<u>BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION</u>

IN THE MATTER OF THE JOINT APPLICATION OF PUBLIC SERVICE COMPANY OF NEW MEXICO, TXNM ENERGY, INC. AND TROY PARENTCO LLC FOR APPROVAL OF AN ACQUISITION AND MERGER OF TROY MERGER SUB INC. WITH TXNM ENERGY, INC.; APPROVAL OF A GENERAL DIVERSIFICATION PLAN; AND ALL OTHER AUTHORIZATIONS AND APPROVALS REQUIRED TO CONSUMMATE AND IMPLEMENT THIS TRANSACTION	)	**Case No. 25-00___-UT**
PUBLIC SERVICE COMPANY OF NEW MEXICO, TXNM ENERGY, INC. AND TROY PARENTCO LLC,	)	
JOINT APPLICANTS.	)	

DIRECT TESTIMONY AND EXHIBITS

OF

ELLEN LAPSON, CFA

August 25, 2025

NMPRC CASE NO. 25-00_____-UT
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ELLEN LAPSON, CFA

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DIRECT TESTIMONY OF
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GLOSSARY OF ACRONYMS AND DEFINED TERMS

Defined Term or Acronym	Meaning
Acquisition	Proposed acquisition of TXNM by Troy
Blackstone or Blackstone Inc.	A publicly traded investment firm listed on the New York Stock Exchange (NYSE: BX). Blackstone indirectly controls Blackstone Infrastructure.
Blackstone Infrastructure	An umbrella term used to refer collectively to Blackstone Infrastructure Management and the investment funds and accounts directly or indirectly controlled by them.
Blackstone Infrastructure Funds	Blackstone Infrastructure Partners L.P. and its parallel funds and accounts and Blackstone Infrastructure Strategies L.P. and its parallel funds and accounts.
Blackstone Infrastructure Management	Collectively, BIA GP L.P., BIA GP NQ L.P., Blackstone Infrastructure Associates (Lux) S.à.r.l., and BXISA L.L.C., which are the four entities that will retain control over Troy.
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.
Commission	New Mexico Public Regulation Commission
Company or PNM	Public Service Company of New Mexico
Joint Applicants	PNM, TXNM, and Troy
Moody's	Moody's Investors Service
PNMR or PNM Resources	Former name of the parent of PNM; renamed TXNM Energy on August 2, 2024
S&P	S&P Global Ratings, also Standard & Poor's
Acquisition	Proposed acquisition of TXNM by Troy

TNMP	Texas New Mexico Power, a utility subsidiary of TXNM and affiliate of PNM
Troy Entities	Troy ParentCo LLC, Troy IntermediateCo LLC, Troy Topco LP, Troy GP LLC, Troy Aggregator LP.
Troy	Troy ParentCo LLC, a Joint Applicant, that will be the new direct parent of TXNM.
TXNM or TXNM Energy	Parent of PNM and TNMP, and a Joint Applicant in this proceeding

DIRECT TESTIMONY OF
ELLEN LAPSON, CFA
NMPRC CASE NO. 25-__________-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 Troy ParentCo, LLC ("Troy") and TXNM Energy, Inc. ("TXNM"), the parent holding company for Public Service Company of New Mexico ("PNM") (together, the "Joint Applicants") regarding the Joint Application for the proposed acquisition of TXNM by Troy (the "Acquisition").

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 financial 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 13 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 three prior proceedings:

Case No. 20-00222-UT, Joint Application of Avangrid, Inc., Avangrid Networks, Inc., NM Green Holdings, Inc., Public Service Company of New Mexico, and PNM Resources, Inc., regarding merger and financial strength.

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.

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 acquisition proceedings?

A. Yes, I have testified in acquisition proceedings involving the acquisition of ALLETE, Inc.; PNM Resources / Texas-New Mexico Power ("TNMP"); El Paso Electric Company; South Carolina Electric & Gas; WGL Holdings.; Hawaiian Electric Industries, Inc.; Pepco Holdings; and Southwest Water and Corix Infrastructure, 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 the Joint Applicants. My testimony assesses the impact of the Acquisition on the ongoing financial well-being of PNM and its future access to debt and equity capital, including an assessment of the corporate separateness of TXNM and PNM under the Acquisition structure.

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. The Acquisition

Role of Troy in the Acquisition; role of private equity in the utility equity market; and proposed corporate structure

IV. Financial Status of TXNM and PNM and Acquisition Impacts

TXNM and PNM's current financial condition; financial impacts of the Acquisition on PNM and TXNM; and future access to capital

II. EXECUTIVE SUMMARY

Q. Please provide an overview of your Direct Testimony.

A. I have performed a financial review of the business combination agreed to by TXNM, Troy, and Troy Merger Sub Inc. Troy Merger Sub Inc. is indirectly owned by Troy. Troy is a portfolio company of Blackstone Infrastructure.[1] My review focuses on the future financial strength and viability of PNM after the Acquisition and its financial capability to serve its customers. The conclusions of my review are as follows:

First, PNM is currently solvent and in sound financial condition, and the Acquisition as proposed will fully preserve PNM's current financial standing. I expect that PNM and TXNM will retain their current long-term credit ratings from Moody's and S&P. Both credit rating agencies affirmed the current ratings and stable credit outlook after their preliminary review of the proposed Acquisition.

Second, as a portfolio company of Blackstone Infrastructure, Troy is an appropriate indirect owner for TXNM and PNM. The Blackstone Infrastructure Funds are long-term oriented private investment funds that invest capital provided predominantly by institutional investors (such as pension funds, family offices, sovereign wealth funds, and

[1] Blackstone Infrastructure and other capitalized terms not defined herein have the meanings provided in Application Exhibit F to the Application, the General Diversification Plan filed in this matter.

insurers) into infrastructure companies, including utilities, in developed countries. I expect that ownership by Troy will promote the ongoing stability of TXNM and PNM.

Third, PNM will have superior access to equity capital via Troy relative to the access that it now has as a subsidiary of TXNM, currently a publicly traded company listed on the New York Stock Exchange ("NYSE"). Troy and its partners can provide common equity capital to meet PNM's future capital needs with greater convenience and assurance than TXNM's current access to equity capital as a public company with shares listed on a national stock exchange. It is likely to be an advantage to TXNM and its utility customers that Blackstone Infrastructure's equity investor base, via ownership by Troy, will take a longer-term investment perspective relative to typical public equity market investors.

Fourth, PNM will continue to have access to debt funding from the debt capital markets and bank credit facilities that are at least equal to its current situation. Given the size of Blackstone Infrastructure and its strong relationships with the lending community, it is probable that PNM will increase its access to credit facilities relative to the current status, because PNM will attract greater attention from the major lenders that do business with Blackstone Infrastructure and its portfolio companies. That should result in a larger pool of potential lenders and buyers of PNM's debt, resulting in better terms of lending for PNM and its customers.

Finally, I analyze in detail the aspects of the Acquisition that will separate and insulate PNM and TXNM from exposure to the liabilities and business affairs of Troy and its affiliates. These protective features include not only the structure of the Acquisition but also a set of regulatory commitments and separate undertakings by the Joint Applicants. In addition, the parties to the Acquisition propose to enhance the protective provisions separating TXNM and PNM and those between TXNM and TNMP. These commitments will protect PNM from credit contagion in the event of any adverse developments at TXNM or TNMP as well as Blackstone Infrastructure, Troy, and the Troy Entities.

I also analyze the protective features of the Acquisition by comparing them to a systematic and comprehensive set of standards for intercompany separation, a framework that is based upon the standards applied by major credit rating agencies and grounded in historical experience in past credit defaults in the utility industry and other corporate sectors. The Joint Applicants' proposed protective provisions satisfy every aspect of the framework. Taken together, the planned protective provisions and the Acquisition structure will provide strong separation for PNM from the risk of involuntary bankruptcy consolidation with Troy or any of Troy's affiliates. Equally important, the protective commitments and undertakings will assure that the Commission retains its full regulatory oversight and that PNM will retain access to its own financial and physical assets and cash flow so that it can properly conduct its business and serve its customers, even in the case of financial distress of any affiliated entities.

In summary, for the reasons enumerated above, I find that the Acquisition will preserve and improve the financial viability of PNM and will enhance the Company's ability to serve its customers. Therefore, I recommend that the Commission approve the Acquisition including the proposed regulatory commitments and ring-fencing mechanisms as outlined in the Joint Application.

III. THE ACQUISITION

Q. What is the purpose of this section of your testimony?

A. In this section, I will discuss the nature of Blackstone Inc., Blackstone Infrastructure, and Troy, their role in the Acquisition, and the expected effects of the Acquisition upon the corporate structure of TXNM and PNM.

Q. What is the business of Blackstone Inc.

A. Blackstone Inc., which controls Blackstone Infrastructure, is the largest alternative asset manager in the world, with over $1 trillion in Assets Under Management ("AUM").

Q. What is an alternative asset manager?

A. An alternative asset manager is a firm that directs investors' investments in asset classes outside of traditional stocks, bonds, and cash; typical alternative types of investments include real estate, private equity investments in enterprises, investments in private infrastructure companies, and privately negotiated loans between borrowers and non-bank lenders.

Q. What is Blackstone Infrastructure?

A. Blackstone Infrastructure makes up the specialized infrastructure business within Blackstone Inc. that concentrates on private investments in mission-critical energy and infrastructure companies and assets. Blackstone Infrastructure, which has over $64 billion in AUM, aims to provide stable, long-term capital appreciation for its investors. Blackstone Infrastructure focuses on large-scale assets or enterprises in the fields of energy, transportation, digital infrastructure, water and waste.

