of New Mexico (PSNM) to 'BBB' from 'BBB+'. At the same time, we are lowering our ICR on subsidiary Texas-New Mexico Power Co. (TNMP) to 'BBB+' from 'A-'. The downgrades reflects our expectations that the company's weak historical financial measures will continue to remain below our downside threshold over the next two years.
- We are also revising downward TNMP's financial risk profile to significant from intermediate, reflecting higher capital spending to support its expansion in transmission asset that we expect will lead to modestly weaker financial measures. We are also revising TNMP's stand-alone credit profile (SACP) to 'a-' from 'a'.
- At the same time, we are lowering PNMR's senior unsecured rating to 'BBB-' from 'BBB', PSNM's senior unsecured rating to 'BBB' from 'BBB+', PSNM's preferred stock rating to 'BB+' from 'BBB-'. TNMP's first-mortgage bond (FMB) rating is affirmed at 'A'.
- The stable rating outlook on PNMR reflects our view that the company will utilize the securitization measures to secure financing for the San Juan Generation Station unit's retirement and replacement power projects and that the company's funds from operations (FFO) to debt will reflect about 15% over the next two years.

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Rating Action Rationale

The ratings downgrade on PNMR and subsidiaries reflects PNMR's historical trend of weakening financial metrics, which we expect will continue to remain below our downside trigger over the next two years. In early 2018 when we revised the rating outlook on PNMR and its subsidiaries to negative from stable, we indicated we could affirm the ratings and revise our outlook to stable if the company maintained FFO to debt at about 17%. Since then, the credit

measures have been consistently below the downgrade threshold. For 2018 and 2019, FFO to debt was 15.8% and 15.5%, respectively. Furthermore, we expect that the credit measures will continue to remain below our downgrade threshold, reflecting regulatory lag from higher capital spending and possibly weaker financial measures stemming from the coronavirus pandemic. Higher capital spending in New Mexico is necessary for the enhancement of the transmission grid to facilitate integration of renewable generation and battery storage, which is set to replace existing coal generation. In Texas, higher capital spending capital reflects investment in the upgrading and maintenance of the transmission infrastructure to enhance customer reliability. Furthermore, in the near term, the negative revenue impact from pandemic fallout may create additional stress to the company's financial metrics.

Our ratings reflect our expectation that PNMR will be able to securitize the cost related to the closing of the San Juan Generation Station. The Energy Transition Act (ETA) passed in 2019 in New Mexico, increased the state's renewable portfolio target to 100% carbon free by 2045. Also, the New Mexico Supreme Court ruled that the ETA applies to PNMR's application for the abandonment, securitization, and repowering of the San Juan Generation Station facility and the New Mexico Public Regulation Commission (NMPRC) recently issued a securitization financing order. We view the securitization order as providing regulatory support to the company during the transition and may eventually lead to improved financial measures because we generally treat securitization debt, under our criteria, as off balance sheet.

We continue to assess PNMR's business risk profile as strong. This reflects the lower-risk regulated utility operations in New Mexico (70%) and Texas (30%), which is offset by its historically challenging New Mexico regulatory environment that frequently demonstrates above-average regulatory lag. This incorporates a history of regulatory decisions, including disallowances that has challenged the consistency of the regulatory construct in New Mexico, and resulted in more volatile profit measures for the company, compared to peers.

We assess PNMR's financial risk profile as significant using our medial volatility financial ratio benchmarks. In our base case scenario, we forecast that adjusted FFO to total debt will be around 15% over the next two years. This incorporates rate case increases, partially offset by robust capital spending.

We expect TNMP's financial measures to weaken from previous projected levels, reflecting robust capital spending on transmission assets. We are revising our assessment of TNMP's stand-alone financial risk profile downward to significant from intermediate and lowering its SACP to 'a-' from 'a'. We previously expected FFO to debt to be about 23% and our revised expectation of FFO to debt is about 18%-20%.

Under our group rating methodology, we assess the insulating measures in place as sufficient to rate TNMP one notch higher than parent PNMR. These measures include that:

- TNMP is a separate stand-alone legal entity, functioning independently--both financially and operationally;
- TNMP files its own rate cases and is independently regulated by the Public Utility Commission of Texas;
- TNMP has its own records and books, including stand-alone audited financial statements;
- TNMP has its own funding arrangements, issues its own long-term debt, and has a separate committed credit facility for its short-term funding needs;

- TNMP does not commingle funds, assets, or cash flows with its parent or with its other subsidiary;
- TNMP does not have any cross-default obligations and a default by its parent or its other subsidiary would not directly lead to a default; and
- There is a clear economic incentive for PNMR to maintain TNMP's financial strength as TNMP contributes a significant portion to the company's consolidated operations.

Outlook

The stable outlooks on PNMR and PSNM reflects our view that PNMR will consistently maintain FFO to debt ratio around 15% over the next two years. We also base the stable outlook on PNMR's ability to manage regulatory risk in New Mexico and Texas.

Downside scenario

We could lower the ratings on PNMR and PSNM if PNMR's consolidated financial measures continue to weaken, including FFO to debt that is consistently less than 14%, or if PNMR's ability to manage regulatory risk weakens, resulting in higher business risk.

Upside scenario

We could raise our rating on PNMR and PSNM if PNMR's consolidated financial measures improve, including FFO to debt that is consistently higher than 17% absent any material weakening in the business risk profile.

Texas-New Mexico Power Company (TNMP):

The stable outlook on TNMP is consistent with the stable outlook on parent PNMR. The stable outlook on TNMP also reflects our expectations that its stand-alone financial measures will consistently reflect FFO to debt of about 19% over the next two years and that TNMP will continue to manage regulatory risk in Texas.

Downside scenario

We could lower the rating on TNMP over the next two years if we lowered the rating on parent PNMR or if TNMP's stand-alone financial measures materially weakened, reflecting FFO to debt consistently below 13%. We could also lower our rating on TNMP if we determined there was a weakening to TNMP's management of regulatory risk, thereby weakening the utility' business risk profile.

Upside Scenario

We could raise the rating on TNMP over the next two years if we raised the rating on parent PNMR and, at the same time, TNMP's stand-alone credit profile does not materially weaken.

Company Description

PNMR is a publicly traded utility holding company that wholly owns subsidiaries, PSNM and TNMP. On a consolidated basis it serves about 789,000 customers in New Mexico and Texas. PNMR owns, contracts and leases generation capacity of about 2,800 MW.

Liquidity

PNMR has adequate liquidity, in our view, and can more than cover its needs for the next 12 months, even if EBITDA declines by 10%. We expect the company's liquidity sources over the next 12 months will exceed its uses by more than 1.1x. Under our stress scenario, we do not expect that PNMR would require access to capital markets during that period to meet liquidity needs. In addition, PNMR has sound relationships with its banks, a satisfactory standing in the credit markets, and could absorb a high-impact, low-probability event, with limited need for refinancing.

Principal liquidity sources include:

- Consolidated FFO of $530 million for the next 12 months;
- Consolidated credit facility availability of about $670 million;
- Minimal cash balances; and
- Equity forward settlements of about $290 million.

Principal liquidity uses include:

- Debt maturities of about $490 million including short-term borrowings;
- Maintenance capital spending of $550 million; and
- Consolidated dividend payments of about $100 million.

Environmental, Social, And Governance

Despite the company's significant reliance on fossil fuel and nuclear, we assess the company's environmental risks as in line with peers. With a total owned generation fleet capacity of about 2,800 megawatts, close to 30% of generation capacity is from coal generation. The balance of the company's generation portfolio is from natural gas (36%), nuclear (15%), and renewables (19%). With the closure of the San Juan Generation Station in 2022, the company's coal portfolio will be reduced to 200mw. As part of the ETA, the company has a stated policu to be 100% carbon free by 2040. Environmental risks include the potential for the ongoing cost of operating fossil units and the potential for changing environmental regulations that may require significant capital investments.

From a social perspective, PNMR's safety and health management processes, including groundwater recovery system and coal combustion residuals rules, enable it to effectively and safely serve electricity and gas customers throughout the territory.

Governance factors are neutral to our ESG assessment. The company has an independent board of directors that, in our view, is capably engaged in risk oversight on behalf of all stakeholders, including strategic planning, regulatory relationship management and compliance.

Issue Ratings - Subordination Risk Analysis

We rate PNMR's unsecured debt 'BBB-', one notch below its ICR, as the priority debt at its subsidiaries comprises more than 50% of the company's consolidated capital structure.

We rate PSNM's senior unsecured debt 'BBB', the same as the issuer credit rating on the company, because we view this instrument as unsecured debt of a qualifying investment-grade utility.

We also rate PSNM's preferred stock 'BB+' or two notches below the issuer credit rating on PSNM, reflecting the deferability and subordination of the hybrid security.

Issue Ratings - Recovery Analysis

TNMP's first mortgage bonds benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of greater than 1.5x supports a recovery rating of '1+' and an issue rating two notches above the issuer credit rating.

Ratings Score Snapshot

PNMR:

Issuer Credit Rating: BBB/Stable/--

Business risk: Strong

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Satisfactory

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: bbb

Modifiers:

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Liquidity: Adequate (no impact)

- Financial policy: Neutral (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb

- Group credit profile: bbb

PSNM:

Issuer Credit Rating: BBB/Stable/--

Business risk: Strong

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Satisfactory

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: bbb

Modifiers:

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Financial policy: Neutral (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb

- Group credit profile: bbb

- Entity status within group: Core (No Impact)

TNMP:

Issuer Credit Rating: BBB+/Stable/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers:

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Financial policy: Neutral (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a-

- Group credit profile: bbb
- Entity status within group: Insulated (-1 notch from SACP)

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019

- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Downgraded; Outlook Action

	To	From
Texas-New Mexico Power Co.		
Issuer Credit Rating	BBB+/Stable/--	A-/Negative/--
PNM Resources Inc.		
Public Service Co. of New Mexico		
Issuer Credit Rating	BBB/Stable/NR	BBB+/Negative/NR
Downgraded		
	To	From
PNM Resources Inc.		
Senior Unsecured	BBB-	BBB
Public Service Co. of New Mexico		
Senior Unsecured	BBB	BBB+
Preferred Stock	BB+	BBB-
Ratings Affirmed; Recovery Rating Unchanged		
Texas-New Mexico Power Co.		
Senior Secured		
Local Currency	A	
Recovery Rating	1+	

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings

information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC. FOR APPROVAL OF THE MERGER OF NM GREEN HOLDINGS, INC. WITH PNM RESOURCES, INC.; APPROVAL OF A GENERAL DIVERSIFICATION PLAN; AND ALL OTHER AUTHORIZATIONS AND APPROVALS REQUIRED TO CONSUMMATE AND IMPLEMENT THIS TRANSACTION	)	**Case No. 20-00____-UT**
AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC.,	)	
JOINT APPLICANTS.	)	

SELF AFFIRMATION

Ellen Lapson, CFA, founder and principal of Lapson Advisory, a division of Trade Resources Analytics, LLC., upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read the foregoing **Direct Testimony of Ellen Lapson, CFA** and it is true and correct based on my personal knowledge and belief.

DATED this 23rd day of November, 2020.

/s/ Ellen Lapson, CFA
ELLEN LAPSON, CFA

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF AVANGRID, INC., AVANGRID NETWORKS, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC. FOR APPROVAL OF THE MERGER OF NM GREEN HOLDINGS, INC. WITH PNM RESOURCES, INC.; APPROVAL OF A GENERAL DIVERSIFICATION PLAN; AND ALL OTHER AUTHORIZATIONS AND APPROVALS REQUIRED TO CONSUMMATE AND IMPLEMENT THIS TRANSACTION	**Case No. 20-_____-UT**
AVANGRID, INC., AVANGRID NETWORKS, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC.,	
JOINT APPLICANTS.	

DIRECT TESTIMONY AND EXHIBIT

OF

JOSEPH D. TARRY

November 23, 2020

NMPRC CASE NO. 20-_____-UT
INDEX TO THE DIRECT TESTIMONY OF
JOSEPH D. TARRY

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DIRECT TESTIMONY
OF JOSEPH D. TARRY
NMPRC CASE NO. 20-_____-UT

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME AND YOUR POSITION AT PNM.

A. My name is Joseph D. Tarry. I generally go by Don Tarry. I am the Senior Vice President and Chief Financial Officer for PNM Resources, Inc. ("PNMR"), the public utility holding company for Public Service Company of New Mexico ("PNM"). If the Joint Application in this proceeding is approved, I will become the President of PNMR following the closing of the proposed merger transaction detailed below. My business address is 414 Silver Avenue, SW, Albuquerque, New Mexico 87102.

Q. PLEASE DESCRIBE YOUR DUTIES AS SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER FOR PNMR AND PROVIDE SOME ADDITIONAL BACKGROUND CONCERNING YOUR QUALIFICATIONS.

A. I have executive oversight for the Corporate Financial Planning, Investor Relations, Treasury and Controller functions for PNMR. By way of background, I joined PNM in 1996. Other executive level positions with PNMR in which I have served include: Vice President, Controller and Treasurer; Vice President for Customer Service; and Chief Information Officer. I have a Bachelor of Accountancy from New Mexico State University and I am a Certified Public Accountant. My resume, together with a list of regulatory cases in which I have testified, is attached as JA Exhibit JDT-1.

Q. WHAT IS THIS CASE ABOUT?

A. This case is about why it makes good sense, under the proposed merger transaction, for PNMR and PNM to come under the ownership of Avangrid, Inc. ("Avangrid"), one of the

leading sustainable energy companies in the United States. Joining with Avangrid brings real and substantial benefits to PNM's customers, employees and the communities it serves from the added support of a well-qualified, financially-strong parent company having greater access to capital markets and a demonstrated record of renewable energy development. These attributes are critical in the modern utility business to support sustainable resources and customer service. This case is also about preserving PNM's character as a New Mexico-based utility with continued strong ties and responsiveness to the communities and the people it serves.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. I support the requests in the Joint Application for the necessary approvals by the New Mexico Public Regulation Commission ("Commission" or "NMPRC") of the proposed merger transaction under which Avangrid will acquire ownership of PNMR and PNM. Specifically, my testimony addresses the following matters:

- A summary description of PNM and PNMR, including a summary of PNM's community and customer support initiatives;
- A description of certain challenges that PNM faces in the future, and how Avangrid and Iberdrola, S.A. ("Iberdrola") can assist PNM in successfully addressing those challenges; and
- A description of the PNM corporate structure and local management following the closing of the proposed merger transaction.

II. SUMMARY DESCRIPTION OF PNM AND PNMR

Q. WHILE PNM IS WELL-KNOWN TO THE COMMISSION, PLEASE DESCRIBE PNM AND ITS BUSINESS FOR THE RECORD.

A. PNM is a New Mexico corporation with its headquarters in Albuquerque, New Mexico. PNM is a wholly-owned subsidiary of PNMR and is a certificated New Mexico public utility under the Public Utility Act ("PUA"). PNM provides electric utility service to approximately 530,000 customers. PNMR, PNM and PNMR Services Company currently employ 1,283 New Mexicans. PNM is a vertically-integrated utility with a generation portfolio and transmission and distribution system to provide electric service to its customers.

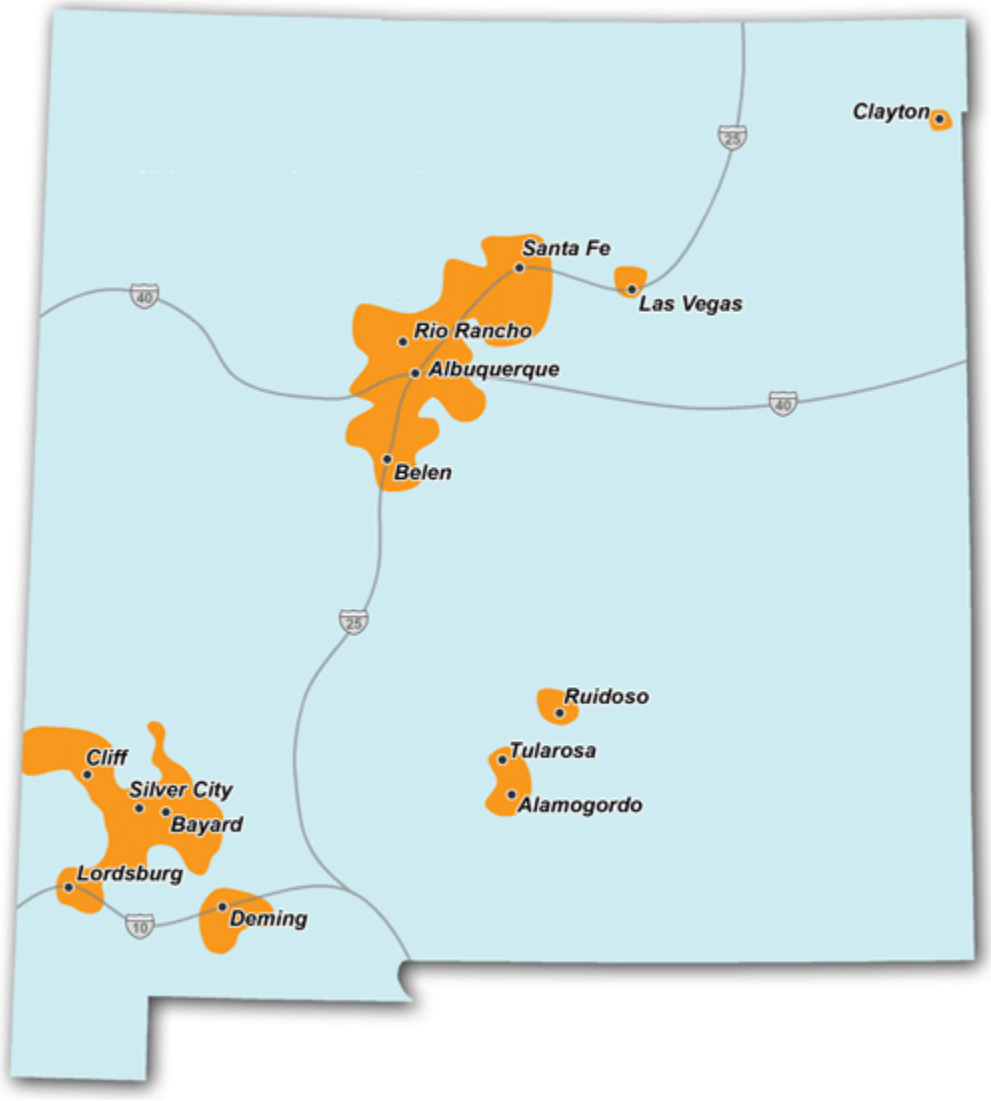
Q. PLEASE PROVIDE MORE DETAIL ON PNM'S CUSTOMERS AND THE COMMUNITIES PNM SERVES.