Q. How are Blackstone Inc. and Blackstone Infrastructure regarded in the financial market?

A. In my professional experience, both Blackstone Inc. and Blackstone Infrastructure are esteemed in the investment community for their large scale, wide diversification and geographical diversity, high level of professionalism, and strong investor relationships with major institutional investors and qualified investors.

Q. What is the role of Blackstone Infrastructure in the Acquisition?

A. Troy is a Blackstone Infrastructure portfolio company. Troy formed a special purpose subsidiary, Troy Merger Sub, Inc., to purchase all outstanding common shares of TXNM other than treasury shares and dissenting shares at the time of the closing and merge with TXNM, with TXNM remaining as the surviving entity. After that, the shares of TXNM will no longer be publicly traded on any exchange, and Troy will own 100 percent of the shares.

Q. Please explain the corporate structure above Troy in the Acquisition structure.

A. As explained in the Direct Testimony of Witness Sebastien Sherman, the Acquisition places a multi-level ownership structure above TXNM. In addition to Troy, which will be the direct parent of TXNM, new holding companies will include Troy IntermediateCo LLC and Troy Topco LP, and Troy Aggregator LP (collectively, the "Troy Entities"). None of these entities will conduct any activities or business other than to facilitate the investors' investment in TXNM.

Q. What is the purpose of a multi-level corporate structure?

A. Such a multi-level corporate structure is common in mergers and acquisitions. It will segregate TXNM's two utility subsidiaries and TXNM from the affairs of Troy and its partners and affiliates. It is highly likely to shield PNM from adverse effects if any companies above PNM in the corporate structure suffer credit rating downgrades, become insolvent, or file for bankruptcy protection. The protective provisions would also reduce or eliminate the risk that PNM's assets or cash resources would be invaded by a parent or affiliated company. The protective structure will also shield TXNM from harmful exposure to Troy and Troy's investors and affiliates, and it protects the equity owners from exposure to the obligations of TXNM and the utilities.

Q. Will Troy or any of the intermediate companies engage in any other business, apart from the direct or indirect ownership of TXNM?

A. No. They will have no other activities other than to facilitate the investors' investment in TXNM.

Q. Will there be any debt at Troy or the Troy Entities ?

A. The Troy Entities will not incur any debt to fund the transaction consideration. According to witness Ms. Boyd, Blackstone Infrastructure intends to take actions to manage the financial affairs of TXNM and Troy through prudent financial policies in a manner that is supportive of the current credit ratings of TXNM, TNMP, and PNM.

Q. What is your understanding of prudent financial policies that will tend to support the current credit ratings of TXNM and TNMP?

A. I expect that the shareholder will generally manage the debt leverage of TXNM, Troy, and the Troy Entities to avoid excessive aggregate leverage at those entities, consistent with the standards of the rating agencies that rate TXNM's obligations.

Q. Will TXNM continue to exist after the Acquisition and the change in ownership?

A. Yes. TXNM will exist and will continue to own all of the shares of PNM and TNMP, as is the current structure. Further, the existing corporate functions will continue to be performed by TXNM.

Q. Why is private equity ownership particularly well-suited to the utility and infrastructure sector?

A. The multi-year investment horizon related to the construction of utility networks and infrastructure and the 20 to 40 year-long economic lives of the assets after construction conform better to private investors, who are able to take a long view. By contrast, most public market investors focus on quarterly earnings results and short-term fluctuations in the market valuation of the shares.

In turn, with the public equity market focused on quarterly financial results, management also has to turn much of its attention to managing quarterly outcomes. Indeed, in the trading public market, activist investors can take advantage of dips in the price of the stock to buy up shares with the intention to pressure management into taking near-term actions to enhance shareholder returns immediately, possibly compromising long-term objectives. Without the necessity to mark their holdings to market frequently, investors in private securities are able to maximize longer-term value, and management can concentrate on the long-term well-being of the company.

Q. What is the typical reaction of public shareholders to a corporation that proposes to issue equity securities to fund business growth?

A. When it is known in the market that a company plans to fund incremental capital investment by issuing new common shares, the market value of the company's shares generally declines. That occurs because issuing additional shares will reduce earnings per share in the near term. The short-term focus in the public equity market on quarterly earnings per share puts pressure on public companies to avoid issuing shares and instead to divest assets. Private owners with a long investment horizon are not constrained by daily or quarterly mark-to-market and thus are better suited to the funding of PNM's projected long-term infrastructure plans.

Q. Do all private equity investors and alternative asset managers pursue identical investment strategies?

A. No, not all private equity owners employ the same strategies; there are different styles of investment management and types of involvement by private equity investors. However, in my experience, the highly regulated environment of rate-regulated public utilities is unlikely to attract private equity investors seeking near-term gain. Investors such as pension funds, insurers, family offices, and sovereign wealth funds may focus on private ownership in the regulated utility and infrastructure sector for a combination of stability and growth over an extended period. It is significant that Troy commits to maintain its controlling interest in PNM for a period of at least ten years following the consummation of the Acquisition.

Q. Can you give an example of a private equity acquisition in the utility sector that has demonstrated a long-term investment horizon?

A. Yes. An early go-private equity transaction involving the acquisition of a U.S. publicly traded utility was the acquisition of Duquesne Light Holdings in March 2007 by a consortium of private equity investors led by Macquarie Infrastructure Investors and The DUET Group. In the intervening 18 years, Duquesne Light Holdings has remained stable and financially sound under private equity ownership. In March 2010, GIC Private Limited acquired a 29% stake from the original investor DUET Group, but that change has had no ill effect on the credit standing of Duquesne Light Company; in fact, the utility company's ratings of A3 by Moody's and BBB+ by S&P Global are higher today than they were in

2007. This type of stability is well suited to the very long lives of utility assets and the multi-year commitments utilities must make in their network and infrastructure.

IV. FINANCIAL STATUS OF PNM AND TXNM

Q. Is PNM's current financial condition sound?

A. Yes, PNM is in sound financial condition.

Q. What are PNM's current sources of capital, prior to the proposed Acquisition?

A. PNM's common equity is provided by its parent, TXNM Energy. TXNM shares are listed on the NYSE, and TXNM periodically issues new shares to investors. In turn, TXNM may invest equity in PNM if needed. PNM issues its own individual long-term debt to capital market investors in the form of unsecured senior notes. Its debt obligations are rated by two credit rating agencies, Moody's Investors Service ("Moody's") and S&P Global Ratings ("S&P"). As of July 25, 2025, PNM has its own $400 million revolving credit facility under which it can draw down loans to meet its liquidity needs for capital expenditure projects and seasonal operations. The revolving credit agreement will mature on May 31, 2030 In addition, PNM has a $40 million credit facility with New Mexico lenders maturing May 31, 2030.

Q. How did credit rating agencies assess the financial condition of PNM and TXNM prior to the Acquisition announcement?

A. Both Moody's and S&P viewed the financial status of PNM and TXNM to be stable before the announcement of the Acquisition.

Q. Please provide more information about Moody's views before the Acquisition was announced.

A. Moody's published a credit opinion on PNM in June 2024 in which it commented on PNM's sound and stable financial profile. Moody's analyst stated:

> PNM's credit also reflects the company's relatively strong financial profile including a ratio of CFO pre-W/C to debt consistently in the 18-20% range. For the 12-months ended 31 March 2024, PNM's ratio of CFO pre-W/C to debt was approximately 18.2% excluding the impact of one-time rate refunds resulting from last September's settlement agreement and securitization bonds.[2]

In a June 2024 credit opinion on TXNM (using the company's former name of PNM Resources), Moody's analyst commented that the company's financial condition was stable. The Moody's report also noted that debt at the parent level was unfavorably high as a proportion of consolidated debt, and that elevated capital expenditures at its utility subsidiaries would require additional debt financing. Moody's concluded that limiting parent level debt at or below 20 percent of consolidated debt could improve TXNM's rating, while increasing parent debt leverage (approaching 30 percent of consolidated debt) could result in a downgrade.[3] That Credit Opinion listed the following credit challenges: weak consolidated financial metrics; high holding company debt; and elevated capital expenditures, which may require additional debt financing.[4]

[2] Moody's Credit Opinion, "Public Service Company of New Mexico, Update to Credit Analysis", June 27. 2024, at 1.
[3] Moody's Credit Opinion, "PNM Resources, Inc Update to Credit Analysis", June 27, 2024, at 1-2.
[4] Moody's Credit Opinion, "PNM Resources, Inc Update to Credit Analysis", June 27, 2024, at 2.

Q. Please provide more information about S&P's views before the Acquisition was announced.

A. In an update report on PNM on August 15, 2024, S&P found PNM to be in stable condition but identified several areas of risk, including: a challenging state regulatory environment with inconsistent decisions on expense recovery and above average regulatory lag; high capital spending that will produce external funding needs; and physical risks due to a wildfire-prone service territory.[5]

Regarding TXNM (using its former name of PNM Resources), S&P's analyst commented in January 2024:

> PNMR's financial measures are weak for the current rating… Furthermore, we expect that financial measures will remain pressured, incorporating the company's robust capital spending program. Recently, the company increased its three-year capital spending plan to about $3.5 billion from about $2.8 billion. This reflects rising capital spending in Texas and transmission and distribution spending necessary to support the company's energy transition. Accordingly, we expect that the company will consistently operate with cash flow deficits, requiring consistent access to capital markets.[6]

Q. Do utility capital spending commitments affect PNM's credit ratings and financial status?

A. Yes. For example, Moody's states: "PNM's capital investment plan remains elevated and will require additional debt issuances. The utility continues to invest heavily in T&D

[5] S&P Global Ratings, Research, Public Service Company of New Mexico, Aug. 15. 2024, at 1, 4.
[6] S&P Global Ratings, Research Update, "PNM Resources, Inc. and Subsidiaries Outlook Revised to Stable from Positive on Termination of Merger with Avangrid, Inc.," Jan. 15, 2024, at 2.

infrastructure to integrate additional renewable resources, grid modernization and the deployment of advanced technologies under its current capital program."[7]

Q. In your view, what was the shared theme of the two credit rating agencies?

A. Both Moody's and S&P viewed PNM's need for additional capital as a major concern.

V. CURRENT AND FUTURE ACCESS TO CAPITAL

Q. Given the need for equity capital to fund ongoing utility capital investment, does TXNM have an assured source of equity capital in its current status?

A. No, the company's access to new equity capital is feasible but not assured. TXNM's shares are listed on the NYSE, and TXNM can issue its shares through public or private offerings. TXNM is considered a mid-cap company within the U.S. utility sector; that is, it is considerably smaller than the largest holding companies in its sector, amid a long-term trend of industry consolidation.[8]

Q. Does being a mid-cap company affect TXNM's access to equity capital?

A. Yes. In general, mid-cap companies lack the name recognition or market dominance that the large cap companies enjoy. According to Capital Group, an important investment management company, "Mid-cap companies often have fewer Wall Street analysts covering their businesses than larger companies or may not have any sell-side research

[7] S&P Global Ratings, Research, Public Service Company of New Mexico, Aug. 15. 2024, at 5.
[8] A mid-cap issuer is generally considered to be one with equity market cap between $2 billion and $10 billion. TXNM's market cap is approximately $5.2 billion.

coverage."[9] Their report shows that the amount of analyst coverage for the largest large-cap public companies is greater than the average of large-cap public companies, which in turn is significantly greater than the number of analysts covering mid-cap companies.[10] The lesser analyst coverage for mid-cap companies as well as the smaller volume of shares outstanding and smaller volume of trade combine to reduce market liquidity for the shares of mid-cap public companies, and investors require higher returns to compensate for the risk of illiquidity.

Among 49 North American utilities with publicly-traded equity, TXNM is in 34th position ranked by market cap, and thus it is difficult for TXNM to command investor attention in the equity market comparable to its larger competitors.

Table EL-1 below illustrates the major disparity in size and scale among equity issuers in the North American utility sector. JA Exhibit EL-3 provides greater detail, ranking the equity market capitalization of individual companies within the sector.

[9] Capital Group, US Equities, "Sizing Up Small- and Mid-Cap Stocks in Concentrated U.S. Markets," R. Hongsaranagon, M. Hochstetler, K. Chan, February 10, 2025, https://www.capitalgroup.com/advisor/insights/articles/sizing-up-small-mid-cap-stocks.html.
[10] Capital Group, US Equities, "Sizing Up Small- and Mid-Cap Stocks in Concentrated U.S. Markets," R. Hongsaranagon, M. Hochstetler, K. Chan, February 10, 2025, https://www.capitalgroup.com/advisor/insights/articles/sizing-up-small-mid-cap-stocks.html.

Table EL-1
Equity Market Cap* of the North American Utility Sector

	Number of companies	Market Cap ($ Billion)	% of Sector Market Cap
Top Half	24	1,015	87%
Bottom Half **	25	153	13%
Total Companies	49	1,168	100%

Notes
*Market Cap: Value of traded equity securities as of July 3, 2025.
**TXNM is ranked 34th among 49 companies and comprises 0.4% of the sector's total market cap.

Q. Has there been any period when TXNM or PNM experienced difficulty in raising either equity or debt capital?

A. Yes. In the second quarter of 2022, TXNM (under its former name of PNM Resources) contemplated issuing three-year senior unsecured notes in the public debt market. Before announcement of a specific offering of notes, the company met with over 50 investors in a series of group meetings to provide information on the company and why it was an attractive investment, and to gauge interest from the fixed income investor community. TXNM received feedback after the meetings indicating that because TXNM was a relatively small utility and a non-frequent issuer in the public debt market, its bonds would be less liquid than those of larger issuers, and many investors would either opt not to participate in a debt offering from TXNM or would require a substantial premium to invest. Based on this feedback, TXNM did not proceed with a public debt offering at that time.

Q. Prior to the announcement of the Acquisition, what were the credit ratings of PNM and its parent TXNM?

A. Moody's and S&P issuer credit ratings of TXNM and PNM are shown in Table EL-2 below. The two agencies use different rating symbols, but the ratings by both agencies have a reasonably close correspondence.[11] S&P's issuer credit rating of TXNM Energy of BBB is the middle of the BBB category, a low rating but still within the investment grade rating category. Moody's issuer rating for TXNM Energy of Baa3 is equivalent to one notch lower than S&P's rating and is at the very lowest rung within the investment grade category. In the case of PNM, the issuer credit ratings of both S&P and Moody's correspond exactly at BBB (S&P) and Baa2 (Moody's).

[11] A table showing the correspondence of credit rating agencies' rating symbols appears as JA Exhibit EL-2.

Table EL-2: Credit Ratings and Outlooks of TXNM and PNM

Before and After Acquisition Announcement

	TXNM Energy	
	S&P	Moody's
Issuer Credit Rating	BBB	Baa3
Senior Unsecured Notes	*NR*	Baa3
Junior Subordinated Bonds	BB+	Ba1
Short-term debt	*NR*	*NR*
Outlook pre-announcement	Stable	Stable
Outlook after announcement (a)	Stable	Stable
	Public Service Co. of New Mexico	
	S&P	Moody's
Issuer Rating	BBB	Baa2
Senior Unsecured Notes	BBB	Baa2
Short-term debt	*NR*	*NR*
Outlook pre-announcement	Stable	Stable
Outlook after announcement (b)	Stable	Stable

(a) May 19, 2025; (b) June 24, 2025
NR - Not rated

Q. How did the two rating agencies respond after the Acquisition announcement?

A. Both agencies have reaffirmed their existing credit ratings and stable rating outlooks for TXNM and PNM after reviewing preliminary information about the Acquisition. S&P published its commentary with the affirmation of the ratings on May 19, 2025.[12] Moody's published its response in a credit update a month later.[13]

[12] S&P Research Update, "TXNM Energy Inc. 'BBB' Rating Affirmed on Acquisition by Blackstone Infrastructure, Outlook Stable," May 19, 2025.
[13] Moody's Credit Opinion, "TXNM Energy, Inc., Update Following Acquisition Announcement," June 24, 2025, at 2.

Q. Please summarize S&P's response to the announced Acquisition.

A. S&P affirmed its ratings of TXNM and PNM and identified the following key points of the Acquisition from a credit viewpoint:

1. The Acquisition will be entirely equity-funded;
2. Blackstone Infrastructure will invest $400 million to purchase TXNM common shares in the near term (which has already occurred), and TXNM will later sell an additional $400 million of common stock prior to the closing of the Acquisition;
3. No additional debt leverage will result from the Acquisition; and
4. S&P expects the Acquisition to facilitate a strengthening of TXNM's credit measures.

S&P concluded by affirming the ratings of TXNM, PNM, and TNMP. The rating outlook was affirmed as "stable", with the expectation that TXNM will maintain a satisfactory leverage ratio of Funds From Operations ("FFO") divided by debt of over 14 percent.[14] S&P's favorable opinion of the Acquisition and of Troy, as part of Blackstone Infrastructure, as the purchaser is evident in its Rating Rationale expressed as follows:

> We view the acquisition by BI to be credit supportive. BI is an investment vehicle of the global alternative asset manager Blackstone Inc. We assess BI as a long-term infrastructure fund investor and believe its experience in the sector (minority interest ownership in Northern Indiana Public Service Co. [NIPSCO] and an equity investment in FirstEnergy Corp.) and financial strength will support TXNM's growth in a credit-supportive manner. In addition, because the transaction will be fully financed with equity, we expect TXNM's financial measures will improve.[15]

Q. What credit comment has Moody's made regarding the announced Acquisition?

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[14] S&P Research Update, "TXNM Energy Inc. 'BBB" Rating Affirmed on Acquisition by Blackstone Infrastructure, Outlook Stable," May 19, 2025, at 1.
[15] S&P Research Update, "TXNM Energy Inc. 'BBB" Rating Affirmed on Acquisition by Blackstone Infrastructure, Outlook Stable," May 19, 2025, at 1-2.

A. Moody's published a full Credit Opinion on TXNM on June 24, 2025 in which it affirmed the credit ratings of TXNM and PNM. Moody's described the Acquisition and pointed out that the purchase of TXNM will be funded entirely through equity and the assumption of existing debt, with no incremental debt to be issued. Moody's concluded: "Based on the announced terms and proposed financing plans for the transaction, we do not expect the transaction to adversely affect the ratings or outlooks of TXNM or either of its two utility subsidiaries."[16]

Q. How will the Acquisition affect TXNM's future access to equity capital?

A. Blackstone Infrastructure is capable of supplying equity capital to TNMP in significantly larger quantities than TNMP can do so as an independent entity. Over the course of ten years, TXNM raised $589 million in new equity, as cited by TXNM witness Don Tarry in his Direct Testimony. In contrast, following the announcement of the merger agreement, Blackstone Infrastructure invested $400 million in new equity, and assisted TXNM to place another $200 million of new equity in a second transaction.

Q. Will TXNM and PNM be able to meet their equity capital needs prior to the closing of the Acquisition?

A. Yes. As I have already mentioned, on June 2, 2025, Blackstone Infrastructure purchased $400 million of new issue shares from TXNM and on June 27, 2025, supported issuance of an additional $200 million of common equity to investors unaffiliated with Blackstone

[16] Moody's Credit Opinion, "TXNM Energy, Inc., Update Following Acquisition Announcement," June 24, 2025, at 2.