A. As of December 2019, PNM serves customers in the following New Mexico communities and areas:

- Clayton – **1,517** (1,218-Residential; 299-Commercial)
- Northern (Espanola, Las Vegas, Santa Fe) – **80,499** (69,702-Residential; 10,797-Commercial & Other)
- Central (Albuquerque, Belen, Bernalillo, East Mountain, Los Lunas, Rio Rancho) – **388,129** (348,917 Residential; 39,212 Commercial & Other)
- Southern (Alamogordo, Bayard, Deming, Lordsburg, Ruidoso, Silver City, Tularosa) – **62,141** (53,978 Residential; 8,163 Commercial & Other)

The following map depicts PNM's service areas around the state:

JA Map JDT-1: PNM Retail Service Areas



Q. DOES PNM SERVE ANY TRIBAL COMMUNITIES?

A. Yes. PNM serves the Pueblo communities of Tesuque, Cochiti, Santo Domingo, San Felipe, Santa Ana, Sandia, Isleta and Laguna.

Q. PLEASE GENERALLY DESCRIBE PNM'S TRANSMISSION SYSTEM.

A. PNM owns and operates approximately 3,206 miles of transmission lines, which transmit power across and throughout New Mexico connecting generation resources to load centers and providing interconnection ties with neighboring utility systems. PNM also owns more than 12,000 miles of distribution lines, which carry power from more than 255 neighborhood substations connected to the transmission system to customers' homes and businesses.

Q. PLEASE GENERALLY SUMMARIZE PNM'S CURRENT GENERATION RESOURCES.

A. PNM's diverse mix of generation resources includes coal, nuclear, natural gas, renewable and small-scale energy storage resources. As of September 30, 2020, PNM provided customers with a resource mix that is 38% carbon-free. As part of this resource mix, PNM utilizes a diverse portfolio of renewable resources totaling 658 MW that includes solar, wind, and geothermal generation sources. By the end of 2020, PNM anticipates the carbon-free portion of its resource mix will climb to 44%, with total renewable resources of 964 MW. While PNM owns much of its generation capacity either outright or in participation with other owners, other portions of PNM's generation portfolio are available through purchased power agreements where PNM has a contractual entitlement to the full output of the resource. PNM announced its proposed exit from coal generation by the end of 2024, and its intention to be carbon-free by 2040.

Q. LIKEWISE, PLEASE INTRODUCE PNMR AND ITS BUSINESS FOR THE RECORD.

A. PNMR is a New Mexico corporation based in Albuquerque New Mexico. PNMR's common stock is publicly traded on the New York Stock Exchange. There are currently approximately 80 million shares of common stock in PNMR outstanding, with an additional 6.2 million shares to be issued in December 2020. PNMR owns two regulated utility subsidiaries providing electricity and electric utility service in New Mexico and Texas: PNM and Texas-New Mexico Power Company, a Texas corporation ("TNMP"). PNMR was approved by the Commission as the public utility holding company for PNM in Case No. 3137 in 2001. TNMP is a wholly owned subsidiary of TNP Enterprises, Inc., a Texas corporation, which is a wholly owned subsidiary of PNMR. PNMR also wholly-owns PNMR Services Company which provides shared services to PNMR and its active subsidiaries, including PNM.

Q. HAS THIS MERGER BEEN APPROVED BY PNMR'S BOARD OF DIRECTORS?

A. Yes, the Board of Directors of PNMR has unanimously approved the merger and Merger Agreement. The PNMR Board of Directors recommends that the existing shareholders of PNMR vote in favor of the merger.

Q. PLEASE DESCRIBE THE COMMUNITY SUPPORT INITIATIVES THAT PNMR HAS ADVANCED IN RECENT YEARS.

A. The combined level of community support provided by PNM and the PNM Resources Foundation in the form of annual corporate giving has averaged $3.8 million for the period

2017 through 2019. Of this amount, PNM and PNMR have contributed an average of $2.3 million per year, and the PNMR Foundation has contributed an average of $1.5 million per year. None of these contributions was funded through customer rates. As noted previously, the Regulatory Commitments provide that PNMR will continue the same level of corporate giving for at least three years following the closure of the merger, with a similar expectation for the PNM Resources Foundation's separate charitable activities.

Q. WHAT IS THE PNM RESOURCES FOUNDATION AND WHAT DOES IT DO?

A. The PNM Resources Foundation is a separate New Mexico non-profit corporation that was founded in 1983 and has a goal of improving the quality of life in the communities served by the subsidiaries of PNMR. It supports non-profit organizations in New Mexico and has generally focused on education, environmental awareness, economic vitality and employee engagement. The PNM Resources Foundation is governed by a board of trustees comprised of PNMR employees and retirees. It is entirely funded by PNMR shareholders.

Q. PLEASE DISCUSS PNM'S PROGRAMS TO PROVIDE ASSISTANCE FOR LOW-INCOME CUSTOMERS.

A. As previously indicated, PNM will maintain its existing low-income customer assistance programs, including the Good Neighbor Fund, for a minimum of three years following the closing of the merger transaction. PNM's primary low-income assistance program has been the Good Neighbor Fund, which provides assistance to low-income residential customers who may experience a financial hardship and fall behind on their electric bills. This program has provided an average annual level of assistance of approximately

$462,000 over the period from 2017 to 2019, and will continue to do so as discussed above. The PNM-funded amount of the Good Neighbor Program is included in the total donation amounts described earlier in my testimony.

III. FUTURE CHALLENGES

Q. IN YOUR POSITION AS CHIEF FINANCIAL OFFICER OF PNMR AND A MEMBER OF PNMR'S EXECUTIVE COMMITTEE, ARE THERE FUTURE CHALLENGES IN THE UTILITY INDUSTRY YOU AND THE PNMR EXECUTIVE COMMITTEE HAVE IDENTIFIED?

A. Yes. PNMR has identified challenges facing the utility industry that impact the company and its two utilities. The delivery of safe, reliable, affordable and environmentally sustainable energy is requiring increasing levels of investment and coordination across the industry. We see a changing utility landscape nationwide, where the number of stand-alone utilities with less than 1 million customers is growing smaller. We also see increased electrification of society in terms of electric vehicles and continued increases in electric devices in the home and workplace. In addition, the Energy Transition Act ("ETA") provides a path to New Mexico customers' electricity needs being supplied from 80% renewable energy resources by 2040, and the remaining 20% from carbon emissions-free resources by no later than 2045 for investor owned utilities. The ETA recognizes the need for this change to cleaner energy resources and the benefits to the state's economy, while also acknowledging and addressing the adverse impacts that will occur to tribal and local communities that face the shutdown of coal plants and mines. As explained in Ellen Lapson's testimony, the financial realities of serving our customers and communities as

their energy needs transform will be more challenging for PNM and PNMR in the absence of the Proposed Transaction.

Q. PLEASE DESCRIBE WHY A CHANGING UTILITY LANDSCAPE WITH FEWER STAND-ALONE UTILITIES PRESENTS A CHALLENGE FOR PNM IN THE FUTURE.

A. There are a few challenges presented by consolidation in the utility industry. One challenge relates to procurement. For example, if PNM needs to order certain specialized equipment for its system, we place an order with suppliers and manufacturers for the limited number we need, and only when we need the equipment. Since PNM does not order comparatively large amounts of specialized equipment regularly, we face the prospect of getting in line for the supplies. Large public utility holding companies like Avangrid, because they have millions of customers, are regular buyers of all equipment types, and their orders are larger than PNM's. This allows the large public utility holding companies more timely access to equipment and positions them to negotiate better prices than PNM can on a stand-alone basis.

Another challenge relates to financing. Larger utility holding companies with higher credit ratings, such as Avangrid, have better access to capital at more attractive rates, terms and conditions. It is highly likely that on a stand-alone basis, PNM would have to pay more for future financing needs than Avangrid and its regulated utilities.

Q. PLEASE DISCUSS HOW INCREASED ELECTRIFICATION AND THE ETA POSE A POTENTIAL CHALLENGE FOR PNM IN THE FUTURE.

A. PNM is modernizing its electric grid in order to power New Mexico's future, with projected increased demand due to economic development and the continued increases in electric vehicles and electric devices in the home and workplaces. This new future was recognized by the New Mexico Legislature when it recently enacted a statute, Section 62-8-12 of the PUA, which requires PNM to file an application with the Commission to support electric vehicle programs and infrastructure in PNM's service territory. Similarly, PNM is exploring opportunities for grid modernization efforts pursuant to new provisions of the PUA in Section 62-8-13. This need for modernizing PNM's grid comes at the same time the state has declared that electric generation should move away from fossil fuels and towards renewable energy, with the ETA requiring that PNM's electricity be generated from 80% renewable energy resources by 2040, and 20% carbon emissions-free resources by no later than 2045. It will take significant financial resources for PNM to modernize its grid while at the same time retiring fossil fuel generation facilities and bringing new clean energy generation on line. As a smaller, stand-alone utility, PNM is not as well positioned to cost-effectively finance these future costs as is a larger company such as Avangrid. There is no question that Avangrid, with its financial profile and renewable expertise, could add significant value to our efforts to meet the state's energy and environmental goals.

Q. IS THIS PROPOSED MERGER A "GOOD MATCH" BETWEEN AVANGRID AND PNMR?

A. Yes. PNMR is committed to a clean energy future and serving its customers. Given Avangrid's strong focus on the environment and sustainability and its similar commitment to customers, the goals of the two companies are well-aligned. PNM and its customers will benefit from the added resources and experience of Avangrid in pursuing a sustainable energy supply. Further, Avangrid shares the same values as our community and recognizes the growth potential of New Mexico and Texas. PNM also values Avangrid's commitment to ethical business practices as Avangrid has been named one the World's Most Ethical Companies in 2019 and 2020 by the Ethisphere Institute.

Q. WHAT ARE THE TANGIBLE BENEFITS OF THE TRANSACTION TO PNM'S CUSTOMERS, EMPLOYEES AND THE COMMUNITIES SERVED BY PNM?

A. As detailed by Joint Applicant Witness Kump, there are several Regulatory Commitments which ensure direct and tangible benefits to stakeholders. Customers will benefit from a rate credit of $24.6 million applied over three years. Qualifying customers will still have access to PNM's low income assistance programs, including the Good Neighbor Fund, for a minimum of three years following the closing of the merger transaction.

The Regulatory Commitments provide protections for PNM's employees though the Joint Applicants' agreement to maintain the current employee count and employee benefits in effect for a minimum of two years after the closing of the merger transaction. PNM's collective bargaining agreement will be honored.

The state, including the communities that PNM serves, will benefit from an additional 100 full-time jobs that will be created in or brought to New Mexico over the three years following the closing of the Proposed Transaction. The Joint Applicants will also make contributions to economic development projects or programs in New Mexico, at shareholder expense, totaling $2.5 million over the two-year period following the merger. PNMR will also continue its charitable and other economic development contributions, including the continued activities and contributions from the PNM Resources Foundation, at current levels for a minimum of three years following the merger.

Q. APART FROM THE TANGIBLE BENEFITS YOU JUST DISCUSSED, WHAT ARE SOME OF THE INTANGIBLE BENEFITS THAT WILL RESULT FROM THE MERGER OF AVANGRID AND PNMR?

A. The merger will have a very beneficial impact on the financial health of PNMR and PNM. This is confirmed by the fact that this proposed transaction is regarded as "credit positive" for PNMR and PNM. Two major credit rating agencies that follow PNM, Moody's Investor Service and Standard & Poor's Global, both issued public statements on the positive impact that the proposed merger will have on the financial health of PNM. This is addressed in more detail by Joint Applicant Witness Lapson, and it means that PNM will have continued access to necessary capital.

As I touched on earlier, PNM will also have access to more efficient and cost-effective procurement of necessary materials, equipment and services. Because Avangrid Networks, Inc. ("Networks") includes numerous public utilities, their combined buying power is quite

substantial and they are generally able to procure necessary materials, equipment and services on a very timely and very cost-effective basis. Moreover, Avangrid and Iberdrola have national and global experience in the public utility industry and PNM will benefit from access to best practices in the industry.

The scope and diversity of the combined businesses will result in an enhanced ability on the part of PNM to invest in new technologies that produce energy efficiency and enhance energy storage. This will greatly assist PNM in achieving its clean energy goals pursuant to and beyond the requirements of the ETA. Of course, regulatory authority over these investments remains with the Commission.

Q. WILL CUSTOMERS PAY ANY OF THE COSTS OF THE MERGER TRANSACTION?

A. No. As discussed by Joint Applicant Witness Kump, the Joint Applicants commit that PNM will not, directly or indirectly, seek to recover in any future rate case, any acquisition premium, or transaction costs, or merger transition costs resulting from the merger transaction and allocated to PNM.

IV. POST-CLOSING CORPORATE STRUCTURE AND LOCAL CONTROL

Q. PLEASE DESCRIBE THE CORPORATE STRUCTURE AS IT RELATES TO PNM FOLLOWING THE PROPOSED MERGER.

A. PNM will remain a New Mexico corporation and a certificated New Mexico public utility and will make its own day-to-day operational decisions. PNM will also remain a wholly-

owned subsidiary of its current parent, PNMR. PNMR, instead of being a stand-alone, publicly traded company, will be wholly-owned by Networks, a wholly-owned subsidiary of Avangrid.

A more complete diagram of the Avangrid corporate structure is included in the 2021 GDP attached as an exhibit to the Direct Testimony of Joint Applicant Witness Darnell. In addition, Joint Applicant Witness Kump provides additional detail on the corporate structure of Avangrid and its affiliated companies.

Q. WHAT ARE THE COMMITMENTS THAT WILL HELP ASSURE ONGOING OVERSIGHT OF PNM BY LOCAL MANAGEMENT?

A. There are several commitments that will help assure local control of PNM. First, as a Regulatory Commitment, PNM's headquarters will remain in Albuquerque for so long as Avangrid maintains a controlling interest. This means that PNM's local management will be and will remain New Mexico-based.

Second, also as a Regulatory Commitment, the PNM Board of Directors will include at least two local New Mexicans and the Board's meetings will be held in the state or virtually. The day-to-day operations will be conducted by New Mexico-based management and employees.

Third, as discussed in more detail by Joint Applicant Witness Kump, the merger will not alter PNM's legal status as a public utility, nor affect the NMPRC's authority and ability to supervise and regulate PNM's rates and service under the PUA.

Q. ARE THERE ANY TAX CONSEQUENCES OF THE PROPOSED TRANSACTION?

A. Although PNM will be party to a joint corporate tax return with Avangrid, which will be subject to a formal tax-sharing agreement and policy, there are no tax implications for PNM for regulatory purposes. PNM will continue to calculate income taxes on a stand-alone basis for regulatory ratemaking purposes. The merger transaction will have no impact on the Commission's authority to determine PNM's income tax expense for setting rates.

V. CONCLUSION

Q. DO YOU HAVE ANY CONCLUDING OBSERVATIONS WITH RESPECT TO THE PROPOSED MERGER OF AVANGRID AND PNMR?

A. Yes. The Joint Applicants have presented a detailed Application and supporting evidence that meet the requirements for Commission approval of the proposed merger transaction and the 2021 GDP pursuant to Rule 450. Avangrid is an industry leader with a proven track record of sound utility management. Its status as one of the leading sustainable energy companies in the United States enhances its qualifications to acquire PNM. PNM will be well-positioned to meet the challenges of the modern utility business and to serve customers.

The evidence and Regulatory Commitments confirm that there will be substantial benefits to PNM's customers, employees and the communities served by PNM as the result of the approval of the proposed merger transaction. Furthermore, the Regulatory Commitments ensure PNM's financial independence and that it will remain a New Mexico-based utility with continued strong ties and responsiveness to the communities and the people it serves.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

GCG#527323

Educational Background and Relevant Employment Experience for
Joseph D. Tarry

JA Exhibit JDT-1

Is contained in the following 1 page.

JOSEPH D. TARRY
EDUCATIONAL AND PROFESSIONAL SUMMARY

Name: Joseph Don Tarry

Address: PNM Resources Inc.
MS 1295
414 Silver SW
Albuquerque, NM 87102

Position: Senior Vice President and Chief Financial Officer

Education: Bachelor of Accountancy, New Mexico State University, 1995
Certified Public Accountant in the State of New Mexico, February 1997
Certified Management Accountant, December 1998
Certified in Financial Management, August 1999

Employment: Employed by PNM Resources since 1996.
Positions held within the Company include:

Senior Vice President and Chief Financial Officer
Vice President, Controller and Treasurer
Vice President, Finance and Controller
Vice President, Corporate Controller and Chief Information Officer
Vice President Customer Service and Chief Information Officer
Executive Director Financial Planning and Business Analysis
Controller, Utility Operations
Controller, Corporate
Controller, Assistant
Director, Wholesale Accounting and Cost of Service
Integrated Audit Manager
Senior Auditor

Testimony Filed:

- In the Matter of the Application of Public Service Company of New Mexico for Approval to Acquire an Ownership Interest in a Portion of Palo Verde Unit 2 Generating Asset and for Certain Rate Treatment, NMPRC Case No. 08-00018-UT, filed January 22, 2008

- In the Matter of the Resource Stipulation Concerning Public Service Company of New Mexico's Proposed Approval of the Valencia PPA, Acquisition of Beneficial Interest in PVNGS Unit 2 Ownership Trust and CCN for Luna Energy Facility and Lordsburg Generating Station, NMPRC Case No. 08-00305-UT, filed September 12, 2008.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC. FOR APPROVAL OF THE MERGER OF NM GREEN HOLDINGS, INC. WITH PNM RESOURCES, INC.; APPROVAL OF A GENERAL DIVERSIFICATION PLAN; AND ALL OTHER AUTHORIZATIONS AND APPROVALS REQUIRED TO CONSUMMATE AND IMPLEMENT THIS TRANSACTION	)	**Case No. 20-00____-UT**
AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC.,	)	
JOINT APPLICANTS.	)	

SELF AFFIRMATION

JOSEPH D. TARRY, Sr. Vice President and Chief Financial Officer, PNMR Services Company, upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read the foregoing **Direct Testimony of Joseph D. Tarry** and it is true and correct based on my personal knowledge and belief.