Infrastructure. Blackstone Infrastructure has also agreed to support TXNM's issuance of another $325 million of common equity before the end of 2026. The proceeds of these three equity issuances by TXNM, amounting to around $925 million of new equity, will reduce indebtedness and fund utility investments for the benefit of customers.

The effect will be to assure that TXNM, TNMP and PNM have the equity capital that they will need to carry out their capital investment plans during the pendency of this proceeding while balancing their capital structures and avoiding excessive leverage. Accomplishing so much new equity issuance at this time firmly addresses the concerns that both Moody's and S&P expressed prior to the announcement of the Acquisition regarding access to equity capital and the Company's large funding needs.

Q. Do you foresee any change in the credit ratings of PNM as a result of the Acquisition?

A. No, I do not. Neither Moody's nor S&P has signaled a potential upgrade, but both credit rating agencies seem to view the new ownership as credit-neutral. The advance funding of the group's equity needs related to planned capital expenditures will remove a risk that would otherwise threaten to erode the current ratings. Future ratings improvements could result, dependent upon regulatory developments in New Mexico and Texas and the demonstration of improving key cash flow credit metrics at the individual utilities and TXNM.

Q. Will the Acquisition introduce incremental debt leverage at TXNM or PNM?

A. No. PNM will continue to maintain its equity capitalization ratio at least equal to the authorized regulatory capital structure in New Mexico. Troy does not anticipate increasing debt leverage at PNM, TXNM or at the Troy Entities to fund the Acquisition and plans to maintain leverage consistent with or below historic levels. Some debt will have to be repaid concurrent with the Acquisition.

VI. SEPARATENESS AND REGULATORY COMMITMENTS

Q. Please provide an overview of this section of your Direct Testimony.

A. In this section, I will introduce a systematic framework for protecting one corporation from potential harm due to its affiliation with a related company (typically an owner, a subsidiary, or an affiliate.)

Q. What do you mean by corporate separateness?

A. I use this terminology to describe a suite of methods used to insulate and protect one enterprise or business activity from invasion, contagion, or harm caused by related entities. A more colloquial term is “ring-fencing.”

Q. When and why are ring-fencing protections necessary?

A. Protective ring-fencing methods typically serve one of two purposes. First, in the context of corporate finance and corporate structure, ring-fencing mechanisms are used to protect a company and its stakeholders from financial risks associated with the company’s parent, affiliated companies, or subsidiaries.[17] Another very important context for ring-fencing is when a financial sponsor (the seller) bundles together a portfolio of loans or mortgages (the assets) and sells them to a shell entity (the purchaser) that finances the purchase by issuing loans or securities backed solely by the value and cash flows of the portfolio assets. In the context of banking, leasing, and real estate ownership, such mechanisms separate the purchaser and its assets from exposure to the bankruptcy risk of the sponsor or seller of the assets. This allows the funding of the assets based solely upon the quality of the asset portfolio, unaffected by the credit of the sponsor or seller.

In either of these contexts, the purpose of implementing a set of ring-fencing mechanisms is to safeguard a "protected company" (a business or an asset portfolio) so that the protected company can sustain its viability without interruption or adverse effects from invasion of its assets by its parent or affiliates or contagion from the potential financial distress of another entity in its affiliated group.

Q. What is the purpose of ring-fencing in the utility sector?

A. A utility typically bears a legal obligation to operate reliably, maintain its systems for existing customers, and expand its facilities and systems to accommodate growth of demand and new customers. Some utility capital expenditures are not discretionary but are required to enable the utility to fulfill its franchise obligations and satisfy the requirements of the regulatory authority. Making such capital investments typically requires access to funding from internal and external sources. Thus, it is important for the utility to retain

[17] In this testimony, the term "corporate" in the context of "corporate structure," "intercorporate separation," or "corporate group" refers not only to entities structured as corporations but also to partnerships, limited partnerships, limited liability companies ("LLCs"), and related forms of enterprise ownership.

access to its own resources including its bank accounts, accounts receivable, and the ability to draw under its credit arrangements, even if its parent or an affiliate is in financial distress. If internal sources of cash flow are not sufficient, utilities need to access funding from the debt market. Without adequate protection, the utility's credit worthiness and access to debt capital could be impaired if its owner is in financial distress, in default, or bankrupt. Ring-fencing mechanisms have been successfully used to protect utilities from risky parents or affiliated companies and have proven effective in allowing the protected companies to carry out their mandate to serve present and future customers.

Q. What is the purpose of ring-fencing in this Acquisition and which are the protected companies?

A. In this Acquisition, the protected companies are TNMP and PNM, each separately insulated from any possible impacts from the Troy Entities, Blackstone Infrastructure, Blackstone Inc., and those companies' affiliates, as well as from one another.

Q. Do you have an established framework or set of standards for evaluating the effectiveness of intercorporate separation provisions?

A. Yes. Over the years, attorneys and credit rating agencies have amassed substantial experience based upon actual case studies of insolvencies. Law firms that work on securities issuances and render non-consolidation opinions have in-house standards that they apply to determine the adequacy of protective ring-fencing, but law firms generally do not publish their internal standards. Likewise, credit rating agencies have developed their own criteria, drawn from the standards of their legal advisors as well as their own experiences of corporate defaults, to develop lists of corporate policies and practices that they apply to determine if two affiliated companies should be rated with the same rating, or if the ratings of the two entities may be separated due to the presence of protective mechanisms.[18]

Law firms' standards are more narrowly focused on the avoidance of involuntary consolidation of one company in the bankruptcy of another company, but the rating agencies display a much broader interest in preserving the integrity and financial well-being of a company from erosion by the involvement of another affiliated company even in situations that are less dire than bankruptcy. This is very consistent with the interest of a utility regulatory authority in preserving the viability of the utility. I incorporated lists of standards published by rating agencies to develop a framework for the systematic evaluation of provisions that protect an individual company within a corporate group of companies. By combining and harmonizing the elements that major rating agencies employ in their separate guidelines, I distilled a master list of standards for evaluating the adequacy of intercorporate separation. The result is the set of protective ring-fencing practices and policies provided as JA Exhibit EL-4.

[18] Since credit rating agencies must make public their rating methodologies and criteria, they publish their ring-fencing policies and standards. The standards published by leading rating agencies are useful as general guidelines, even for companies that are unrated or have ratings from a different credit rating agency. I have found the following sources to be especially useful; Fitch Ratings, "Parent and Subsidiary Rating Linkage Criteria," June 27, 2025, https://www.fitchratings.com/research/corporate-finance/parent-subsidiary-linkage-rating-criteria-27-06-2025; S&P Global Ratings, "General Criteria: Group Rating Methodology", July 1, 2019, republished October 31, 2023, https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/10999747; Moody's Investors Service, "Rating Methodology, Regulated Electric and Gas Utilities," August 6, 2024, at Appendix A, https://www.moodys.com/research/Rating-Methodology-Regulated-Electric-and-Gas-Utilities-Rating-Methodology--PBC_1394267#5d113f2038d289f391614c39043629e8.

Q. Are you applying the same framework to analyze this Acquisition that you applied to other utility sector merger proceedings in which you testified as an expert witness?

A. Yes. It is the same analytical framework that I applied in the past. The standards of protection are the same whether the transaction involves the merger of an investor-owned utility with another investor-owned company or in a "go-private" transaction such as this one.

Q. Please explain the standards that make up this framework.

A. The master checklist is based on the concept that two types of protection are likely to safeguard the viability of a protected company from adverse financial consequences stemming from its parents and affiliates. The two types of protection are divided into Track I and Track II as follows:

I. Practices that allow the protected company to maintain access to its own physical and financial assets and sources of funding, shielded from invasion by a parent or affiliate and even despite the financial distress of its parent or affiliate; and

II. Practices that eliminate or reduce the risk that the protected company will be drawn into the bankruptcy of its parent or affiliate.

Therefore, the framework has two tracks: Track I contains practices that allow an entity (the protected company) to preserve its own identity, remain viable, fund itself, resist incurring liabilities unrelated to its own business, and to defend its own assets and liabilities even if its parent or an affiliate of the parent is in distress; and Track II contains practices that protect a company from involuntary consolidation by a bankruptcy court with its parent or affiliate in the parent or affiliate's bankruptcy proceeding. There is some overlap, because some practices that appear in Track I are also components in Track II. That is, there are some practices that do double duty, serving to achieve the objectives of both tracks.

Q. Please explain the elements that make up Track I.

A. Track I includes mechanisms that allow a protected company within an ownership group to preserve its independent viability in the event of the financial distress of its parent or other companies in its group. Within Track I, there are four types of measures utilized by the rating agencies. These are:

I-A. The protected company's assets are protected from diversion by having a separate legal identity, separate bank accounts and asset accounts, with no commingling of assets. Fixed assets needed to carry out the business should be in the protected company's own name. Transfers of goods, services, and supplies with other members of the group should be conducted on an arm's length basis.

I-B. The protected company can maintain its own access to funding and to sources of liquidity. The protected company should have access to a liquidity credit arrangement that is available for drawing even despite the default of the company's parent or affiliated companies. The default by a parent or affiliate should not trigger a cross default or cross acceleration of the protected company's debt. Maintaining a credit rating in its own name also helps to assure ongoing sources of funding.

I-C. The protected company is insulated from the liabilities of its parent and affiliates of the parent (sister companies). It does not guarantee the debt or obligations of other members of its group, and the other members of the group never represent to the public or to counterparties that the protected company is responsible for the obligations of other group members.

I-D. The protected company can further protect its viability by limiting its financial leverage and preserving its individual solvency. This is not a requirement for ring-fencing, but it is another protective element.

Q. Please explain the elements of Track II.

A. Track II involves steps to avoid the involuntary consolidation of the protected company in the bankruptcy of its parent or an affiliate. As I have mentioned already, several of the practices that are important in Track I to maintain the company's separate financial viability also do double duty by helping to avoid involuntary consolidation due to the doctrine of substantive consolidation.

Q. What do you mean by substantive consolidation?

A. A solvent company within a corporate group might be vulnerable to substantive consolidation along with its bankrupt parent or affiliate if the resources, assets, and liabilities of the companies are so commingled and poorly documented that it is difficult for the bankruptcy court to untangle them. Another possible cause for substantive consolidation is if any of the companies in the past represented to creditors that the assets or cash flow of one company (now solvent) was available to satisfy the debts of the other company (now insolvent). When the court finds either of those patterns, then creditors of the bankrupt company would seek as a remedy the consolidation of the solvent company in the bankruptcy proceeding to enhance recovery by the bankrupt entity's creditors.

Q. What protections does a company have against substantive consolidation with a parent or another affiliate of the parent?

A. Forms of protection against substantive consolidation include: establishing separate corporate entities; keeping good books and records; maintaining separate books of account; and not commingling funds or assets. The protected company should not own shares of the parent or parents' affiliates, nor guarantee the parent's or parents' affiliates' debt. Also, neither the protected company nor its parents or affiliates should represent to creditors of the parent or affiliates that the protected company is responsible for the obligations of its parent or its parent's affiliates.

Q. How did you apply the ring-fencing and separateness framework to analyze the Acquisition?

A. Using the framework presented in JA Exhibit EL-4, I analyzed the proposed regulatory commitments in relationship to the ring-fencing standards. In addition, I considered certain important protections that exist because of the utility statutes and Commission regulations with which PNM must comply in the normal course of business. Examples include the requirements that the Commission must approve PNM's debt incurrence and transfers of property, as well as the Commission' regulations concerning arm's length transactions with affiliated parties.

Q. Please summarize the most important aspects of the proposed protective commitments.

A. Among the strong protective commitments that will separate PNM from liabilities and risks of the Troy Entities and from Blackstone Infrastructure and its investment partners are:

1. Separate books and record keeping, and separate financial accounts.
2. No commingling of cash with Troy or any other Troy Entities and no intercompany lending by PNM, except with the Commission's approval.
3. Debt and credit facilities of PNM and TXNM shall not contain any cross defaults, cross acceleration, credit guarantees, or credit rating triggers linking PNM with TXNM, Troy or any Troy Entities, or with any of Blackstone Infrastructure or its co-investors or subsidiaries.
4. PNM will maintain access to its own assets and properties, accounts receivable and other accounts, not affected by the bankruptcy or distress of any Troy Entities or Blackstone Infrastructure or Blackstone Infrastructure's affiliates.
5. PNM will maintain liquidity facilities and sources in its own name permitting borrowing without regard to the credit ratings or default or bankruptcy of Troy or any Troy Entities, Blackstone Infrastructure, or Blackstone Infrastructure's affiliates.

6. PNM'S capital structure will be maintained consistent with or stronger than the Commission's authorized capital structure, further assuring that there will not be excessive leverage introduced due to the Acquisition.
7. No upstream dividends or distributions can be paid by PNM unless PNM's corporate credit rating is at least an investment grade rating, except with prior approval by the Commission.
8. TXNM and the Troy Entities will be structured and will conduct business such that in the event of a bankruptcy of Troy or any Troy Entities or affiliates (other than TXNM and PNM), (a) a bankruptcy court will be highly unlikely to consolidate the assets and liabilities of PNM with those of TXNM, Troy or any Troy Entity; and (b) except as may be required by law, no costs or obligations of a bankruptcy of TXNM, Troy or any Troy Entity can be sought from PNM.

Q. What was the result of your review of the protective provisions that are proposed for this Acquisition?

A. Using the framework as a checklist, I found that the proposed ring-fencing provisions conform with the requirements of the framework and will provide robust separation of PNM from risks associated with affiliation with the Troy Entities and Black Infrastructure and any other companies under its ownership or control. The analysis is presented in JA Exhibit EL-5.

Q. Are there additional regulatory commitments proposed in the Joint Application aside from the protective ring-fencing provisions that you have discussed above?

A. Yes, the Joint Application includes some proposed commitments that do not relate to the future solvency or financial protection of PNM or bankruptcy remoteness from TXNM, Troy or any Troy Entities or affiliates. Instead, several proposed commitments are designed to preserve the Commission's regulatory jurisdiction, for example, by assuring that the Commission will continue to receive all the information and accounting reports it needs to carry out its regulatory functions. Some commitments aim to protect the interests of the state and the community, such as a commitment to keep PNM's headquarters in New Mexico, to maintain its current union labor contracts, and to maintain employment of non-union employees for three years post-closing. These are not part of the ring-fencing framework, but will be meaningful to many interested parties, to the Commission, and to the communities served by PNM.

VII. CONCLUSIONS AND RECOMMENDATIONS

Q. In summary, do you foresee any financial injury to PNM as a result of the proposed Acquisition?

A. No, I do not. On the contrary, I see the Acquisition 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 Acquisition?

A. Yes. Due to their great size and scale, Blackstone Infrastructure has a substantially broader investor base than TXNM, and Blackstone Infrastructure benefits from greater diversification of risk. As a result, Blackstone Infrastructure has a broader range of sources from which to raise equity capital should the Company require capital infusions. Through its ownership by Blackstone Infrastructure, TXNM and PNM will gain a more assured and readily available stream of equity investment when that is needed. The favorable perception of Blackstone Infrastructure and Blackstone Inc. in the financial community, combined with their larger base of financial counterparties and relationships, will expand PNM's opportunities in the debt and credit 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. The full suite of ring-fencing protections at PNM will be viewed favorably by credit rating agencies and fixed income investors and will be a benefit to PNM's customers.

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 Acquisition, and the Acquisition structure and regulatory commitments will provide robust insulation to PNM from liabilities or exposures related to Blackstone Infrastructure and the Troy Entities. I anticipate benefits for PNM and its customers from joining PNM with Blackstone Infrastructure and its broad base of investors. Therefore, I recommend that the Commission approve the proposed Acquisition.

Q. Does this conclude your direct testimony?

A. Yes.

GCG#534076

Lapson Experience and Credentials

JA Exhibit EL-1

Is contained in the following 7 pages.

EXPERIENCE AND QUALIFICATIONS

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LAPSON ADVISORY: Financial Consulting. Expert Testimony. Financial Training.

SUMMARY

Expert on financing utilities and infrastructure projects, with over 50 years of professional
MBA Accounting and finance, NYU Stern School of Business; Chartered Financial Analyst

EMPLOYMENT HISTORY

Lapson Advisory, Trade Resources Analytics	Financial consulting services to utilities and infrastructure project developers. Financial strategy and credit advisory; expert financial witness.	2012 to present
Fitch Ratings Utilities, Power & Gas Managing Director; Senior Director	Manager or primary analyst on credit ratings of over 200 utility, pipeline, and power generation companies and utility tariff securitizations. Chaired rating committees for energy, utility, and project finance committees. Liaison with major fixed income investors.	1994 - 2011
JP Morgan Chase (formerly Chemical NY Corp.) Vice President, 1975-94 Asst. Vice President, 1974-75	Managed financial advisory transactions, structured debt placements, syndicated credit facilities for utilities, mining and metals, project finance. First of its kind stranded cost securitization for Puget Sound P&L, 1992-94. Led financings for utilities in bankruptcy or reorganizations. Divisional controller, 1981-86.	1974-1994
Argus Research Corp. Equity Analyst, Utilities	Equity analysis of U.S. electric and gas utilities, natural gas pipelines, regulated telephone companies. Research coverage and reports; forecasts and models.	1969-1974

EDUCATION & PROFESSIONAL ORGANIZATIONS

Stern School of Business, New York University, MBA. Accounting major; Finance minor	1975
Barnard College, Columbia University, BA.	1969
Earned CFA Institute Charter, 1978	
Institute of Chartered Financial Analysts	Since 1978
Wall Street Utility Group	Since 1996

ADVISORY COUNCILS AND BOARD SERVICE

Electric Power Research Institute, Advisory Council, 2004-2011; Chair, 2009 and 2010.

MIT Energy Institute, External Advisory Council, The Future of Solar Energy, 2012-2014.

Represented U.S. fixed income investors in responding to proposed financial accounting rules for rate-regulated utilities by the International Accounting Standards Board (IASB) at a panel sponsored by Edison Electric Institute and American Gas Assoc., December, 2014.