DATED this 23rd day of November, 2020.

/s/ Joseph D. Tarry___
JOSEPH D. TARRY

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC. FOR APPROVAL OF THE MERGER OF NM GREEN HOLDINGS, INC. WITH PNM RESOURCES, INC.; APPROVAL OF A GENERAL DIVERSIFICATION PLAN; AND ALL OTHER AUTHORIZATIONS AND APPROVALS REQUIRED TO CONSUMMATE AND IMPLEMENT THIS TRANSACTION	**Case No. 20-00____-UT**
AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC.,	
JOINT APPLICANTS.	

DIRECT TESTIMONY AND EXHIBITS

OF

RONALD N. DARNELL

November 23, 2020

NMPRC CASE NO. 20-00____-UT
INDEX TO THE DIRECT TESTIMONY OF
RONALD N. DARNELL

DIRECT TESTIMONY OF
RONALD N. DARNELL
CASE NO. 20-____-UT

I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Ronald N. Darnell. I am the Senior Vice President, Public Policy for Public Service Company of New Mexico ("PNM"). My business address is Public Service Company of New Mexico, 414 Silver Avenue, SW, Albuquerque, New Mexico 87102.

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS SENIOR VICE PRESIDENT, PUBLIC POLICY.

A. I am responsible for regulatory, governmental and tribal affairs, corporate communications, pricing, community relations, and stakeholder engagement for PNM.

Q. HAVE YOU PREPARED A STATEMENT OF YOUR EXPERIENCE AND QUALIFICATIONS?

A. Yes. My educational and professional qualifications are shown on JA Exhibit RND-1.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. I discuss the regulatory standards the New Mexico Public Regulation Commission ("Commission" or "NMPRC") applies when considering approval of a Class II Transaction and General Diversification Plan ("GDP"). I confirm that the Joint Applicants have satisfied the requirements for approval of PNM's proposed 2021

GDP and the related Class II transaction. I also explain how PNM proposes to implement the $24.6 million rate credit over a three-year period following the closing of the Proposed Transaction, which will provide a direct rate benefit to customers.

II. REGULATORY STANDARDS FOR CLASS II TRANSACTIONS AND GENERAL DIVERSIFICATION PLANS

Q. PLEASE DESCRIBE THE CLASS II TRANSACTION IN THIS CASE.

A. A Class II Transaction occurs when a public utility holding company is formed. In this case, the Joint Applicants are requesting approval for PNM Resources, Inc. ("PNMR") to merge with NM Green Holdings, Inc. (the "Merger"), with PNMR being the surviving entity. PNMR will become a wholly-owned subsidiary of Avangrid, Inc. ("Avangrid"), and PNM will thus be indirectly owned by Avangrid. Avangrid is majority-owned by Iberdrola, S.A. ("Iberdrola").

Promptly after the closing of the Merger, Avangrid will transfer all its ownership in PNMR to Avangrid Networks, Inc. ("Networks") (collectively with the Merger, the "Proposed Transaction"). As a result, PNM will have three new holding companies (in addition to its existing holding company, PNMR): 1) Networks, 2) Avangrid, and 3) Iberdrola. For any Class II Transaction, the public utility involved must file an updated GDP.

Q. WHAT ARE THE STATUTORY STANDARDS FOR CLASS II TRANSACTIONS IN NEW MEXICO?

A. Section 62-6-19(B)(2) of the Public Utility Act ("PUA") grants the Commission authority to investigate "Class II transactions or the resulting effect of such Class II transactions on the financial performance of the public utility to determine whether such transactions or such performance have an adverse and material effect" on the provision of utility service at fair, just and reasonable rates. Joint Applicant Witness Lapson addresses the impact of the Class II transactions on PNM's financial health and explains why the Proposed Transaction will provide financial benefits to customers and will have no adverse financial impact on PNM.

Q. IS PNM REQUESTING APPROVAL OF A GENERAL DIVERSIFICATION PLAN PURSUANT TO NMPRC RULE 450?

A. Yes. PNM requests approval of its proposed 2021 GDP, attached to my testimony as JA Exhibit RND-2, pursuant to the requirements of the Affiliate Transaction Rule at 17.6.450 NMAC ("Rule 450"). The commitments contained in the 2021 GDP are sponsored by Joint Applicant Witnesses Pedro Azagra Blazquez, Robert D. Kump and Joseph D. Tarry. PNM's 2021 GDP contains the informational requirements and confirmations set forth in Rule 450. The 2021 GDP will replace and supersede PNM's previous GDP that was approved as part of the formation of a public utility holding company structure for PNM in Case No. 3137.

Q. ARE JOINT APPLICANTS REQUESTING ANY VARIANCES FROM THE REQUIREMENTS OF RULE 450.10(B)(1) AND RULE 450.13(A)(2)?

A. Yes. Rule 450.10(B)(1) states that the GDP shall include "to the extent known the name, home office address, and chief executive officer of each affiliate, corporate subsidiary, holding company, or person which is the subject of the Class II transaction." Rule 450.13(A)(2)(a) and (b) require that PNM file notification with the Commission "of all new or expanded lines of business or ventures entered into by [PNM] or any affiliate . . . ", and annual reports detailing all affiliates and their relationship to one another. The Joint Applicants are requesting a limited variance in accordance with Rule 450.19(D) regarding certain informational requirements for Iberdrola.

As discussed by Joint Applicant Witness Azagra, Iberdrola is a global energy company. I am informed that Iberdrola has hundreds of direct and indirect subsidiaries operating across four continents. As Mr. Azagra explains, Iberdrola generally manages its companies by establishing what it calls country-level holding companies. These companies in turn create, unwind, or transfer dozens of entities in Europe, North America, South America, and Australia every year. Many of these entities are single-purpose entities without employees or independent management, and instead are managed at the country-level holding company. Additionally, the vast majority of Iberdrola's holdings do not operate in the United States and are entirely remote from PNM and PNMR.

Joint Applicants believe there is little value to the Commission and stakeholders in obtaining a list with basic contact information of hundreds of entities operating completely outside of the United States. Nor would there be value in annual filings associated with indirect affiliates operating completely outside of the United States that have no contact with PNM. Indeed, it would be burdensome on the Joint Applicants to compile and update this information, and burdensome on the Commission's staff to attempt to track this information. The information provided for Networks, Avangrid Renewables, Avangrid, and Iberdrola, as well as the protection/ring fencing commitments made by the Joint Applicants, are sufficient to achieve the objectives of Rule 450.

Therefore, Joint Applicants are respectfully requesting variances from: Rule 450.10(A) for any affiliated interest that is directly or indirectly majority owned by Iberdrola, other than those entities doing business in the United States; and Rule 450.13(A)(2)(a) and (b) for any affiliated interest that is directly or indirectly majority owned by Iberdrola, other than those entities doing business in the United States. If Joint Applicants' variance is granted, the reporting requirements would continue to apply to all of Avangrid's directly and indirectly owned subsidiaries, including PNMR and its subsidiaries, as well as Iberdrola and all Iberdrola affiliates operating in the United States.

Q. ARE YOU AWARE OF THE COMMISSION GRANTING VARIANCES FROM THE REQUIREMENTS OF RULE 450.10(B)(1) AND RULE 450.13(A)(2)?

A. Yes. In the Commission's most recent public utility acquisition case involving Sun Jupiter's acquisition of El Paso Electric Company ("EPE"), Case No. 19-00234-UT, the Commission granted a similar variance request made by EPE in relation to the companies owned by its ultimate parent, IIF US 2.

Q. WHAT IS THE COMMISSION'S STANDARD FOR APPROVAL OF A GDP?

A. The Commission will approve a GDP if it finds that the GDP contains the information required by Rule 450.10(B), and if approval is in the public interest. Approval is in the public interest if the Commission finds that the level of investment appears reasonable, and the utility's ability to provide reasonable and proper utility service at fair, just and reasonable rates will not be adversely and materially affected as a result of the Class II transaction.

Q. HAVE THE JOINT APPLICANTS ADDRESSED THE PUBLIC INTEREST STANDARD IN THEIR TESTIMONIES?

A. Yes. The Direct Testimonies of Joint Applicant Witnesses Kump and Lapson demonstrate that the effect of the Class II transaction on PNM's financial performance will not materially or adversely affect the utility's ability to provide reasonable and proper utility service at fair, just and reasonable rates. In fact, they

testify that PNM's financial health will be enhanced by the Proposed Transaction. My testimony below discusses how rate credits from the Merger will be passed through to customers. I also confirm that customers will not be responsible for any costs associated with the Proposed Transaction because they will be excluded from PNM's rates.

Q. HAVE THE JOINT APPLICANTS PROVIDED THE RULE 450 INFORMATION THAT THE COMMISSION REQUIRES TO APPROVE A GDP?

A. Yes. In addition to showing that the Merger will have no material adverse impact on the utility's service and rates, the utility must provide all the information required by Rule 450. The Joint Applicants have done so, with the limited exception described above for certain information related to Iberdrola subsidiaries in other countries for which variances are requested. The information enumerated in Rule 450 is provided in PNM's proposed 2021 GDP, JA Exhibit RND-2, and supported in the testimonies of Joint Applicant Witnesses Tarry, Azagra, Kump and Lapson.

Q. MUST A UTILITY CONFIRM SPECIFIC REPRESENTATIONS AS PART OF ITS APPLICATION FOR APPROVAL OF A GDP?

A. Yes, and those representations have been made as part of the Joint Application and evidence in this case. Specifically, the utility must make certain affirmative representations to enable the Commission to make findings based on those

representations. Accordingly, the 2021 GDP contains the following representations of the Joint Applicants:

(1) the books and records of PNM will be kept separate from those of nonregulated business and in accordance with the Uniform System of Accounts;

(2) the Commission and its staff will have access to the books, records, accounts, or documents of PNM, its corporate subsidiaries and its holding companies, including PNMR, Networks, Avangrid, and Iberdrola pursuant to NMSA 1978, Sections 62-6-17 and 62-6-19;

(3) the supervision and regulation of PNM pursuant to the Public Utility Act will not be obstructed, hindered, diminished, impaired, or unduly complicated;

(4) PNM will not pay excessive dividends to its holding company, and the holding company will not take any action which will have an adverse and material effect on the utility's ability to provide reasonable and proper service at fair, just, and reasonable rates;

(5) PNM will not without prior approval of the Commission:
   (a) loan its funds or securities or transfer similar assets to any affiliated interest, or
   (b) purchase debt instruments of any affiliated interests or guarantee or assume liabilities of such affiliated interests;

(6) PNM has complied with, or will comply with, all applicable federal and state statutes, rules, or regulations;

(7) when required by the Commission, PNM will have an allocation study (which will not be charged to ratepayers) performed by a consulting firm chosen by and under the direction of the Commission; and

(8) when required by the Commission. PNM will have a management audit (which will not be charged to ratepayers) performed by a consulting firm chosen by and under the direction of the Commission to determine whether there are any adverse effects of Class II transactions upon the utility.

Q. HOW WILL PNM ADDRESS THE CURRENT AND ANY FUTURE CLASS I AFFILIATE TRANSACTIONS THAT MAY OCCUR IF THE PROPOSED MERGER IS APPROVED?

A. First, PNM currently has ongoing Class I transactions with its existing shared services company affiliate, PNMR Services Company, which are for the provision of goods and services that are common among PNM and its affiliates. Those shared services transactions are expected to continue after the Proposed Transaction is completed, and any material changes to or new types of shared service transactions will be submitted to the Commission for approval. PNM proposes to continue submitting its Annual Cost Allocation Manual to the Commission (currently submitted as a compliance requirement in Case No. 03-00017-UT).

Additionally, PNM currently has in place two long-term PPAs with subsidiaries of Avangrid Renewables Holdings, Inc. These PPAs were previously approved by the Commission in Case No. 18-00009-UT and Case No. 19-00159-UT. PNM will report any future material amendments to these PPAs in accordance with the Commission's Rule 450 Class I Transaction notification requirements.

Regarding any future Class I transactions, PNM will timely comply with the notice and information requirements of Rule 450.

Q. ARE THERE ANY REGULATED UTILITY TRANSACTIONS THAT MAY OCCUR IN PNM'S ORDINARY COURSE OF BUSINESS THAT YOU BELIEVE WOULD NOT QUALIFY AS A CLASS I TRANSACTION?

A. Yes. FERC-regulated transactions between PNM and its affiliates that are undertaken pursuant to FERC tariffs would not qualify as a Class I transaction.

III. IMPLEMENTATION OF CUSTOMER BENEFITS

Q. PLEASE PROVIDE AN OVERVIEW OF HOW RETAIL CUSTOMERS ARE CURRENTLY CHARGED RATES FOR UTILITY SERVICE.

A. PNM currently charges its retail customers for utility service under general rates that were set by the Commission through a general rate review in Case No. 16-00276-UT. PNM also recovers its fuel and purchased power expenses through a Fuel and Purchased Power Cost Adjustment Clause, pursuant to Section 62-8-7(E) of the PUA. PNM collects through separate rate rider tariffs both its annual costs associated with renewable energy procurements to comply with the goals of the Renewable Energy Act, and its annual program costs and incentives to comply with the goals of the Efficient Use of Energy Act. These rates will not change as a result of the Proposed Transaction.

Q. WILL CUSTOMERS BE REQUIRED TO WAIT UNTIL A FUTURE BASE RATE PROCEEDING BEFORE RECEIVING THE BENEFIT OF THE RATE CREDITS FROM THE MERGER?

A. No. Joint Applicants propose to credit customer bills with the proposed rate credit beginning with implementation of a compliance Advice Notice to be filed upon approval of the Merger. As a result, customers will see a direct, concrete benefit of the Merger on their bills, without waiting until new base rates are authorized by the Commission.

Q. HOW DO JOINT APPLICANTS PROPOSE TO APPLY THE RATE CREDIT TO CUSTOMER BILLS?

A. Joint Applicants propose to implement a monthly Merger Credit Rate Rider over a three-year period through a separate line-item rate rider that will provide credits to each customer based on the customer's monthly energy use. The total amount of the proposed Rate Credit will be credited to each customer on a per-kWh basis. At the end of the credit period, PNM will perform a true-up calculation for the final month's credit to customers and will make a compliance filing with the Commission that demonstrates customers received the full amount of the Rate Credit. A proposed Merger Credit Rate Rider is attached to my testimony as JA Exhibit RND-3. If this credit methodology is approved, PNM will file a compliance Advice Notice to implement the Merger Credit Rate Rider with an effective date thirty days after filing or as otherwise set by the Commission.

Q. HOW WILL PNM ALLOCATE THE TOTAL AMOUNT OF THE RATE CREDIT TO THE DIFFERENT RATE SCHEDULES?

A. PNM proposes to allocate the total amount of the rate credit among various rate schedules based on the 2022-2024 forecasted sales. This allows the rate credit to be consistent throughout the period it is applied to customer bills, allowing for a final month's true-up at the end of the period.

IV. CONCLUSION

Q. DO YOU HAVE ANY CONCLUDING OBSERVATIONS?

A. Yes. From a regulatory perspective, the proposed Class II Transaction satisfies the general standards for approval applied by the Commission in other merger/acquisition cases. From a public policy perspective, the testimonies of the Joint Witnesses support the conclusion that the Proposed Transaction is in the public interest because it will bring benefits to PNM, its customers, employees and the State by: providing direct rate and financial benefits to customers; improving PNM's financial health, which supports PNM's beneficial electrification and grid modernization plans; supporting the state's energy transition policies; and enabling economic development and job opportunities within New Mexico.

Because the proposed Class II Transaction and 2021 GDP satisfy the applicable Commission requirements and are in the public interest, the Commission should approve them.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

GCG#527324

Résumé of Ronald N. Darnell

JA Exhibit RND-1

Is contained in the following 2 pages.