EXPERT TESTIMONY

Jurisdiction	Proceeding	Topic
Public Utilities Commission Texas	Docket No.58306, Application of Oncor Electric Delivery Co. to change rates, on behalf of Oncor (2025)	Financial strength and appropriate capital structure.
Public Utilities Commission Texas	Docket No. 56851, Application for Authority to Change Rates, on behalf of El Paso Electric Co. (2025)	Capital structure and cash flow measures of financial strength
Minnesota Public Utilities Commission	Docket No. E-015/ PA-24-198, Minnesota Power Petition for Acquisition of ALLETE Inc., on behalf of the purchasers and Minnesota Power/ ALLETE Inc. (2025)	Merger application: adequate financial strength and appropriate ring-fencing mechanisms
Federal Energy Regulatory Commission	Docket No.EL 24-80, MISO Transmission Owners' Response to Order to Show Cause (2024)	Risks and financial returns of Transmission Owners' initial funding of Network Upgrades
Federal Energy Regulatory Commission	Docket No.EL 24-81, PJM Transmission Owners' Response to Order to Show Cause (2024)	Risks and financial returns of Transmission Owners' initial funding of Network Upgrades
Federal Energy Regulatory Commission	Docket No.EL 24-82, Southwest Power Pool Transmission Owners' Response to Order to Show Cause (2024)	Risks and financial returns of Transmission Owners' initial funding of Network Upgrades
Federal Energy Regulatory Commission	Docket No.EL 24-83, ISO-New England Transmission Owners' Response to Order to Show Cause (2024)	Risks and financial returns of Transmission Owners' initial funding of Network Upgrades
Public Utilities Commission of Nevada	Dockets 24-02026 and 24-02027, Applications of Sierra Pacific Power Company to change rates (2024)	Capital structure and financial strength.
Public Utilities Commission Texas	Docket No. 55867, Application of LCRA Transmission Services Corp. to change rates, on behalf of LCRA TSC (2024)	Financial strength and access to capital for a public power transmission service provider.
Public Utilities Commission of Colorado	Proceeding No. 22AL-0530E, electric rate case on behalf of Xcel Public Service Colorado (2023)	Financial strength and appropriate capital structure.
California Public Utilities Commission	Docket No.A2211010, Joint application of Corix Infrastructure (US) and SW Merger Acquisition Corp and Suburban. (2022-23)	Merger application: adequate financial strength
Illinois Commerce Commission	Docket No. 22-0670, Joint application of Corix Infrastructure (US) and SW Merger Acquisition Corp and... (2022-23)	Merger application: adequate financial strength
Kentucky Public Service Commission	Docket No.2022-00396, Joint Application of Corix Infrastructure (US) and SW Merger Acquisition Corp and... (2022-23)	Merger application: adequate financial strength
Public Utilities Commission of Nevada	Docket No. 22-11030, Application of Great Basin Water Co…. for Approval of business combination, Corix Infrastructure (US) and SW Merger Acquisition Corp... (2022-23)	Merger application: adequate financial strength
New Jersey Board of Public Utilities	Docket No. WM22110690, Joint Petition for change of control, Corix Infrastructure (US) and SW Merger Acquisition Corp.(2022-23)	Merger application: adequate financial strength
North Carolina Utilities Commission	Docket No. W-354, Sub 412, Application for approval of business combination, Corix Infrastructure (US) and SW Merger Acquisition Corp (2022-23)	Merger application: adequate financial strength

Jurisdiction	Proceeding	Topic
Pennsylvania Public Utility Commission	Docket No. A-2022- 3036744, Joint Application of CUPA Water Systems for Approval of a Business Combination (2022-23)	Merger application: adequate financial strength
Public Utilities Commission Texas	Docket No. 54316, Joint Application of Corix Infrastructure (US), SW Merger Acquisition Corp and Monarch Utilities I LP (2022-23)	Merger application: adequate financial strength
Federal Energy Regulatory Commission	Docket No.ER22-2379, Southwest Power Pool, Inc., supporting Southwestern Public Service Co.'s right under Generator Interconnection Agreement (2022-23)	Application by a transmission owner to fund investment in Network Upgrades
Federal Energy Regulatory Commission	Docket No.ER22-2274, Southwest Power Pool, Inc., supporting Southwestern Public Service Co.'s right under Generator Interconnection Agreement (2022)	Application by a transmission owner to fund investment in Network Upgrades
Massachusetts Department of Public Utilities	DPU Docket No. 22-70, 22-71, 22-72; Long-term purchase contracts for offshore wind energy, on behalf of three MA electric distribution utilities (2022)	Remuneration to distribution utilities for entering into long-term supply contracts
New Jersey Board of Public Utilities	BPU Docket No. GM 2204, Merger Application of South Jersey Industries, Inc. and Boardwalk Merger Sub, Inc. on behalf of Joint Applicants (2022)	Financial strength in the context of merger proceeding and appropriate corporate commitments.
Public Utilities Commission Texas	Docket No. 53601, Application of Oncor Electric Delivery LLC to Change Rates, on behalf of Oncor. (2022)	Financial strength and appropriate capital structure.
Public Utilities Commission Texas	Docket No. 52487, Application of Entergy Texas to Alter its CCN for Orange County Advanced Power Station, on behalf of Entergy Texas, Inc. (2022)	Impact of a power purchase contract on the balance sheet, financial ratios, and credit ratings of the utility purchaser.
Federal Energy Regulatory Commission	Docket No. ER21-2282, Application re Open Access Trans. Tariff, on behalf of PJM Transmission Owners (2022)	Application by Transmission Owners to invest in Network Upgrades
Federal Energy Regulatory Commission	Docket No. EL-20-72, LA Public Service Comm. et al. vs. System Energy Resources, Inc. on behalf of SERI (2022)	Financial impact of the termination of a support agreement; capital structure.
Federal Energy Regulatory Commission	Docket No. RM20-10-000, Electric Transmission Incentive Policy, on behalf of PJM Transmission Owners (2021)	In support of financial incentives for RTO membership
Public Utilities Commission of Colorado	Proceeding No. No. 21R-0314G, NOPR on Purchased Gas Cost Adjustment on behalf of Public Service Company of CO (2021)	Investor and credit rating impact of proposed gas cost recovery rules
New Mexico Public Regulation Commission	Docket No 20-00222-UT, Application of Public Service Co. of NM, PNM Resources, Avangrid Inc., and NM Green Resources on behalf of Applicants (2020-21)	Financial strength and resilience in the context of merger proceeding
Public Utilities Commission Texas	Docket No 51547, Application of Texas-New Mexico Power Co., Avangrid Inc., and NM Green Resources on behalf of the Joint Applicants (2020-21)	Financial strength and resilience in the context of merger proceeding

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 to acquire utility (2019-20)	Conditions & commitments 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 to acquire El Paso Electric (2019-20)	Conditions & commitments 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)	Separateness commitments in the 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)	Appropriate governance conditions and commitments for partner ownership 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; impact on 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)	Financial strength; Conditions and commitments in a utility merger
Public Service Commission of Maryland	Docket No. 9449, In the Matter of the Merger of AltaGas Ltd. and Washington Gas Light, Inc. (2017)	Financial strength; Conditions and commitments in a utility merger

Jurisdiction	Proceeding	Topic
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 CCN, 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)	Financial strength and conditions & commitments in merger context
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, on behalf of New England Transmission Owners. (2015)	Capital market environment affecting 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 (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)	Financial strength and conditions & commitments in merger context
Maryland Public Service Commission	Case No. 9361, Merger of Exelon Corp. and Pepco Holdings, Inc. on behalf of the Joint Applicants (2015)	Financial strength and conditions & commitments in merger context
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)	Financial strength and conditions & commitments in merger context
U.S. Federal Energy Regulatory Commission	Docket ER15-572 Application of New York Transco, LLC, on behalf of NY Transmission Owners (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)	Financial strength and conditions & commitments in merger context
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 on behalf of Entergy Arkansas. (2014)	Investor and rating agency reactions to ROE set by Order.

Jurisdiction	Proceeding	Topic
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 Public Advocate, et. al. vs. Baltimore Gas and Electric Company and PEPCO Holdings et al., on behalf of (i)Baltimore Gas and Electric; (ii) PEPCO 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 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 (1)

Client	Assignment	Objective
Entergy Louisiana, LLC.	Strategic advice on a regulatory petition on the benefits of accelerating storm cost securitization. 2025	Improve utility cash flow and reduce long-term cost to customers.
City (undisclosed)	Advisory on credit ratings of municipal utilities and the related cities. 2025	Strategic review of regulatory strategy.
Corix Infrastructure and SouthWest Water	Ratings advisory in the context of merger of unrated companies. 2022	Understand financial status pre- and post-merger.
SouthWest Water Company	Review of proposed debt funding plan. 2022	Appropriate mix of long-term and short-term debt.
Xcel Energy/ Public Service Co. of CO	Studied likely investor and credit impact of the PSC's proposed changes in the recovery of purchased gas cost (Docket 21R-0314G). 2021	Analyze financial impacts of regulatory proposal.
Eversource Energy Inc./Public Service Co. of New Hampshire	Prepared white paper analyzing the financial implications of two methods for recovering costs of energy efficiency programs (related to Docket DE 20-092). 2020	Analyze feasibility and financial impacts of regulatory proposal.
Washington Gas Light Co.	Quantified the effect of merger upon the cost of long-term and short-term debt. 2019	Comply with regulatory requirement
Cravath, Swaine & Moore LLP	Evaluated factors that influenced utility spending decisions on operations, maintenance, and capital projects. 2019	Support litigation strategy in bankruptcy proceedings.
NJ American Water Co.	Analyzed impacts of tax reform on water utility's cash flow and ratings. 2018	Support regulatory strategy
AltaGas Ltd.	Credit advisory on ratings under merger and no-merger cases. 2017	Compare strategic alternatives
Entergy Texas, Inc.	Research study on debt equivalence and capital cost associated with capacity purchase obligations. Impact of new GAAP lease accounting standard on PPAs. 2016	Economic comparison of power purchase obligations and self-build options.
Eversource Energy	Evaluated debt equivalence of power purchase obligations. 2014	Clarify credit impact of various contract obligations.

Jurisdiction	Proceeding	Topic
International Money Center Bank (Undisclosed)	Research study and recommendations on estimating Loss Given Default and historical experience of default and recovery in regulated utility sector. 2014	Efficient capital allocation for loan portfolio.
GenOn Energy Inc.	White Paper on appropriate industry peers for a competitive power generation and energy company. 2012	Appropriate peer comparisons in SEC filings and shareholder communications, compensation studies
Transmission utility (Undisclosed)	Recommended the appropriate capital structure and debt leverage during a period of high capital spending. 2012	Efficient book equity during multi-year capex project; preserve existing credit ratings
Toll Highway (Undisclosed)	Advised on adding debt while minimizing risk of downgrade. Recommended strategy for added leverage and rating agency communications. 2012	Free up equity for alternate growth investments via increased leverage while preserving credit ratings

1.Confidential assignments are omitted or client's identity is masked, at client request.