RONALD N. DARNELL
EDUCATIONAL AND PROFESSIONAL SUMMARY

Address: Public Service Company of New Mexico
414 Silver Ave. SW
Albuquerque, New Mexico 87102

Position: Senior Vice President of Public Policy, 2012 to Present
Vice President of Regulatory Affairs, 2008 to 2012

Previous Positions:

Excel Energy, 2000-2008
- Director, Regulatory Administration South, 2007-2008
  - * Responsible for regulatory policy, administration and pricing for Xcel-Colorado's retail and wholesale operations
- Director, Pricing and Planning, 2000-2007
  - * Responsible for electric, gas and thermal regulatory pricing and load forecasting for regulated utility services in all states

New Century Energy, 1998-2000
- Director, Electric Rates and Regulatory Services
  - * For utility operations in Wyoming, Colorado, New Mexico, Texas and under the jurisdiction of the Federal Energy Regulatory Commission, 1999-2000
  - * For utility operations in Wyoming and Colorado, 1998-1999

Public Service Company of Colorado, 1982 - 1998
- Pricing Consultant, Marketing Department, 1997-1998
- Unit Manager, Electric Rate Design and Regulatory Policy, 1994-1997
- Supervisor, Revenue Requirements, 1989-1994
- Senior Rate Accountant, 1988-1989
- Rate Accountant, 1983-1988
- Junior Rate Accountant, 1982-1983

Education:

California State University, 1981
- Bachelor of Science in Business Administration – Accounting Emphasis

Testimony Presented before:

Colorado Public Utility Commission
Wyoming Public Service Commission
Federal Energy Regulatory Commission
New Mexico Public Regulation Commission

* Case No. 08-00273-UT
* Case No. 08-00305-UT
* Case No. 09-00260-UT
* Case No. 10-00037-UT
* Case No. 10-00086-UT
* Case No. 13-00390-UT
* Case No. 19-00018-UT
* Case No. 19-00195-UT

Texas Public Regulation Commission

* Docket No. 36025
* Docket No. 38480

New Mexico Environmental Improvement Board

* Case No. EIB 13-02(R)

GCG # 527307

2021 General Diversification Plan

JA Exhibit RND-2

Is contained in the following 48 pages.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

PUBLIC SERVICE COMPANY OF NEW MEXICO'S
2021 GENERAL DIVERSIFICATION PLAN

In accordance with 17.6.450 NMAC ("Rule 450"), Public Service Company of New Mexico ("PNM") submits its 2021 General Diversification Plan ("2021 GDP") in connection with the proposed change in holding company structure for PNM. A previous General Diversification Plan was approved by the New Mexico Public Regulation Commission ("NMPRC" or "Commission") on June 28, 2001 in NMPRC Case No. 3137, as amended by order issued December 18, 2001, and as thereafter revised in Case Nos. 04-00315-UT (collectively, the "Case 3137 GDP"). The Case 3137 GDP was approved in furtherance of the formation of a public utility holding company structure with PNM Resources, Inc. as the parent holding company. This 2021 GDP is intended to replace and supersede the previous Case 3137 GDP. The 2021 GDP describes the steps that will result in PNM having additional public utility holding companies and provides the information and representations required by Rule 450.10(B).

2021 GENERAL DIVERSIFICATION PLAN EXHIBITS

Exhibit GDP-1:	List of Affiliates, Home Office Addresses, and Chief Executive Officers
Exhibit GDP-2:	Organizational Chart – Avangrid, Inc. and Subsidiaries
Exhibit GDP-3:	Organizational Chart – Iberdrola, S.A. and Country Subholding Companies and Key Subsidiaries
Exhibit GDP-4	Organizational Chart –PNM Resources, Inc. and Subsidiaries

PROPOSED CLASS II TRANSACTION

PNM is a New Mexico corporation and a wholly-owned subsidiary of PNM Resources, Inc. ("PNMR"), a New Mexico corporation, whose common stock is currently traded on the New York Stock Exchange ("NYSE"). PNMR has entered into an Agreement and Plan of Merger ("Merger Agreement") dated October 20, 2020, among PNMR, Avangrid, Inc. ("Avangrid"), a New York corporation, and NM Green Holdings, Inc. ("NM Green") (a wholly-owned subsidiary of Avangrid), a New Mexico corporation. Pursuant to the Merger Agreement, PNMR will merge with and into NM Green, with PNMR continuing as the surviving corporation ("Merger"). As a result of the Merger, PNMR will become a wholly-owned subsidiary of Avangrid.

Promptly after the Merger, Avangrid will transfer 100% ownership of PNMR to Avangrid Networks, Inc. ("Networks") (a wholly-owned subsidiary of Avangrid), a Maine corporation (with the Merger, the "Proposed Transaction").

Avangrid is publicly traded on the NYSE and is 81.5% owned by Iberdrola, S.A. ("Iberdrola"). Iberdrola is a corporation *(Sociedad Anónima)* organized under the Laws of the Kingdom of Spain.

The result of the Proposed Transaction is that Networks, Avangrid, and Iberdrola will each become indirect public utility holding companies of PNM. PNM will remain a New Mexico corporation and a certificated electric public utility subject to the jurisdiction of the Commission.

I. TO THE EXTENT KNOWN THE NAME, HOME OFFICE ADDRESS, AND CHIEF EXECUTIVE OFFICER OF EACH AFFILIATE, CORPORATE SUBSIDIARY, HOLDING COMPANY, OR PERSON WHICH IS THE SUBJECT OF THE CLASS II TRANSACTION. (17.6.450.10(B)(1) NMAC)

The primary entities which are the subject of the proposed Class II transaction are PNM, PNMR, NM Green, Networks, Avangrid, and Iberdrola. A list of the direct and indirect current and proposed holding companies of PNM, including Avangrid and Iberdrola, and the subsidiaries of Avangrid and the subsidiaries of Iberdrola in the United States, together with their home office addresses and chief executive officers, is contained in Exhibit GDP-1.

Avangrid is a leading, sustainable energy company with operations in 24 states in the United States. Avangrid has two primary lines of business: Networks and Avangrid Renewables Holdings, Inc. ("Avangrid Renewables"). Networks owns eight electric and natural gas utilities, serving more than 3.3 million customers in New York and New England. The utilities are: Berkshire Gas Company, Central Maine Power, Connecticut Natural Gas, New York State Electric & Gas, Rochester Gas and Electric, Maine Natural Gas, Southern Connecticut Gas, and The United Illuminating Company. Avangrid Renewables owns and operates a portfolio of renewable energy generation facilities across the United States, including in New Mexico and Texas. A current organizational chart of Avangrid and its subsidiaries is attached as Exhibit GDP-2. Avangrid and its subsidiaries employ approximately 6,600 employees.

Iberdrola, Avangrid's ultimate parent, is a corporation (*Sociedad Anónima*) organized under the Laws of the Kingdom of Spain. Iberdrola's shares are publicly traded on the Madrid Stock Exchange. Iberdrola's headquarters is located in Bilbao, Spain. Iberdrola is a global utility that has over 170 years of experience in the electricity and gas business, including experience as a provider of electric transmission and distribution services. It is one of the largest energy companies in the world with a market capitalization of over $85 billion. Iberdrola and its subsidiaries provide regulated utility services in the United States, Spain, the United Kingdom, Brazil, and Mexico. The Iberdrola companies provide utility services to approximately 32 million

points of supply world-wide. A current organizational chart showing Iberdrola and its country subholding companies with key subsidiaries is provided as Exhibit GDP-3.

NM Green is a direct and wholly owned subsidiary of Avangrid. NM Green was formed for the sole purpose of entering into the Merger Agreement and for completing the Merger.

PNMR owns two regulated utility subsidiaries providing electricity and electric utility service in New Mexico and Texas: PNM and Texas-New Mexico Power Company, a Texas corporation ("TNMP"). PNMR was approved by the Commission as the public utility holding company for PNM in Case No. 3731 in 2001. TNMP is a wholly owned subsidiary of TNP Enterprises, Inc., a Texas corporation, which is a wholly owned subsidiary of PNMR. PNMR Services Company ("PNMR Services") is a wholly owned subsidiary of PNMR and provides shared services to PNMR and its active subsidiaries, including PNM. A current organizational chart for PNMR and its affiliates is attached as Exhibit GDP-4.

PNM is a wholly-owned subsidiary of PNMR and is an authorized public utility under the PUA. PNM serves 530,000 New Mexico customers in Greater Albuquerque, Rio Rancho, Los Lunas, Belen, Santa Fe, Las Vegas, Alamogordo, Ruidoso, Silver City, Deming, Bayard, Lordsburg and Clayton, as well as the tribal communities of Tesuque, Cochiti, Santo Domingo, San Felipe, Santa Ana, Sandia, Isleta and Laguna Pueblo.

II. A STATEMENT OF THE GOALS AND EFFECTS UPON THE UTILITY OPERATION OF THE CLASS II TRANSACTION, INCLUDING AN ANALYSIS OF THE BENEFITS, RISKS, AND COSTS TO THE PUBLIC UTILITY WHICH COULD ARISE, AND INCLUDING ALL TAX EFFECTS ON THE UTILITY BOTH ON A CONSOLIDATED ENTITY BASIS AND ON A STAND-ALONE BASIS. (17.6.450.10(B)(2) NMAC)

The Proposed Transaction is consistent with Avangrid's goal of growing its regulated utility businesses in the United States while relying upon and strengthening local management and having no adverse effects on utility operations.

PNM is currently owned by PNMR, a public utility holding company. The proposed Class II transaction will not disturb the existing holding company structure, except to add three additional indirect public utility holding companies of PNM above PNMR. Although there will be a new ultimate parent company, PNM will remain a public utility providing regulated public utility electric service to customers in New Mexico pursuant to its existing Certificate of Public Convenience and Necessity.

Financial and Other Benefits of the Transaction

The proposed Class II transaction is consistent with Avangrid's goal of growing its regulated utility businesses through acquiring well-run utilities and achieving geographical diversity for its enterprises. Given Avangrid's position as a clean energy leader in the United States, PNM will not only maintain or improve its strong business and financial risk profile upon completion of the Proposed Transaction, but also have strong support for its clean energy transition in New Mexico in accordance with the New Mexico Energy Transition Act. The integration of PNM and PNMR into Avangrid will support the sharing of clean energy and electric utility best practices among affiliates, to the ultimate benefit of PNM's customers. Avangrid's commitment to the maintenance of local control of operations benefits customers by having continued local accountability for the utility service PNM provides.

The Proposed Transaction will also provide the following benefits:

- To ensure PNM is locally operated and accountable, the PNM Board of Directors will include at least two New Mexico residents. PNM's day-to-day operations will

be conducted by PNM's local management and employees, and PNM's local management will continue to establish company priorities and respond to local conditions.

- There will be no involuntary terminations except for cause or performance (other than reductions associated with the planned closure of the San Juan Generating Station in 2022) for a minimum of two years following the closing of the Proposed Transaction.
- There will be no reductions with respect to the wages, terms and conditions of non-union employment that were in effect prior to the Proposed Transaction for a minimum of two years following the closing of the Proposed Transaction. The current collective bargaining agreement will also be honored.
- Under Avangrid's ownership, PNMR and PNM will continue to maintain commitments to charitable contributions at historical levels in New Mexico and will continue the support of the Good Neighbor Fund for a minimum of three years following the closing of the Proposed Transaction. This commitment includes the continued existence and operation of the PNM Resources Foundation.

Improved Financial Strength and Continued Financial Transparency

Following the Proposed Transaction, PNM will be a subsidiary of a financially strong, well-capitalized, holding company focused on clean energy and regulated utility businesses. Avangrid is a publicly-traded company whose stock is listed on the NYSE and its financial results are reported quarterly through public reports filed with the Securities and Exchange Commission ("SEC"). Avangrid reports its financial results in accordance with the generally accepted accounting principles codified by the Financial Accounting Standards Board or any successor

institute. As a result of the Proposed Transaction, PNM customers will benefit from PNM continuing to maintain the financial discipline and financial reporting transparency that currently exists under PNM's ownership by PNMR, including internal auditing processes in compliance with SEC and other regulatory requirements. PNM also will be part of a corporate structure with increased access to debt and equity capital and a demonstrated track record of financial strength and stability. Approval of the Proposed Transaction will help assure that PNM has access to capital on reasonable market-based terms. This outcome is consistent with the regulatory objective that reasonable and proper service through prudent investment in utility plant and equipment is available to customers at fair, just and reasonable rates. The publicly-filed financial reports and other disclosure documents routinely filed by Avangrid will continue to facilitate the Commission's ongoing oversight of PNM's financial condition.

No Excessive Dividends

Consistent with the current Commission-approved treatment of dividends paid by PNM to PNMR, Avangrid commits that PNM will not, without prior Commission approval, pay dividends, except for contractual tax payments, at any time its credit ratings are below investment grade unless otherwise permitted by the Commission. Further, PNM will continue its current methodology to file a notice of its intent to a pay a dividend. Avangrid agrees that the Commission will have the right and power to issue an order, within 15 days of PNM's filing, that prohibits the payment of the proposed dividend if the Commission finds that the payment of the proposed dividend would impair PNM's ability to provide reliable and safe utility services at reasonable rates to its customers, or would otherwise be contrary to the public interest.

Anticipated Tax Effects on PNM on a Consolidated and Stand-Alone Basis

PNM will become part of the Avangrid consolidated tax return in the United States. There will be no tax effect on PNM for rate making purposes from this consolidation. PNM's payment of income taxes will continue to be an amount based on PNM's tax liability computed on a stand-alone basis.

Continued Oversight and Regulation by the Commission

The proposed Class II transaction will not result in any adverse and material effect on PNM's utility operations, and PNM will continue to provide reasonable and proper electric utility service at fair, just and reasonable rates. The Merger will not alter PNM's legal status as a regulated public utility; nor will it affect the Commission's authority and supervision and regulation of PNM's retail rates and service under the Public Utility Act. The Commission and its staff will have access to the books and records of Networks, Avangrid, and Iberdrola pursuant to NMSA 1978, Sections 62-6-17 and 62-6-19.

PNM has a long record of providing safe and reliable quality service, and Avangrid will ensure that PNM continues to provide reasonable and proper service to its New Mexico customers. As a result of the Proposed Transaction, there will be no change in any of PNM's existing tariffs, rules or forms currently approved by the Commission, except for the addition of a Merger-related customer rate credit set forth in the Regulatory Commitments and subject to the Commission's approval. PNM will continue to comply with the rules and orders of the Commission directed to PNM. Any future changes to PNM's tariffs, rules or forms will be subject to all necessary approvals of the Commission. PNM's capital structure and asset valuations used for rate making purposes is based on approvals of the Commission. Any future changes in PNM's capital structure or valuation of assets for ratemaking purposes similarly will be subject to review and approval by the Commission in rate proceedings in accordance with the Public Utility Act.

Exclusion of Transaction Costs and Acquisition Premium from Rate Recovery

No costs incurred by PNM or its affiliates related to the Proposed Transaction will be recovered, directly or indirectly, from PNM customers. Further, no legal or other costs incurred in connection with obtaining regulatory approvals of the Proposed Transaction will be recovered from PNM customers. Finally, PNM will not seek to revalue any of its assets based on, or seek in any way to recover, any acquisition premium that results from the Proposed Transaction.

III. TYPE OF CORPORATE STRUCTURE TO BE USED (17.6.450.10(B)(3) NMAC)

PNM will continue to be a New Mexico corporation, registered to do business in New Mexico and certified as an electric public utility subject to the jurisdiction of the Commission. PNM will remain a wholly-owned subsidiary of PNMR, a direct public utility holding company as defined by NMSA 1978, Section 62-3-3. Networks will own 100% of the voting securities of PNMR; Networks and its parent company Avangrid each will be an indirect public utility holding company of PNM. Iberdrola, as the majority shareholder of Avangrid, will also be an indirect public utility holding company of PNM.

IV. THE MEANS OF IMPLEMENTING THE CORPORATE STRUCTURE TO BE USED, INCLUDING, BUT NOT LIMITED TO, AMENDMENTS TO CORPORATE ARTICLES, ANY ISSUANCES, ACQUISITIONS, CANCELLATIONS, EXCHANGES, TRANSFERS, OR CONVERSION OF SECURITIES, AND THE IMPACT OF SUCH ON THE RIGHTS OF CREDITORS AND SECURITY HOLDERS. (17.6.450.10(B)(4) NMAC)

The Proposed Transaction will be implemented by the merger of NM Green with and into PNMR, with PNMR as the surviving business entity. Avangrid will thereafter transfer 100% of its interest in PNMR to Networks. All common stock of PNMR outstanding at the closing of the

Merger and Proposed Transaction will be cancelled and converted to the right to receive $50.30 per share in cash, except for any common stock held by Iberdrola, Avangrid, NM Green, or PNMR, or any wholly-owned subsidiary of Iberdrola, Avangrid or PNMR, which stock shall be automatically canceled. PNMR's common stock will be delisted from the NYSE. PNM's existing long-term debt will remain in place following the close of the Transaction. No debt will be issued by PNM or PNMR to finance the Proposed Transaction. No changes to PNM's status as a New Mexico domestic corporation or to PNM's articles of incorporation will occur as a result of the Merger.

V. THE ANTICIPATED CAPITAL STRUCTURE FOR THE UTILITY, ITS AFFILIATES, AND THE CONSOLIDATED ENTITY (UTILITY PLUS AFFILIATES) FOR THE NEXT FIVE-YEARS. (17.6.450.10(B)(5) NMAC)

PNM has historically had an equity ratio between 49% and 51%. PNM expects the equity ratio range to remain above 50% over the next 5 years.

PNMR has historically had an equity ratio between 35% and 40%. With this transaction and Avangrid's plan to eliminate the debt at PNMR, PNMR's equity ratio is expected to improve to a range of 45% to 52%.

Networks does not have any debt, other than the debt carried by its utilities, which appears on Networks' consolidated accounts. For the utilities owned by Networks, the equity ratios range between 48% and 55%. Networks anticipates the equity ratio range to remain in the same range over the next five years.

For Avangrid Renewables and its subsidiaries, there is little to no debt associated with these companies. In the future, Avangrid Renewables may finance and/or refinance some projects with

either debt or equity, or a combination of debt and equity, depending on the circumstances existing at the time.

For Avangrid, the consolidated equity ratio is, and is expected to be, in the range of 56% to 60%, over the next five years.

For Iberdrola, as of September 2020, the capital structure was 46.7% debt.

VI. THE CONTEMPLATED ANNUAL AND CUMULATIVE INVESTMENTS IN EACH AFFILIATED INTEREST FOR THE NEXT FIVE (5) YEARS IN DOLLARS AND AS A PERCENTAGE OF THE PROJECTED NET UTILITY PLANT AND AN EXPLANATION OF WHY THIS LEVEL OF INVESTMENT IS REASONABLE AND WILL NOT INCREASE THE RISKS OF INVESTMENT IN THE PUBLIC UTILITY. (17.6.450.10(B)(6) NMAC)

PNM will not invest any funds in any affiliate during the next five years.