Professional and Executive Training

Southern California Edison Co., Rosemead CA	Designed and delivered in-house training program on evaluation of the credit of energy market counterparties. 2016
Financial Institution, NYC (Undisclosed)	In-house training. 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, New York NY	Designed and delivered public courses “Credit Analysis for the Power & Gas Sector”, 2011-2014
SNL Knowledge Center Courses, New York NY	Designed and delivered public courses “Analyst Training in the Power & Gas Sectors: Financial Statement Analysis. 2013 -2014
EEI Transmission and Wholesale Markets	Designed and delivered “Financing and Access to Capital”. 2012
National Rural Utilities Coop Finance Corp.	Designed and delivered in-house training “Credit Analysis for the Power Sector”. 2012
Judicial Institute of Maryland	Designed and delivered “Impact of Court Decisions on Financial Markets and Credit”, section of continuing education seminar for MD judges: "Utility Regulation and the Courts", Annapolis MD. 2007
Edison Electric Institute, New York, NY	“New Analyst Training Institute: Fixed Income Analysis and Credit Ratings”, 2008; 2004

Correspondence of Rating Agency Symbols

JA Exhibit EL-2

Is contained in the following 1 page.

JA Exhibit EL-2

Correspondence of Rating Agency Symbols

Long-Term Credit Ratings

	Moody's	S&P Global	Fitch Ratings
Investment Grade Ratings	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-
Sub-Investment Grade (Speculative Grade)	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 denotes a selective default on specific debt instruments rather than a general default on all obligations.

Equity Market Capitalization of Investor-Owned North American Electric and Gas Companies

JA Exhibit EL-3

Is contained in the following 1 page.

Equity Market Capitalization of Investor-Owned North American Electric and Gas Utilities

Size Rank	Ticker Symbol	Name	Equity Market Cap. (US $ millions)*	Traded TSX, Canadian Dollars	Percent of Total Market Capital	Percent of Aggregate Market Cap
1	NEE	NextEra Energy, Inc.	$ 152,091.8		13.0%	13.0%
2	SO	Southern Company	$ 100,574.5		8.6%	21.6%
3	DUK	Duke Energy Corporation	$ 91,180.0		7.8%	29.4%
4	AEP	American Electric Power Company, Inc.	$ 55,481.5		4.7%	34.2%
5	SRE	Sempra Energy	$ 48,991.0		4.2%	38.4%
6	D	Dominion Energy Inc	$ 48,489.7		4.2%	42.5%
7	EXC	Exelon Corporation	$ 43,541.3		3.7%	46.3%
8	PEG	Public Service Enterprise Group Inc	$ 40,503.7		3.5%	49.7%
9	XEL	Xcel Energy Inc.	$ 39,329.3		3.4%	53.1%
10	ED	Consolidated Edison, Inc.	$ 36,141.3		3.1%	56.2%
11	ETR	Entergy Corporation	$ 35,289.0		3.0%	59.2%
12	WEC	WEC Energy Group Inc	$ 33,298.4		2.9%	62.1%
13	PCG	PG&E Corp.	$ 30,569.8		2.6%	64.7%
14	DTE	DTE Energy Company	$ 27,379.6		2.3%	67.0%
15	AEE	Ameren Corporation	$ 25,952.2		2.2%	69.2%
16	PPL	PPL Corporation	$ 24,994.5		2.1%	71.4%
17	ATO	Atmos Energy Corporation	$ 24,187.7		2.1%	73.4%
18	ES	Eversource Energy	$ 23,714.7		2.0%	75.5%
19	FTS	Fortis Inc.	$ 23,714.3	*32,262.6*	2.0%	77.5%
20	CNP	CenterPoint Energy, Inc.	$ 23,459.1		2.0%	79.5%
21	FE	FirstEnergy Corp.	$ 23,017.0		2.0%	81.5%
22	H-CA	Hydro One Limited	$ 21,540.3	*29,305.0*	1.8%	83.3%
23	CMS	CMS Energy Corporation	$ 21,079.3		1.8%	85.1%
24	EIX	Edison International	$ 20,219.3		1.7%	86.9%
25	NI	NiSource Inc	$ 18,621.0		1.6%	88.5%
26	LNT	Alliant Energy Corp	$ 15,805.6		1.4%	89.8%
27	EMA-CA	Emera Incorporated	$ 13,617.6	*18,526.4*	1.2%	91.0%
28	PNW	Pinnacle West Capital Corporation	$ 10,796.1		0.9%	91.9%
29	OGE	OGE Energy Corp.	$ 8,955.2		0.8%	92.7%
30	ALA-CA	AltaGas Ltd.	$ 8,424.7	*11,461.6*	0.7%	93.4%
31	CU-CA	Canadian Utilities Limited Class A	$ 7,514.5	*10,223.2*	0.6%	94.0%
32	IDA	IDACORP, Inc.	$ 6,265.9		0.5%	94.6%
33	SWX	Southwest Gas Holdings, Inc.	$ 5,314.3		0.5%	95.0%
34	**TXNM**	**TXNM Energy, Inc.**	**$ 5,218.6**		**0.4%**	**95.5%**
35	NJR	New Jersey Resources Corporation	$ 4,554.9		0.4%	95.9%
36	POR	Portland General Electric Company	$ 4,513.1		0.4%	96.2%
37	AQN-CA	Algonquin Power & Utilities Corp.	$ 4,437.8	*6,037.5*	0.4%	96.6%
38	OGS	ONE Gas, Inc.	$ 4,371.9		0.4%	97.0%
39	SR	Spire Inc.	$ 4,370.8		0.4%	97.4%
40	BKH	Black Hills Corporation	$ 4,126.5		0.4%	97.7%
41	ALE	ALLETE, Inc.	$ 3,759.5		0.3%	98.0%
42	MDU	MDU Resources Group Inc	$ 3,434.8		0.3%	98.3%
43	OTTR	Otter Tail Corporation	$ 3,339.4		0.3%	98.6%
44	MGEE	MGE Energy, Inc.	$ 3,290.4		0.3%	98.9%
45	NWE	NorthWestern Corporation	$ 3,220.0		0.3%	99.2%
46	AVA	Avista Corporation	$ 3,090.4		0.3%	99.4%
47	CPK	Chesapeake Utilities Corporation	$ 2,870.0		0.2%	99.7%
48	HE	Hawaiian Electric Industries, Inc.	$ 1,894.0		0.2%	99.9%
49	NWN	Northwest Natural Holding Co.	$ 1,664.0		0.1%	100.0%
	SUM		$ 1,168,210.3			

Source: S&P Global Market Intelligence. *Data as of July 3, 2025.

* Conversion of Canadian Dollars to US Dollars *0.73504*

Framework for Corporate Separateness

JA Exhibit EL-4

Is contained in the following 2 pages.

JA Exhibit EL-4: Framework for Corporate Separateness

Protective Policies and Practices (1)

TRACK I: Preserves Individual Viability

I. Viability: Maintain Separate Assets and Solvency

I-A Prevent the diversion of Protected Co. assets

a. Is a separate legal entity; maintains its separate name and identity
b. Maintains separate financial accounts in its own name; no commingling of assets.
c. Protected Company owns all of its physical assets in its own name.
d. Has policy/procedures to control dividends from Protected Co.
e. Has policy/procedures to control asset transfers and asset diversion from the Protected Company to parent or sister companies.
f. Assets are not pledged for the benefit of parent or sister companies.
g. Transfers of assets, services, and supplies between the Protected Company and its parent or sister companies are subject to an arm's length standard.
h. Protected Co. does not lend to parent or affiliates

I-B Access to funding

i. Protected Company has separate 3rd party borrowing sources; has credit ratings in its own name.
j. Protected Company's ability to borrow is not contingent on financial condition of parent or affiliates.
j 1. .. No Cross default / cross acceleration with parent or affiliates
j 2. .. No covenants tied to ratings of parent or affiliates

I-C Avoid extraneous liabilities

k. Protected Co. does not guarantee the liabilities of affiliates
l. Parent and affiliates do not represent to the public or creditors that the Protected Co. is liable for parent or affiliate obligations
m. Not subject to joint tax liability, other than as required by law

I-D

n. Avoids excessive debt leverage

1. A provision may appear in more than one category if appropriate. Source: Lapson Advisory.

Protective Policies and Practices, continued (1)

Protective Policies and Practices (1)

TRACK II: Avoids Consolidation in Bankruptcy of Parent or Affiliates

II-A Has barriers to involuntary consolidation

Is a separate legal entity; separate name and identity
[Same as 'a' above]
Maintains separate financial accounts. No commingling of assets.
[Same as 'b' above]
Arm's length standard for transfers of assets, services and supplies
[Same as 'e' and 'g' above]
Protected Co. does not represent that it is responsible for obligations of parent or affilliates.
[Same as 'l' above.]

o. Protected Co. has separate accounting books & records.
p. Protected Co. maintains all legal formalities to preserve its existence.
q. Protected Co. does not own shares of parents or affiliiates

1. A provision may appear in more than one category if appropriate. Source: Lapson Advisory.

Analysis and Evaluation of PNM Regulatory Commitments

JA Exhibit EL-5

Is contained in the following 9 pages.

JA Exhibit EL-5: Analysis and Evaluation of PNM Regulatory Commitments

NOTE: A commitment may be cited more than once if it satisfies multiple criteria; commitment language may be summarized.