VII. AN EXPLANATION OF HOW THE AFFILIATE(S) WILL BE FINANCED, BY WHOM, AND THE TYPE AND AMOUNTS OF CAPITAL OR INSTRUMENTS OF INDEBTEDNESS. (17.6.450.10(B)(7) NMAC)

PNM will not provide financing to any of its affiliates, other than as permitted by the Commission.

VIII. AN EXPLANATION OF HOW THE UTILITY'S CAPITAL STRUCTURE, COST OF CAPITAL, AND ABILITY TO ATTRACT CAPITAL AT REASONABLE RATES WILL BE IMPACTED.(17.6.450.10(B)(8) NMAC)

As discussed in Section II, the Proposed Transaction will have no effect on PNM's capital structure used for ratemaking purposes. Both PNMR and Avangrid have long-standing policies that their respective regulated utilities should maintain a capital structure designed to support investment-grade credit metrics. The Proposed Transaction is anticipated to maintain or improve the investment-grade credit rating of PNM and PNMR. No acquisition debt is being issued at

PNM or PNMR. Moreover, Avangrid proposes to eliminate PNMR's debt entirely, which will be perceived positively by credit rating agencies. PNM will continue to have a strong balance sheet. As a result of the Proposed Transaction, PNM anticipates improved access to the debt markets at reasonable market-based rates and terms.

IX. AN EXPLANATION OF HOW THE UTILITY CAN ASSURE THAT ADEQUATE CAPITAL WILL BE AVAILABLE FOR THE CONSTRUCTION OF NECESSARY NEW UTILITY PLANT AND AT NO GREATER COST THAN IF THE UTILITY DID NOT ENGAGE IN THE CLASS II TRANSACTION. (17.6.450.10(B)(9) NMAC)

Following the completion of the Proposed Transaction, PNM will be a subsidiary of a much larger, financially strong, well-capitalized holding company with a focus on clean energy and regulated utility businesses. PNM will realize increased access to both debt and equity capital, and may also experience improved credit ratings, as a result of the Proposed Transaction. PNM will fund the construction of necessary new utility plant through a combination of internally generated funds at PNM, equity infusion from PNMR, Networks and Avangrid, and debt issued at PNM, as appropriate. As a result, adequate capital will still be available for the construction of necessary new utility plant and at no greater cost, and possibly at lower cost, than if PNM were not to engage in the Proposed Transaction.

X. TO THE EXTENT NOT ANSWERED IN IX ABOVE, AN EXPLANATION OF HOW RATEPAYERS WILL BE PROTECTED AND INSULATED FROM ANY RISKS, COSTS, OR OTHER ADVERSE AND MATERIAL EFFECTS ATTRIBUTABLE TO CLASS II TRANSACTIONS OR THEIR RESULTING EFFECTS. (17.6.450.10(B)(10) NMAC)

The PNM retail utility services and rates will continue to be subject to the jurisdiction of the Commission.

Further, customers are afforded protection under NMSA 1978, Section 62-6-19 and Rule 17.6.450 NMAC, pursuant to which the Commission has authority to review and investigate Class I and Class II Transactions as they are defined by Section 62-6-3 of the Public Utility Act. PNM will comply with all laws and Commission rules and orders governing transactions with affiliated interests. PNM will comply with reporting requirements with respect to any Class I and Class II transactions.

With regard to affiliate transactions for shared services among and between PNM, PNMR and its subsidiaries, as well as any affiliates with which PNM transacts for shared services in the future, PNM will continue to account for such services, as annually adjusted in accordance with its Commission-authorized Cost Allocation Manual ("CAM"), or will seek to update the CAM to reflect material changes to shared services transactions. As part of its obligations to maintain its books of accounts and supporting records for shared services, PNM will:

- Maintain current organizational charts showing initial chains of command and horizontal reporting/coordination relationships, including those with affiliates;
- Maintain current job descriptions that state whether the job position provides services or work for more than one subsidiary, and whether the job duties relate to corporate governance functions or provide benefits or services to more than one subsidiary;
- Disclose in any base rate filing each service function from an affiliate on which PNM relies , in whole or in part;
- Require employees who work for more than one subsidiary to keep detailed "positive" timesheets; and
- Designate the basis for the charges for goods, assets and services exchanged between PNM and its affiliates (*e.g.*, fully distributed costs, fair market value, or other applicable basis).

XI. IF THE UTILITY INTENDS TO DIVEST A CORPORATE SUBSIDIARY, AN EXPLANATION OF THE REASONS FOR SUCH DIVESTITURE, HOW IT WILL BE ACCOMPLISHED, HOW IT WILL AFFECT UTILITY OPERATIONS, FINANCIAL VIABILITY, COST OF CAPITAL, AN ADEQUACY OF SERVICE DURING THE NEXT TEN (10) YEARS FOLLOWING DIVESTITURE, THE ANTICIPATED PROCEEDS TO THE UTILITY, THE EXTENT, IF ANY, THAT THE UTILITY INTENDS FOR RATEPAYERS TO SHARE IN THE PROCEEDS OR OTHERWISE BENEFIT FROM THE DIVESTITURE, THE AMOUNT OF AND REASONS WHY ANY RATEPAYER FUNDS HAVE FLOWED DIRECTLY OR INDIRECTLY TO THE BENEFIT OF THE CORPORATE SUBSIDIARY. (17.6.450.10(B)(11) NMAC)

Not applicable.

XII. TO THE EXTENT NOT PROVIDED ABOVE, SUCH OTHER INFORMATION OR REPRESENTATION THAT WILL ALLOW THE COMMISSION TO MAKE THE FINDINGS CONTAINED IN RULE 450.10(C). (17.6.450.10(B)(12) NMAC)

To the extent not provided above, PNM, PNMR, Networks, Avangrid, and Iberdrola represent that:

(1) the books and records of PNM will be kept separate from those of nonregulated business and in accordance with the Uniform System of Accounts;

(2) the Commission and its staff will have access to the books, records, accounts, or documents of the affiliate, corporate subsidiary, or holding company pursuant to NMSA 1978, Sections 62-6-17 and 62-6-19;

(3) the supervision and regulation of PNM pursuant to the Public Utility Act will not be obstructed, hindered, diminished, impaired, or unduly complicated;

(4) PNM will not pay excessive dividends to its holding companies, and the holding companies will not take any action which will have an adverse and material effect on

PNM's s ability to provide reasonable and proper service at fair, just, and reasonable rates;

(5) PNM will not, without prior approval of the Commission:

a. loan its funds or securities or transfer similar assets to any affiliated interest;

b. purchase debt instruments of any affiliated interests, or guarantee or assume liabilities of such affiliated interests; or

c. pledge the assets of PNM to pay or guarantee the debt of Iberdrola, Avangrid, PNMR or any other subsidiary of Iberdrola, Avangrid or PNMR;

(6) PNM has complied, and will comply, with all applicable federal or state statutes, rules, or regulations;

(7) when required by the Commission, PNM will have an allocation study (which will not be charged to ratepayers) performed by a consulting firm chosen by and under the direction of the Commission; and

(8) when required by the Commission, PNM will have a management audit (which will not be charged to ratepayers) performed by a consulting firm chosen by and under the direction of the Commission to determine whether there are any adverse effects of Class II Transactions upon PNM.

GCG#527325

List of Affiliates, Home Office Addresses, and Chief Executive Officers

Exhibit GDP-1

Is contained in the following 23 pages.

Officers and Directors of
PNM Resources, Inc. Companies

Avistar Enterprises, Inc.

A New Mexico Corporation, formed 8/2/99. Wholly owned subsidiary of PNM Resources, Inc. Name changed from Avistar, Inc. to Avistar Enterprises, Inc. 4/30/08.

Assistants

Juli M. Marcinelli, Assistant Secretary

Leonard D. Sanchez, Assistant Secretary

Lisa Y. Tillery, Assistant Secretary

Board Members

Carter Cherry, Director

Patricia K. Collawn, Chairman

Joseph D. Tarry, Director

Officers

Patrick V. Apodaca, Senior Vice President, General Counsel and Secretary

Carter Cherry, Executive Vice President and Chief Operating Officer

Patricia K. Collawn, President and Chief Executive Officer

Joseph D. Tarry, Vice President and Treasurer

Bellamah Holding Company

A New Mexico Corporation, formed 9/7/82. Wholly owned subsidiary of Meadows Resources, Inc. Company is currently in wind-down activities relating to process of dissolution. Has applied for statement of intent to dissolve.

Board Members

Elisabeth A. Eden, Director

Joseph D. Tarry, Chairman

Officers

Patrick V. Apodaca, Senior Vice President, General Counsel and Secretary

Joseph D. Tarry, President and Treasurer

Luna Power Company, LLC

A Delaware Limited Liability Company, formed 5/9/2000. PNMR owns a one-third membership interest along with Tucson Electric Power Company and Samchully Power & Utilities 1 LLC (each owning one-third interest). Luna Power Company, LLC was the previous owner of Luna plant, but most of assets have been transferred out so that all that is held now are real property interests such as easements that would require additional processes to be transferred to the three co-owners of the Luna plant.

Board Members

Jae Lee, Manager

Mark Mansfield, Manager

Chris M. Olson, Manager

Meadows Resources, Inc.

A New Mexico Corporation, formed 10/1/81. Wholly owned subsidiary of PNM. Wind down and termination plan activities for MRI and identified subsidiaries and affiliates, as approved in NMPSC Case No. 2429, are continuing.

Assistants

Juli M. Marcinelli, Assistant Secretary

Leonard D. Sanchez, Assistant Secretary

Lisa Y. Tillery, Assistant Secretary

Board Members

Elisabeth A. Eden, Director

Charles N. Eldred, Director

Joseph D. Tarry, Chairman

Officers

Patrick V. Apodaca, Senior Vice President, General Counsel and Secretary

Elisabeth A. Eden, Treasurer

Joseph D. Tarry, President

New Mexico PPA Corporation

A Delaware Corporation, formed 01/15/2016. Name changed from NM Capital Utility Corporation on 8/14/2019. Authorized to do business in New Mexico on 1/22/2016. Wholly owned subsidiary of PNM Resources, Inc.

Board Members

Elisabeth A. Eden, Director

Officers

Elisabeth A. Eden, Vice President and Treasurer

Henry E. Monroy, Vice President and Corporate Controller

Timothy P. Nichols, Vice President and Secretary

Leonard D. Sanchez, Assistant Secretary

Joseph D. Tarry, President

NM Renewable Development, LLC

A Delaware Limited Liability Company, formed 9/20/2017. A subsidiary of PNMR Development and Management Corporation, which owns a 50% interest along with AEP OnSite Partners LLC

Board Members

Elisabeth A. Eden, PNMR-D Manager

Matthew D. Fransen, AEP Manager

Greg B. Hall, AEP Manager

Joseph D. Tarry, PNMR-D Manager

Officers

Gary Barnard, Co-Vice President

Joel H. Jansen, Co-Vice President

NMRD Data Center II, LLC

A Delaware Limited Liability Company, formed 7/24/2018. Wholly owned subsidiary of NM Renewable Development, LLC

Board Members

Elisabeth A. Eden, Manager (PNMR)

Matthew D. Fransen, Manager

Joel H. Jansen, Manager

Joseph D. Tarry, Manager (PNMR)

Officers

Gary Barnard, Vice President (PNMR)

Joel H. Jansen, Vice President

NMRD Data Center II-Britton, LLC

A Delaware Limited Liability Company, formed 3/18/2019. Wholly owned subsidiary of NMRD Data Center II, LLC; special purpose entity with sole purpose to facilite IRB process.

Board Members

NMRD Data Center II, LLC, Authorized Person

NMRD Data Center III, LLC

A Delaware Limited Liability Company, formed 7/24/2018. Wholly owned subsidiary of NM Renewable Development, LLC

Board Members

Elisabeth A. Eden, Manager (PNMR)

Matthew D. Fransen, Manager

Joel H. Jansen, Manager

Joseph D. Tarry, Manager (PNMR)

Officers

Gary Barnard, Vice President (PNMR)

Joel H. Jansen, Vice President

NMRD Data Center III-Encino, LLC

A Delaware Limited Liability Company, formed 3/18/2019. Wholly owned subsidiary of NMRD Data Center III, LLC; special purpose entity with sole purpose to facilite IRB process.

Board Members

NMRD Data Center III, LLC, Authorized Person

NMRD Data Center, LLC

A Delaware Limited Liability Company, formed 12/14/2017. Wholly owned subsidiary of NM Renewable Development, LLC

Board Members

NM Renewable Development LLC, Authorized Person

PNM Resources, Inc.

A New Mexico Corporation, formed 03/03/2000. Investor owned holding company.

Assistants

Sabrina G. Greinel, Assistant Treasurer
Juli M. Marcinelli, Assistant Secretary
Leonard D. Sanchez, Assistant Secretary
Lisa Y. Tillery, Assistant Secretary

Board Members

Vicky A. Bailey, Director
Norman P. Becker, Director
Patricia K. Collawn, Chairman
E. Renae Conley, Director
Alan J. Fohrer, Director
Sidney M. Gutierrez, Director
James A. Hughes, Director
Maureen T. Mullarkey, Director
Donald K. Schwanz, Director
Bruce W. Wilkinson, Director

Officers

Patrick V. Apodaca, Senior Vice President, General Counsel and Secretary
Patricia K. Collawn, Chairman, President and Chief Executive Officer
Ronald N. Darnell, Senior Vice President, Public Policy
Elisabeth A. Eden, Vice President and Chief Information Officer
Charles N. Eldred, Executive Vice President, Corporate Development and Finance
Michael P. Mertz, Vice President and Treasurer
Henry E. Monroy, Vice President and Corporate Controller
Chris M. Olson, Senior Vice President, Utility Operations
Joseph D. Tarry, Senior Vice President and Chief Financial Officer
Becky R. Teague, Vice President, Human Resources

PNMR Development and Management Corporation

A New Mexico Corporation, formed 2/18/05. Wholly owned subsidiary of PNM Resources, Inc. Org. meeting--2/23/05

Assistants

Sabrina G. Greinel, Assistant Treasurer
Juli M. Marcinelli, Assistant Secretary
Leonard D. Sanchez, Assistant Secretary
Lisa Y. Tillery, Assistant Secretary

Board Members

Patricia K. Collawn, Chairman

Charles N. Eldred, Director

Joseph D. Tarry, Director

Officers

Patrick V. Apodaca, Senior Vice President, General Counsel and Secretary

Elisabeth A. Eden, Vice President and Treasurer

Henry E. Monroy, Vice President and Corporate Controller

Joseph D. Tarry, President and Chief Executive Officer

PNMR Services Company

A New Mexico Corporation, formed 10/8/04. Wholly owned subsidiary of PNM Resources, Inc.

Assistants

Sabrina G. Greinel, Assistant Treasurer

Juli M. Marcinelli, Assistant Secretary

Leonard D. Sanchez, Assistant Secretary

Lisa Y. Tillery, Assistant Secretary

Board Members

Patricia K. Collawn, Chairman

Elisabeth A. Eden, Director

Charles N. Eldred, Director

Chris M. Olson, Director

Joseph D. Tarry, Director

Officers

Patrick V. Apodaca, Senior Vice President, General Counsel and Secretary

Patricia K. Collawn, President and Chief Executive Officer

Ronald N. Darnell, Senior Vice President, Public Policy

Elisabeth A. Eden, Vice President and Chief Information Officer

Charles N. Eldred, Executive Vice President, Corporate Development and Finance

Michael P. Mertz, Vice President and Treasurer

Henry E. Monroy, Vice President and Corporate Controller

Joseph D. Tarry, Senior Vice President and Chief Financial Officer

Becky R. Teague, Vice President, Human Resources

Public Service Company of New Mexico

A New Mexico Corporation, formed 5/9/1917. Wholly owned subsidiary of PNM Resources, Inc.

Assistants

Sabrina G. Greinel, Assistant Treasurer

Juli M. Marcinelli, Assistant Secretary

Leonard D. Sanchez, Assistant Secretary

Lisa Y. Tillery, Assistant Secretary

Board Members

Patricia K. Collawn, Chairman

Ronald N. Darnell, Director

Charles N. Eldred, Director

Chris M. Olson, Director

Joseph D. Tarry, Director

Officers

Patrick V. Apodaca, Senior Vice President, General Counsel and Secretary

Patricia K. Collawn, President and Chief Executive Officer

Ronald N. Darnell, Senior Vice President, Public Policy

Elisabeth A. Eden, Vice President and Chief Information Officer

Charles N. Eldred, Executive Vice President, Corporate Development and Finance

Thomas G. Fallgren, Vice President, PNM Generation

Todd Fridley, Vice President, NM Operations

Michael P. Mertz, Vice President and Treasurer

Henry E. Monroy, Vice President and Corporate Controller

Chris M. Olson, Senior Vice President, Utility Operations

Julie Rowey, Vice President, Chief Customer Officer

Joseph D. Tarry, Senior Vice President and Chief Financial Officer

Becky R. Teague, Vice President, Human Resources

Republic Holding Company

A Delaware Corporation, formed 7/1/85. Wholly owned subsidiary of Meadows Resources, Inc.. A savings and loan holding company.

Assistants

Leonard D. Sanchez, Assistant Secretary

Board Members

Ronald N. Darnell, Director

Elisabeth A. Eden, Chairman

Charles N. Eldred, Director

Joseph D. Tarry, Director

Officers

Patrick V. Apodaca, Senior Vice President, General Counsel and Secretary

Elisabeth A. Eden, President and Treasurer

Sunbelt Mining Company, Inc.

A New Mexico Corporation, formed 12/13/79. Wholly owned subsidiary of PNM Resources, Inc. On 1/11/02, PNM transferred its ownership interest in SMC to PNM Resources by means of a dividend.

Assistants

Juli M. Marcinelli, Assistant Secretary

Leonard D. Sanchez, Assistant Secretary

Lisa Y. Tillery, Assistant Secretary

Board Members

Joseph D. Tarry, Chairman

Officers

Patrick V. Apodaca, Senior Vice President, General Counsel and Secretary

Elisabeth A. Eden, Vice President and Treasurer

Joseph D. Tarry, President

Texas-New Mexico Power Company

A Texas Corporation, formed 4/18/63. Wholly owned subsidiary of TNP Enterprises, Inc. Changed name from Community Public Service Company on 5/14/81.

Assistants

Sabrina G. Greinel, Assistant Treasurer

Juli M. Marcinelli, Assistant Secretary

Leonard D. Sanchez, Assistant Secretary

Lisa Y. Tillery, Assistant Secretary

Board Members

Patricia K. Collawn, Chairman

Ronald N. Darnell, Director

Charles N. Eldred, Director

Chris M. Olson, Director

Joseph D. Tarry, Director

James N. Walker, Director

Officers

Patrick V. Apodaca, Senior Vice President, General Counsel and Secretary

Patricia K. Collawn, Chief Executive Officer

Elisabeth A. Eden, Vice President and Chief Information Officer

Charles N. Eldred, Executive Vice President, Corporate Development and Finance

Michael P. Mertz, Vice Presdient and Treasurer

Henry E. Monroy, Vice President and Corporate Controller

Keith C. Nix, Vice President, Engineering and Technical Services

Chris M. Olson, Senior Vice President, Utility Operations

Evans Spanos, Vice President, Operations

Joseph D. Tarry, Senior Vice President and Chief Financial Officer

Becky R. Teague, Vice President, Human Resources

James N. Walker, President

Stacy R. Whitehurst, Vice President, Regulatory Affairs

TNP Enterprises, Inc.

A Texas Corporation, formed 2/7/83 (Bayport Cogeneration, Inc.). Wholly owned subsidiary of PNM Resources, Inc. Changed name from Bayport Cogeneration Company 3/1/83. Surviving corporation of merger with ST Acquisition Corp. on 4/7/00. Stock acquired by PNM Resources, Inc. on 6/6/05.

Assistants

Sabrina G. Greinel, Assistant Treasurer

Juli M. Marcinelli, Assistant Secretary

Leonard D. Sanchez, Assistant Secretary

Lisa Y. Tillery, Assistant Secretary

Board Members

Patricia K. Collawn, Chairman

Charles N. Eldred, Director

Officers

Patrick V. Apodaca, Senior Vice President, General Counsel and Secretary

Patricia K. Collawn, President and Chief Executive Officer

Charles N. Eldred, Executive Vice President, Corporate Development and Finance

Michael P. Mertz, Vice President and Treasurer

Henry E. Monroy, Vice President and Corporate Controller

Joseph D. Tarry, Senior Vice President and Chief Financial Officer

TNP Operating Company

A Texas Corporation, formed 10/17/84. Wholly owned subsidiary of TNP Enterprises, Inc. Inactive other than owning certain tracts of land in TX and NM.

Board Members

Patricia K. Collawn, Chairman

Charles N. Eldred, Director

Joseph D. Tarry, Director

Officers

Patrick V. Apodaca, Senior Vice President, General Counsel and Secretary

Ronald N. Darnell, President and Chief Executive Officer

Joseph D. Tarry, Vice President and Treasurer

PNM Resources and Subsidiaries
Home Office Addresses and Addresses for Service of Process

Avistar Enterprises, Inc. 414 Silver Ave, SW Albuquerque, NM	NMRD Data Center, LLC 1 Riverside Plaza Columbus, OH
Bellamah Holding 414 Silver Ave, SW Albuquerque, NM	PNM Resources, Inc. 414 Silver Ave, SW Albuquerque, NM
Luna Power Company, LLC 414 Silver Ave, SW Albuquerque, NM	PNMR Development and Management Corporation 414 Silver Ave, SW Albuquerque, NM
Meadows Resources, Inc. 414 Silver Ave, SW Albuquerque, NM	PNMR Services Company 414 Silver Ave, SW Albuquerque, NM
New Mexico PPA Corporation 414 Silver Ave, SW Albuquerque, NM	Public Service Company of New Mexico 414 Silver Ave, SW Albuquerque, NM
NM Renewable Development, LLC 155 W. Nationwide Blvd. Columbus, OH	Republic Holding Company 414 Silver Ave, SW Albuquerque, NM
NMRD Data Center II, LLC 1 Riverside Plaza Columbus, OH	Sunbelt Mining Company, Inc. 414 Silver Ave, SW Albuquerque, NM
NMRD Data Center II-Britton, LLC 1 Riverside Plaza Columbus, OH	Texas-New Mexico Power Company 577 N. Garden Ridge Blvd. Lewisville, TX
NMRD Data Center III, LLC 1 Riverside Plaza Columbus, OH	TNP Enterprises, Inc. 577 N. Garden Ridge Blvd. Lewisville, TX
NMRD Data Center III-Encino, LLC 1 Riverside Plaza Columbus, OH	TNP Operating Company 577 N. Garden Ridge Blvd. Lewisville, TX

Avangrid, Inc. and Subsidiaries
Addresses and Chief Executive Officer
As of November 1, 2020

Avangrid, Inc.

Business Address:
180 Marsh Hill Road
Orange, CT 06477

Corporate Address:
180 Marsh Hill Road
Orange, CT 06477

Dennis V. Arriola – Chief Executive Officer
180 Marsh Hill Road
Orange, CT 06477

Atlantic Renewable Energy Corporation

Business Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Corporate Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Alejandro de Hoz García-Bellido – President and Chief Executive Officer
1125 NW Couch Street Ste 700
Portland, OR 97209

Avangrid Networks, Inc.

Business Address:
One City Center, 5th Floor
Portland, ME 04101

Corporate Address:
One City Center, 5th Floor
Portland, ME 04101

Anthony Marone III – President and Chief Executive Officer
180 Marsh Hill Road
Orange, CT 06477

Avangrid Renewables Holdings, Inc.
Business Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Corporate Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Alejandro de Hoz García-Bellido – President and Chief Executive Officer
1125 NW Couch Street Ste 700
Portland, OR 97209

Avangrid Renewables, LLC

Business Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Corporate Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Alejandro de Hoz García-Bellido – President and Chief Executive Officer
1125 NW Couch Street Ste 700
Portland, OR 97209

Avangrid Service Company

Business Address:
One City Center, 5th Floor
Portland, ME 04101

Corporate Address:
One City Center, 5th Floor
Portland, ME 04101

Anthony Marone III – Chief Executive Officer and President.
160 Marsh Hill Road
Orange, CT 06477

Berkshire Energy Resources

Business Address:
115 Cheshire Road
Pittsfield, MA 01201

Corporate Address:
115 Cheshire Road
Pittsfield, MA 01201

Anthony Marone III – Chairman, President and Chief Executive Officer
160 Marsh Hill Road
Orange, CT 06477

The Berkshire Gas Company

Business Address:
115 Cheshire Road
Pittsfield, MA 01201

Corporate Address:
115 Cheshire Road
Pittsfield, MA 01201

Anthony Marone III – Chairman and Chief Executive Officer
160 Marsh Hill Road
Orange, CT 06477

CMP Group, Inc.

Business Address:
83 Edison Drive
Augusta, ME 04336

Corporate Address:
83 Edison Drive
Augusta, ME 04336

Anthony Marone III – Chairman and Chief Executive Officer
160 Marsh Hill Road
Orange, CT 06477

Connecticut Energy Corporation

Business Address:
60 Marsh Hill Road
Orange, CT 06477

Corporate Address:
60 Marsh Hill Road
Orange, CT 06477

Anthony Marone III – Chairman, President and Chief Executive Officer
160 Marsh Hill Road
Orange, CT 06477

Connecticut Natural Gas Corporation

Business Address:
76 Meadow Street
East Hartford, CT 06108

Corporate Address:
76 Meadow Street
East Hartford, CT 06108

Franklyn Reynolds – Chairman, President and Chief Executive Officer
115 Cheshire Road
Pittsfield, MA 01201

Connecticut Yankee Atomic Power Company

Business Address:
362 Injun Hollow Road
East Hampton, CT 06424

Corporate Address:
362 Injun Hollow Road
East Hampton, CT 06424

Wayne A. Norton - President and Chief Executive Officer
362 Injun Hollow Road
East Hampton, CT 06424

CTG Resources, Inc.

Business Address:
60 Marsh Hill Road
Orange, CT 06477

Corporate Address:
60 Marsh Hill Road
Orange, CT 06477

Anthony Marone III – Chairman, President and Chief Executive Officer
160 Marsh Hill Road
Orange, CT 06477

Manzana Power Services, Inc.

Business Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Corporate Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Alejandro de Hoz García-Bellido – President and Chief Executive Officer
1125 NW Couch Street Ste 700
Portland, OR 97209

NECEC Transmission, LLC

Business Address:
One City Center, 5th Floor
Portland, ME 04101

Corporate Address:
One City Center, 5th Floor
Portland, ME 04101

Thorn Dickinson – Chief Executive Officer and President
One City Center, 5th Floor
Portland, ME 04101

New York State Electric & Gas Corporation

Business Address:
89 East Avenue
Rochester, NY 14649

Corporate Address:
89 East Avenue
Rochester, NY 14649

Carl A. Taylor – President and Chief Executive Officer
89 East Avenue
Rochester, NY 14649

PPM Technical Services, Inc.

Business Address:
1125 NW Couch Street Ste 700
Portland, OR 97209
Corporate Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Alejandro de Hoz García-Bellido – President and Chief Executive Officer
1125 NW Couch Street Ste 700
Portland, OR 97209

RGS Energy Group, Inc.

Business Address:
89 East Avenue
Rochester, NY 14649

Corporate Address:
89 East Avenue
Rochester, NY 14649

Anthony Marone III – Chairman, President and Chief Executive Officer
160 Marsh Hill Road
Orange, CT 06477

Rochester Gas and Electric Corporation

Business Address:
89 East Avenue
Rochester, NY 14649

Corporate Address:
89 East Avenue
Rochester, NY 14649

Carl A. Taylor – President and Chief Executive Officer
89 East Avenue
Rochester, NY 14649

ScottishPower Financial Services, Inc.

Business Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Corporate Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Alejandro de Hoz García-Bellido – President and Chief Executive Officer
1125 NW Couch Street Ste 700
Portland, OR 97209

ScottishPower Group Holdings Company

Business Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Corporate Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Alejandro de Hoz García-Bellido – President and Chief Executive Officer
1125 NW Couch Street Ste 700
Portland, OR 97209

ScottishPower International Group Holdings Company

Business Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Corporate Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Alejandro de Hoz García-Bellido – President and Chief Executive Officer
1125 NW Couch Street Ste 700
Portland, OR 97209

The Southern Connecticut Gas Company

Business Address:
60 Marsh Hill Road
Orange, CT 06477

Corporate Address:
60 Marsh Hill Road
Orange, CT 06477

Franklyn Reynolds - President and Chief Executive Officer
115 Cheshire Road
Pittsfield, MA 01201

Thermal Energies, Inc.

Business Address:
180 Marsh Hill Road
Orange, CT 06477

Corporate Address:
180 Marsh Hill Road
Orange, CT 06477

Franklyn Reynolds – Chief Executive Officer and President
115 Cheshire Road
Pittsfield, MA 01201

UIL Distributed Resources, LLC

Business Address:
180 Marsh Hill Road
Orange, CT 06477

Corporate Address:
180 Marsh Hill Road
Orange, CT 06477

Anthony Marone III – Chairman, President and Chief Executive Officer
180 Marsh Hill Road
Orange, CT 06477

UIL Holdings Corporation

Business Address:
180 Marsh Hill Road
Orange, CT 06477

Corporate Address:
180 Marsh Hill Road
Orange, CT 06477

Franklyn Reynolds – President and Chief Executive Officer
115 Cheshire Road
Pittsfield, MA 01201

United Capital Investment, Inc.

Business Address:
180 Marsh Hill Road
Orange, CT 06477

Corporate Address:
180 Marsh Hill Road
Orange, CT 06477

Anthony Marone III – Chief Executive Officer and President
180 Marsh Hill Road
Orange, CT 06477

The United Illuminating Company

Business Address:
180 Marsh Hill Road
Orange, CT 06477

Corporate Address:
180 Marsh Hill Road
Orange, CT 06477

Franklyn Reynolds - President and Chief Executive Officer
115 Cheshire Road
Pittsfield, MA 01201

United Resources, Inc.

Business Address:
180 Marsh Hill Road
Orange, CT 06477

Corporate Address:
180 Marsh Hill Road
Orange, CT 06477

Anthony Marone III – Chairman, President and Chief Executive Officer
180 Marsh Hill Road
Orange, CT 06477

Vineyard Wind, LLC

Business Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Corporate Address:
1125 NW Couch Street Ste 700
Portland, OR 97209

Lars Thaaning Pedersen – CEO
1125 NW Couch Street Ste 700
Portland, OR 97209

Xcelecom, Inc.

Business Address:
180 Marsh Hill Road
Orange, CT 06477

Corporate Address:
180 Marsh Hill Road
Orange, CT 06477

Anthony Marone III – Chairman, President and Chief Executive Officer
180 Marsh Hill Road
Orange, CT 06477

Xcel Services, Inc.

Business Address:
180 Marsh Hill Road
Orange, CT 06477

Corporate Address:
180 Marsh Hill Road
Orange, CT 06477

Anthony Marone III – Chairman, President and Chief Executive Officer
180 Marsh Hill Road
Orange, CT 06477

Yankee Atomic Electric Company (updated 2/27/2019)

Business Address:
Midstate Office Park
19 Midstate Drive
Auburn, MA 01503

Corporate Address
Midstate Office Park
19 Midstate Drive
Auburn, MA 01503

Wayne A. Norton – President and Chief Executive Officer
Midstate Office Park
19 Midstate Drive
Auburn, MA 01503

IBERDROLA, S.A.
Addresses and Chief Executive Officers
As of November 1, 2020

Iberdrola, S.A.

Business Address:
Plaza de Euskadi, 5 48009
Bilbao, Spain

Ignacio Sánchez Galán – Chief Executive Officer
Plaza de Euskadi, 5 48009
Bilbao, Spain

Iberdrola Solutions, LLC

Business Address:
One City Center
5th Floor
Portland, ME 04101

Laney Brown – President
One City Center
5th Floor
Portland, ME 04101

Organizational Chart – Avangrid, Inc. and Subsidiaries

Exhibit GDP-2

Is contained in the following 4 pages.

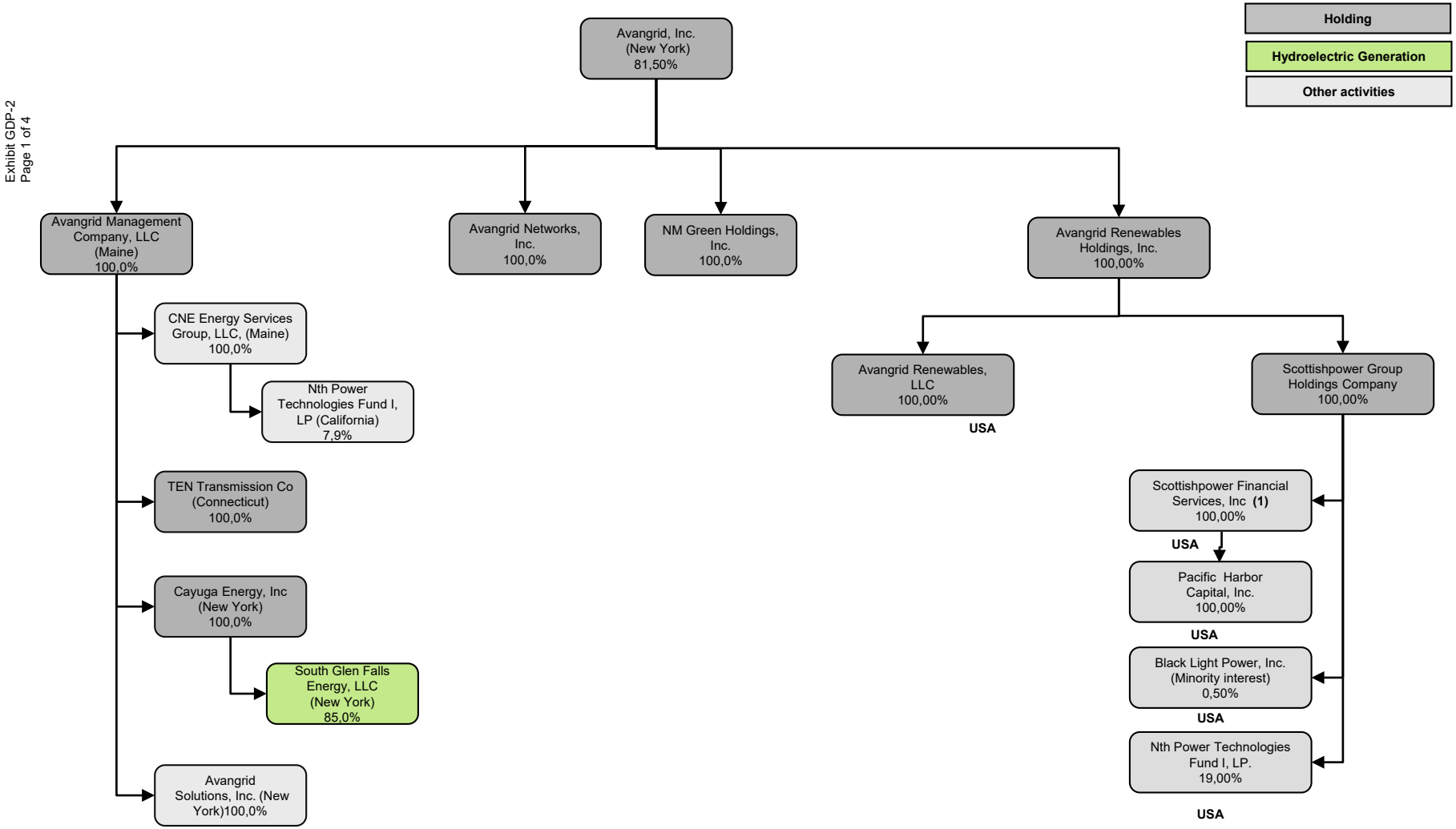
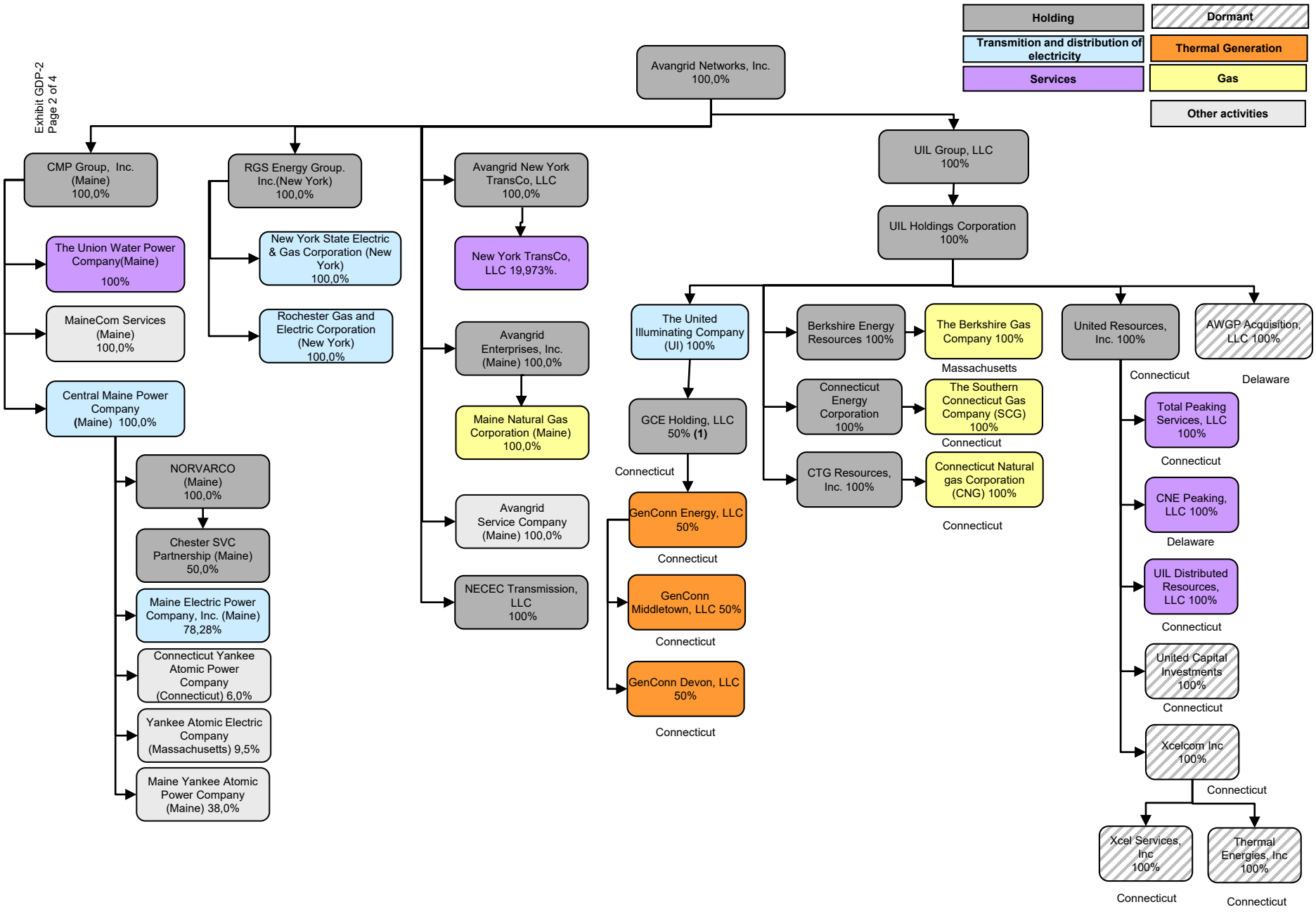
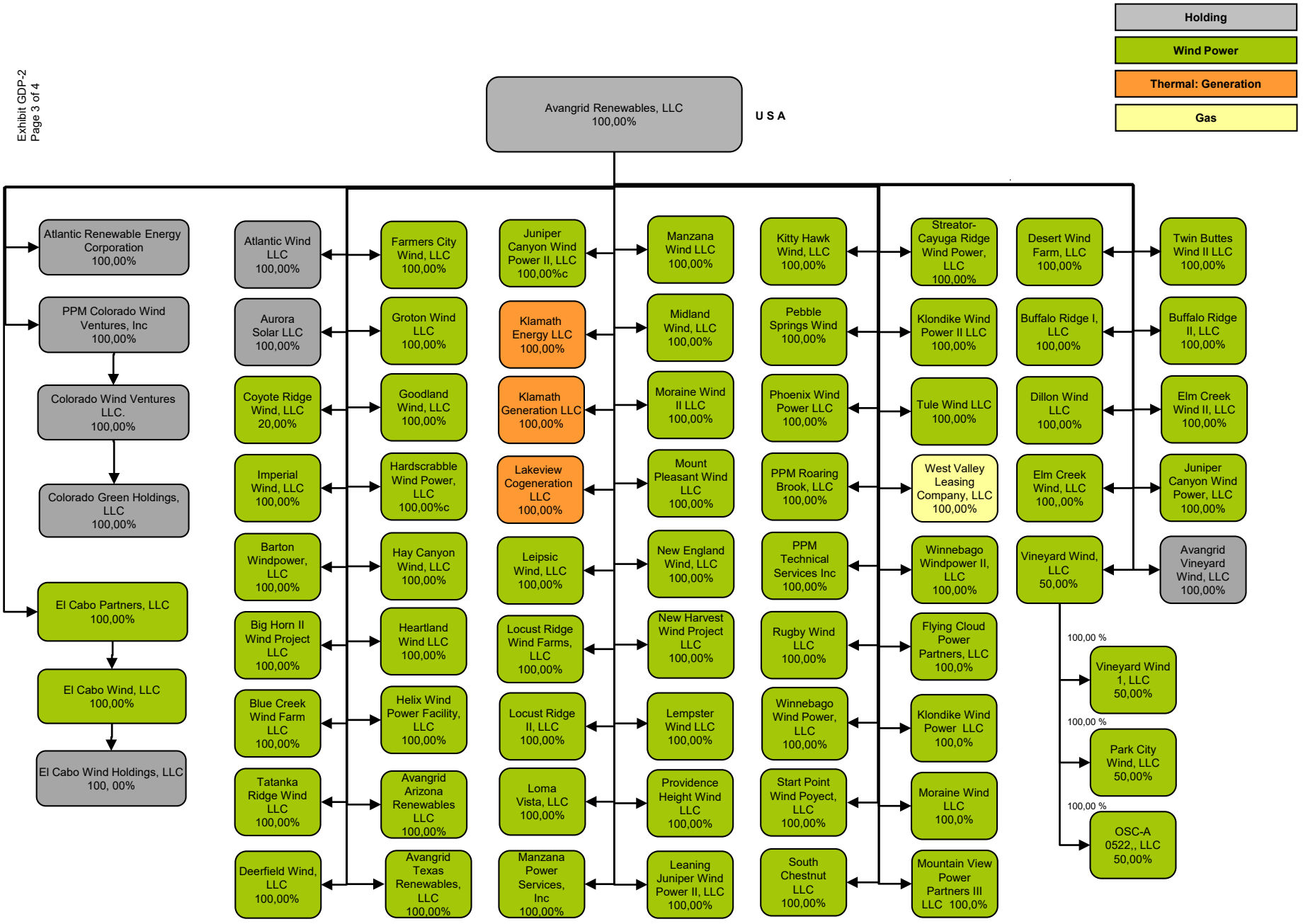
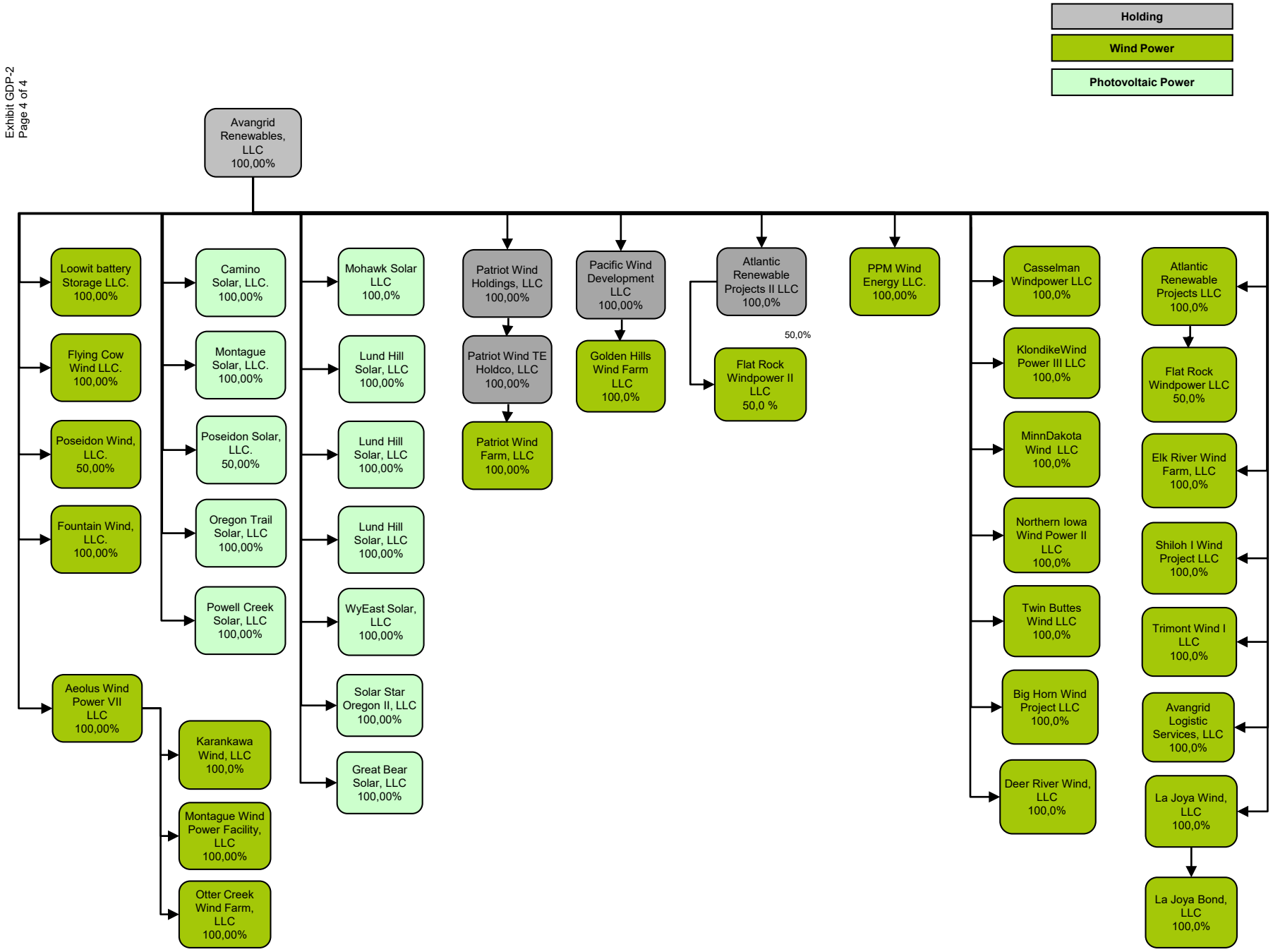

Holding
Hydroelectric Generation
Other activities
Avangrid, Inc.
(New York)
81,50%
Avangrid Management Company, LLC
(Maine)
100,0%
Avangrid Networks, Inc.
100,0%
NM Green Holdings, Inc.
100,0%
Avangrid Renewables Holdings, Inc.
100,00%
CNE Energy Services Group, LLC, (Maine)
100,0%
Nth Power Technologies Fund I, LP (California)
7,9%
TEN Transmission Co
(Connecticut)
100,0%
Cayuga Energy, Inc
(New York)
100,0%
South Glen Falls Energy, LLC
(New York)
85,0%
Avangrid Solutions, Inc. (New York)100,0%
Avangrid Renewables, LLC
100,00%
USA
Scottishpower Group Holdings Company
100,00%
Scottishpower Financial Services, Inc (1)
100,00%
USA
Pacific Harbor Capital, Inc.
100,00%
USA
Black Light Power, Inc.
(Minority interest)
0,50%
USA
Nth Power Technologies Fund I, LP.
19,00%
USA

Exhibit GDP-2
Page 2 of 4




Holding
Wind Power
Thermal: Generation
Gas
Avangrid Renewables, LLC
100,00%
U S A
Atlantic Renewable Energy Corporation
100,00%
PPM Colorado Wind Ventures, Inc
100,00%
Colorado Wind Ventures LLC.
100,00%
Colorado Green Holdings, LLC
100,00%
El Cabo Partners, LLC
100,00%
El Cabo Wind, LLC
100,00%
El Cabo Wind Holdings, LLC
100, 00%
Atlantic Wind LLC
100,00%
Aurora Solar LLC
100,00%
Coyote Ridge Wind, LLC
20,00%
Imperial Wind, LLC
100,00%
Barton Windpower, LLC
100,00%
Big Horn II Wind Project LLC
100,00%
Blue Creek Wind Farm LLC
100,00%
Tatanka Ridge Wind LLC
100,00%
Deerfield Wind, LLC
100,00%
Farmers City Wind, LLC
100,00%
Groton Wind LLC
100,00%
Goodland Wind, LLC
100,00%
Hardscrabble Wind Power, LLC
100,00%c
Hay Canyon Wind, LLC
100,00%
Heartland Wind LLC
100,00%
Helix Wind Power Facility, LLC
100,00%
Avangrid Arizona Renewables LLC
100,00%
Avangrid Texas Renewables, LLC
100,00%
Juniper Canyon Wind Power II, LLC
100,00%c
Klamath Energy LLC
100,00%
Klamath Generation LLC
100,00%
Lakeview Cogeneration LLC
100,00%
Leipsic Wind, LLC
100,00%
Locust Ridge Wind Farms, LLC
100,00%
Locust Ridge II, LLC
100,00%
Loma Vista, LLC
100,00%
Manzana Power Services, Inc
100,00%
Manzana Wind LLC
100,00%
Midland Wind, LLC
100,00%
Moraine Wind II LLC
100,00%
Mount Pleasant Wind LLC
100,00%
New England Wind, LLC
100,00%
New Harvest Wind Project LLC
100,00%
Lempster Wind LLC
100,00%
Providence Height Wind LLC
100,00%
Leaning Juniper Wind Power II, LLC
100,00%
Kitty Hawk Wind, LLC
100,00%
Pebble Springs Wind
100,00%
Phoenix Wind Power LLC
100,00%
PPM Roaring Brook, LLC
100,00%
PPM Technical Services Inc
100,00%
Rugby Wind LLC
100,00%
Winnebago Wind Power, LLC
100,00%
Start Point Wind Poyect, LLC
100,00%
South Chestnut LLC
100,00%
Streator-Cayuga Ridge Wind Power, LLC
100,00%
Klondike Wind Power II LLC
100,00%
Tule Wind LLC
100,00%
West Valley Leasing Company, LLC
100,00%
Winnebago Windpower II, LLC
100,00%
Flying Cloud Power Partners, LLC
100,0%
Klondike Wind Power LLC
100,0%
Moraine Wind LLC
100,0%
Mountain View Power Partners III LLC 100,0%
Desert Wind Farm, LLC
100,00%
Buffalo Ridge I, LLC
100,00%
Dillon Wind LLC
100,00%
Elm Creek Wind, LLC
100,,00%
Vineyard Wind, LLC
50,00%
100,00 %
Vineyard Wind 1, LLC
50,00%
100,00 %
Park City Wind, LLC
50,00%
100,00 %
OSC-A 0522,, LLC
50,00%
Twin Buttes Wind II LLC
100,00%
Buffalo Ridge II, LLC
100,00%
Elm Creek Wind II, LLC
100,00%
Juniper Canyon Wind Power, LLC
100,00%
Avangrid Vineyard Wind, LLC
100,00%


Holding
Wind Power
Photovoltaic Power
Avangrid Renewables, LLC 100,00%
Loowit battery Storage LLC. 100,00%
Flying Cow Wind LLC. 100,00%
Poseidon Wind, LLC. 50,00%
Fountain Wind, LLC. 100,00%
Aeolus Wind Power VII LLC 100,00%
Karankawa Wind, LLC 100,0%
Montague Wind Power Facility, LLC 100,00%
Otter Creek Wind Farm, LLC 100,00%
Camino Solar, LLC. 100,00%
Montague Solar, LLC. 100,00%
Poseidon Solar, LLC. 50,00%
Oregon Trail Solar, LLC 100,00%
Powell Creek Solar, LLC 100,00%
Mohawk Solar LLC 100,0%
Lund Hill Solar, LLC 100,00%
Lund Hill Solar, LLC 100,00%
Lund Hill Solar, LLC 100,00%
WyEast Solar, LLC 100,00%
Solar Star Oregon II, LLC 100,00%
Great Bear Solar, LLC 100,00%
Patriot Wind Holdings, LLC 100,00%
Patriot Wind TE Holdco, LLC 100,00%
Patriot Wind Farm, LLC 100,00%
Pacific Wind Development LLC 100,00%
Golden Hills Wind Farm LLC 100,0%
Atlantic Renewable Projects II LLC 100,0%
50,0%
Flat Rock Windpower II LLC 50,0 %
PPM Wind Energy LLC. 100,00%
Casselman Windpower LLC 100,0%
KlondikeWind Power III LLC 100,0%
MinnDakota Wind LLC 100,0%
Northern Iowa Wind Power II LLC 100,0%
Twin Buttes Wind LLC 100,0%
Big Horn Wind Project LLC 100,0%
Deer River Wind, LLC 100,0%
Atlantic Renewable Projects LLC 100,0%
Flat Rock Windpower LLC 50,0%
Elk River Wind Farm, LLC 100,0%
Shiloh I Wind Project LLC 100,0%
Trimont Wind I LLC 100,0%
Avangrid Logistic Services, LLC 100,0%
La Joya Wind, LLC 100,0%
La Joya Bond, LLC 100,0%

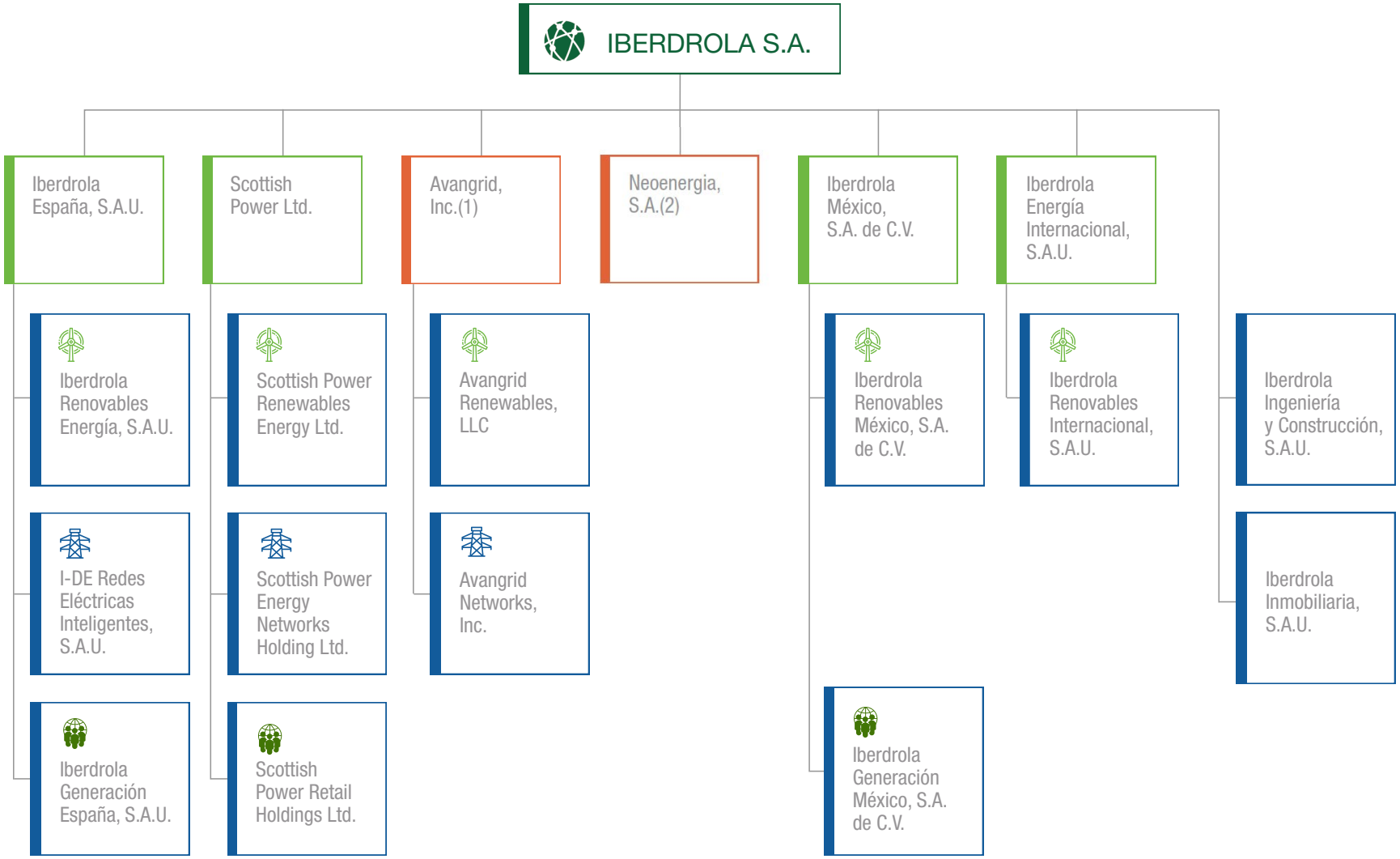
Organizational Chart – Iberdrola, S.A. and Country Subholding Companies and Key Subsidiaries

Exhibit GDP-3

Is contained in the following page.

Exhibit GDP-3
Page 1 of 1

SIMPLIFIED SCHEME OF THE CORPORATE STRUCTURE OF THE GROUP



Holding company

Head of business companies

Country subholding companies

Listed country subholding company

[1] Avangrid, Inc. is 81.50% owned by Iberdrola, S.A.

[2] Neoenergia, S.A. is 50% + 1 share indirectly owned by Iberdrola, S.A.

Wholesale and Retail

Networks

Renewables

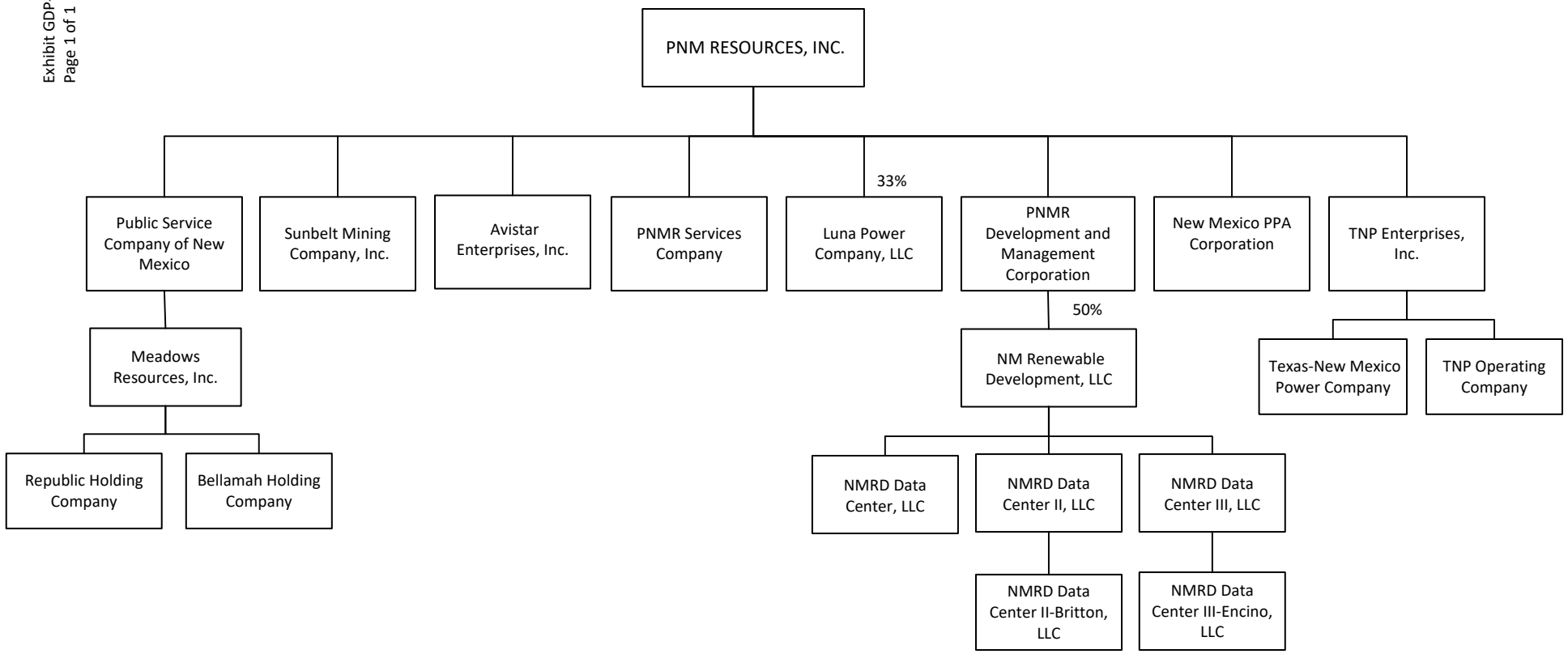
Organizational Chart –PNM Resources, Inc. and Subsidiaries

Exhibit GDP-4

Is contained in the following page.

Exhibit GDP-4
Page 1 of 1

PNM Resources, Inc. Organizational Chart



(Last updated August 16, 2019)

Merger Credit Rate Rider

JA Exhibit RND-3

Is contained in the following 1 page.

PUBLIC SERVICE COMPANY OF NEW MEXICO

ORIGINAL RIDER NO. _____

MERGER CREDIT

APPLICABILITY: The Merger Credit rider will apply to all retail customer classes within PNM's service territory.

DESCRIPTION: This rider will provide each customer with a monthly Merger Credit Factor ($/kWh) that represents a rate benefit from the merger transaction between PNM and Avangrid (Case No. 20-00____-UT approving the proposed transactions and merger credit). The total amount of the credit shall be: (i) equal to $24.6 million, (ii) credited to bills over a period of 36 months, and (iii) subject to a final month's true-up adjustment.

MERGER CREDIT FACTOR: $(TBD) per kWh

MERGER CREDIT FACTOR CALCULATION: The merger credit balance of $24.6 million is to be allocated among all retail customer classes based on their forecasted annual energy usage for 2022-2024. The Merger Credit Factor will remain constant for the duration of the rider until the final month of the credit, when it will be re-set to a level estimated to reduce the balance to zero at the end of that month. If the estimated Merger Credit Factor is calculated to be less than $[TBD] per kWh, the Merger Credit Factor will be set to zero and crediting will cease. If the calculated Merger Credit Factor is greater than or equal to $[TBD], the factor will be rounded to the nearest 6 decimal place and employed for one month. Thereafter, the merger credits will cease.

MERGER CREDIT BALANCE: The merger credit balance will be monitored monthly to determine the final month of crediting. This will be the month during which it is estimated that applying the Merger Credit Factor to the estimated kWh usage for that month would result in a negative merger credit balance. For the final month of crediting, the Merger Credit Factor will be re-set to a level estimated to reduce the balance to zero at the end of the month.

RULES AND REGULATIONS: All specifics of service and monthly charges for electric service under the customer's regular rate schedule apply. Where they are not inconsistent with this rider, the Company's Rules and Regulations are a part of this rider as if fully written herein.

Advice Notice No.

_____
Mark Fenton
Executive Director, Regulatory Policy and Case Management
GCG#527321

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC. FOR APPROVAL OF THE MERGER OF NM GREEN HOLDINGS, INC. WITH PNM RESOURCES, INC.; APPROVAL OF A GENERAL DIVERSIFICATION PLAN; AND ALL OTHER AUTHORIZATIONS AND APPROVALS REQUIRED TO CONSUMMATE AND IMPLEMENT THIS TRANSACTION	**Case No. 20-00____-UT**
AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC.,	
JOINT APPLICANTS.	

SELF AFFIRMATION

RONALD N. DARNELL, Sr. Vice President, Public Policy, PNMR Services Company, upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read the foregoing **Direct Testimony of Ronald N. Darnell** and it is true and correct based on my personal knowledge and belief.

DATED this 23rd day of November, 2020.

/s/ Ronald N. Darnell____
RONALD N. DARNELL

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC. FOR APPROVAL OF THE MERGER OF NM GREEN HOLDINGS, INC. WITH PNM RESOURCES, INC.; APPROVAL OF A GENERAL DIVERSIFICATION PLAN; AND ALL OTHER AUTHORIZATIONS AND APPROVALS REQUIRED TO CONSUMMATE AND IMPLEMENT THIS TRANSACTION	)	
AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY OF NEW MEXICO AND PNM RESOURCES, INC.,	)	**Case No. 20-00____-UT**
JOINT APPLICANTS.	)	

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of **Joint Application of Avangrid Inc., Avangrid Networks, Inc., NM Green Holdings, Inc., Public Service Company of New Mexico and PNM Resources Inc. for Approval of the Merger of NM Green Holdings, Inc. with PNM Resources, Inc.; Approval of a General Diversification Plan; and All Other Authorizations and Approvals Required to Consummate and implement This Transaction ("Joint Application")** was emailed to the parties listed below on November 23, 2020:

Adam Bickford	abickford@swenergy.org;
Alicia Armijo	aarmijo@nmag.gov;
Amanda Edwards	AE@Jalblaw.com;
Ana Kippenbrock	Ana.kippenbrock@state.nm.us;
Andrea Crane	ctcolumbia@aol.com;
Anthony Medeiros	Anthony.medeiros@state.nm.us;
April Elliot	april.elliott@westernresources.org
April Elliott	april@elliottanalytics.com;
Ashley Schannauer	Ashley.Schannauer@state.nm.us;
Beverly Eschberger	Beverly.eschberger@state.nm.us;
Bobbie J. Collins	BCollins@lrrc.com;
Bradford Borman	Bradford.Borman@state.nm.us;
Brian J. Haverly	bjh@keleher-law.com;
Bruce C. Throne	bthroneatty@newmexico.com;
Carey Salaz	Carey.Salaz@pnm.com;

Carla Bond	CBond@lrrc.com;
Charles F. Noble	Noble.ccae@gmail.com;
Cholla Khoury	ckhoury@nmag.gov;
Cydney Beadles	Cydney.Beadles@westernresources.org;
Honorable Commissioner Cynthia B. Hall	Cynthia.Hall@state.nm.us;
Dahl Harris	dahlharris@hotmail.com;
Dave Effross	dave.effross@westernresources.org;
David Schwartz	david.schwartz@lw.com;
David Van Winkle	davidvanwinkle2@gmail.com;
Deborah.Bransford	Deborah.Bransford@state.nm.us;
Dhiraj Solomon	Dhiraj.solomon@state.nm.us;
Don Hancock	sricdon@earthlink.net;
Doug Gegax	dgegax@nmsu.edu;
Edward A. Montoya	eamontoya@cabq.gov;
Elisha Leyba-Tercero	Elisha.leyba-tercero@state.nm.us;
Elizabeth Ramirez	Elizabeth.Ramirez@state.nm.us;
Eva Taylor	Evataylor@cabq.gov;
Georgette Ramie	georgette.ramie@state.nm.us;
Gideon Elliott	gelliot@nmag.gov;
Grieta G. Gilchrist	ggilchrist@rmjfirm.com;
Jack Sidler	Jack.Sidler@state.nm.us;
James R. Dauphinais	jdauphinais@consultbai.com;
Jane Yee	jyee@cabq.gov;
Jason Marks	lawoffice@jasonmarks.com;
Jason Montoya	JasonN.Montoya@state.nm.us;
Honorable Commissioner Jefferson Byrd	Jeff.Byrd@state.nm.us;
Jeffrey H. Albright	JA@JalbLaw.com;
Jim Dittmer	jdittmer@utilitech.net;
Joan Drake	jdrake@modrall.com;
Jody Kyler Cohn	jkylercohn@BKLlawfirm.com;
Joe Herz	jaherz@sawvel.com;
John Bogatko	john.bogatko@state.nm.us;
John Reynolds	John.Reynolds@state.nm.us;
Justin Lesky	jlesky@leskylawoffice.com;
Keith Herrmann	kherrmann@stelznerlaw.com;
Kelly Gould	kelly@thegouldlawfirm.com;
Kevin Higgins	khiggins@energystrat.com;
Kurt J. Boehm	kboehm@bkllawfirm.com;
Lisa Tormoen Hickey	lisahickey@newlawgroup.com;
Lisa V. Perry	LPerry@rqn.com;
Marc Tupler	Marc.tupler@state.nm.us;
Mariel Nanasi	mariel@seedsbeneaththesnow.org;

Mark Fenton	Mark.Fenton@pnm.com;
Mark K. Adams	mkadams@rodey.com;
Mason Bayler	mason.bayler@troutman.com;
Michael C. Smith	MichaelC.Smith@state.nm.us;
Michael I. Garcia	mikgarcia@bernco.gov;
Milo Chavez	Milo.Chavez@state.nm.us;
Nancy Long	email@longkomer.com;
Nann M. Winter	nwinter@stelznerlaw.com;
Nikki Joseph	njoseph@cabq.gov;
Noah Long	nlong@nrdc.org;
Pat O'Connell	pat.oconnell@westernresources.org;
Peggy Martinez-Rael	Peggy.Martinez-Rael@state.nm.us;
Peter Auh	pauh@abcwua.org;
Peter J. Gould	peter@thegouldlawfirm.com;
PRC Records Management Bureau	Prc.records@state.nm.us;
Ralph Cavanagh	rcavanagh@nrdc.org;
Ramona Blaber	Ramona.blaber@sierraclub.org;
Rebecca Carter	Rebecca.carter@nmgco.com;
Rick Alvidrez	ralvidrez@mstlaw.com;
Robert Lundin	rlundin@nmag.gov;
Ryan Jerman	Ryan.Jerman@pnmresources.com;
Saif Ismail	sismail@cabq.gov;
Shannon A. Parden	sparden@rmjfirm.com;
Stacey Goodwin, Esq.	Stacey.Goodwin@pnmresources.com;
Stephanie Dzur	Stephanie@Dzur-law.com;
Honorable Commissioner Stephen Fischmann	Stephen.Fischmann@state.nm.us;
Steve Schwebke	Steven.Schwebke@pnm.com;
Steve W. Chriss	Stephen.chriss@wal-mart.com;
Steven S. Michel	smichel@westernresources.org;
Honorable Commissioner Theresa Becenti-Aguilar	T.Becenti@state.nm.us;
Thomas Domme	Thomas.domme@nmgco.com;
Todd Hixon	THixon@tep.com;
Tony A. Gurule	TGurule@cabq.gov;
Travis Blecha	travis.blecha@state.nm.us;
Travis Ritchie	travis.richie@sierraclub.org;
Honorable Commissioner Valerie Espinoza	Valerie.Espinoza@state.nm.us;
William P. Templeman	wtempleman@cmtisantafe.com;

Dated this 23rd day of November, 2020.

By: /s/Carey Salaz
Carey Salaz, Manager
PNM Regulatory Policy & Case Management
Public Service Company of New Mexico