	Standard of Protection (From JA Exhibit EL-4)	Regulatory Commitments or Statutory Basis	Fulfills Standard
I. Viability: Able to Maintain Its Assets and Solvency			
I-A	**Prevent the diversion of Protected Co. assets**		
a.	Is a separate legal entity; maintains its separate name and identity	18. PNM will maintain an identity, name, and logo that is separate and distinct from the identity, name, and logos of Blackstone, Inc. and its affiliates provided that the Blackstone name and logo can be added to the PNM name and logo for branding purposes.	Meets Standard
b.	Maintains separate financial accounts in its own name; no commingling of assets	22. PNM will not commingle funds, assets or cash flows with affiliates, without prior Commission authorization. 24. PNM will maintain accurate, appropriate and detailed books, financial records and accounts, including checking and other bank accounts, and custodial and other securities separate and distinct from other entities.	Meets Standard
c.	Protected Company owns all of its physical assets in its own name.	**STATUTE or ADMINISTRATIVE CODE** Various New Mexico statutes (NMSA 1978) require that any transfer of utility property may only occur with the Commission's approval, § 62-6-12 and 13 and § 62-6-19.	Meets Standard

	Standard of Protection (From JA Exhibit EL-4)	Regulatory Commitments or Statutory Basis	Fulfills Standard
d.	Has policy/procedures to control dividends from Protected Co.	9. PNM Board will have decision-making authority over PNM dividend policy, debt issuance, issuance of dividends or other distributions (other than tax distributions), capital expenditures, management and services fees, operation and maintenance expenditures. These decisions made by PNM's Board cannot be overruled by Troy ParentCo, or its affiliates and subsidiaries. 10. A vote of a majority of the independent directors can prevent PNM from making any dividends other than tax distributions, if determined in good faith to be required to meet debt-to-equity commitment. Any amendments or changes to the dividend policy must be approved by a majority vote of the PNM Board, including the affirmative vote of a majority of the independent directors. A vote of majority of the independent directors of the PNM Board may prevent PNM from making any dividends at any time during the first five years if the PNM Board reduces the capital expenditures below the current five-year plan based on limited equity financing availability. 12. PNM will not pay dividends, except for tax distributions, if credit rating is below investment grade unless otherwise permitted by the Commission; PNM will notify the Commission promptly of any change in credit rating. 13. PNM will limit its payment of dividends, except for tax distributions, to an amount not to exceed its net income as determined in accordance with GAAP, unless otherwise approved by the Commission.	Meets Standard

	Standard of Protection (From JA Exhibit EL-4)	Regulatory Commitments or Statutory Basis	Fulfills Standard
e.	Has policy/procedures to control asset transfers and asset diversion from the Protected Company to parent or sister companies	28. PNM, TXNM and Troy ParentCo will abide by Commission affiliate standards as they apply to PNM and maintain an arm's-length relationship with TXNM, Troy ParentCo and its affiliates, consistent with any variance accepted by the Commission.	Meets Standard
f.	Assets are not pledged for the benefit of parent or sister companies	19. PNM will not pledge its assets, stock or revenues for the benefit of any entity other than PNM.	Meets Standard
g.	Transfers of assets, services, and supplies between the Protected Company and its parent or sister companies are subject to an arm's length standard	28. PNM, TXNM and Troy ParentCo will abide by Commission affiliate standards as they apply to PNM and maintain an arm's-length relationship with TXNM, Troy ParentCo and its affiliates, consistent with any variance accepted by the Commission.	Meets Standard
h.	Protected Co. does not lend to parent or affiliates (Permissible exception - with formal documentation, as in an authorized Money Pool)	20. Aside from PNM's existing arrangement with TXNM Energy, PNM will not engage in intercompany debt or lending between PNM and Troy ParentCo or any affiliate that controls Troy ParentCo, unless authorized by the Commission. 21. PNM will not share credit facilities with Troy ParentCo, or their affiliates, except for joint revolvers where liability is several, not joint, and there are no cross-default provisions applicable to any utility borrower.	Meets Standard

I-B Maintains Protected Company's access to its own liquidity

i.	Protected Company has separate 3rd party borrowing sources...	**CONTINUATION OF CURRENT PRACTICES** PNM has long issued bonds in its own name and has an individual revolving credit facility. The Application intends that these individual arrangements will continue.	Meets Standard

	Standard of Protection (From JA Exhibit EL-4)	Regulatory Commitments or Statutory Basis	Fulfills Standard
	and has credit ratings in its own name~~.~~	25. PNM will maintain standalone credit ratings from at least two organizations registered with the U.S. Securities and Exchange Commission.	Meets Standard
j.	Protected Company's ability to borrow [i.e., conditions of drawing] is not contingent on financial condition of parent or affiliates	23. . . .Further, PNM's ability to utilize its credit facility will not be contingent on the financial status, default or credit rating of TXNM, Troy ParentCo or any of their affiliates or subsidiaries.	Meets Standard
j 1.	No Cross default / cross acceleration with parent or affiliates	23. PNM will not include in any of its debt or credit agreements cross-default provisions tied to affiliates. Under no circumstances will debt of PNM become due and payable or rendered in default because of any cross-default, financial covenants, rating agency triggers or similar provisions of any debt or other agreements of TXNM, Troy ParentCo, or any of their affiliates or subsidiaries. Further, PNM's ability to utilize its credit facility will not be contingent on the financial status, default or credit rating of TXNM, Troy ParentCo or any of their affiliates or subsidiaries.	Meets Standard
j 2.	No covenants tied to ratings of parent or affiliates	See Regulatory Commitment 23 above.	Meets Standard

Standard of Protection (From JA Exhibit EL-4)		Regulatory Commitments or Statutory Basis		Fulfills Standard
I-C	**Is insulated from liabilities of parent and affiliates**			
k.	Protected Co. does not guarantee the liabilities of affiliates	**STATUTE or ADMINISTRATIVE CODE** Administrative Code 17.6.450.10(C)(5): "the public utility 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." Similar provisions exist in Chapter 62 of the New Mexico Statutes Annotated.	NM	Meets Standard
l.	Parent and affiliates do not represent to the public or creditors that the Protected Co. is liable for parent or affiliate obligations	**STATUTE or ADMINISTRATIVE CODE** Administrative Code 17.6.450.10(C)(5): "the public utility 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." Similar provisions exist in Chapter 62 of the New Mexico Statutes Annotated.	NM	Meets Standard
m.	Protected Company is not subject to joint tax liability, other than as required by law	**STATUTE** Internal Revenue Act and Internal Revenue Code. PNM is a party to a consolidated tax return with the TXNM companies, and is subject to an intercompany tax sharing agreement. Several liability of parties to consolidated returns is unavoidable.	US	Acceptable

Standard of Protection (From JA Exhibit EL-4)		Regulatory Commitments or Statutory Basis	Fulfills Standard

I-D Enhances financial viability by controlling financial leverage

n.	Avoids excessive debt leverage	26. PNM will not take on any new debt in conjunction with this Acquisition. 27. PNM will maintain a minimum equity ratio as set by the Commission in its general rate case filings based on a 13-month rolling average.	Meets Standard

II. Avoids Consolidation in Bankruptcy of Parent or Affiliates

II-A Has barriers to involuntary consolidation

Same as I-A (a)	Is a separate legal entity; separate name and identity	18. PNM will maintain an identity, name, and logo that is separate and distinct from the identity, name, and logos of Blackstone, Inc. and its affiliates provided that the Blackstone name and logo can be added to the PNM name and logo for branding purposes.	Meets Standard
Same as I-A (b)	Maintains separate financial accounts. No commingling of assets	22. PNM will not commingle funds, assets or cash flows with affiliates, without prior Commission authorization. 24. PNM will maintain accurate, appropriate and detailed books, financial records and accounts, including checking and other bank accounts, and custodial and other securities separate and distinct from other entities.	Meets Standard
Same as I-A (g)	Arm's length standard for transfers of assets, services and supplies	28. PNM, TXNM and Troy ParentCo will abide by Commission affiliate standards as they apply to PNM and maintain an arm's-length relationship with TXNM, Troy ParentCo and its affiliates, consistent with any variance accepted by the Commission.	Meets Standard

Standard of Protection (From JA Exhibit EL-4)		Regulatory Commitments or Statutory Basis	Fulfills Standard
Same as I-C (l)	Protected Co. does not represent that it is responsible for obligations of parent or affiliates	**STATUTE or ADMINISTRATIVE CODE** NM Administrative Code 17.6.450.10(C)(5): "the public utility 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." Similar provisions exist in Chapter 62 of the New Mexico Statutes Annotated.	Meets Standard
o.	Protected Co. has separate accounting books & records	24. PNM will maintain accurate, appropriate and detailed books, financial records and accounts, including checking and other bank accounts, and custodial and other securities separate and distinct from other entities.	Meets Standard
p.	Protected Co. maintains all legal formalities to preserve its existence	**CONTINUATION OF CURRENT PRACTICES** PNM is a long-established entity with procedures and policies that preserve its legal status.	Meets Standard
q.	Protected Co. does not own shares of parents or affiliates	**STATUTE or ADMINISTRATIVE CODE** Pursuant to NM Administrative Code 17.6.450.10, doing so would require prior consent of the Commission.	Meets Standard

1. A provision may appear in more than one category if appropriate. Source: Lapson Advisory~~; –~~.

III. Additional Regulatory Conditions–- NOTE: These are not required for non-consolidation or rating agency standards, but they may be significant to the Commission or to stakeholders.

Standard of Protection (From JA Exhibit EL-4)	Regulatory Commitments or Statutory Basis	Fulfills Standard
Maintain authority of the Commission, acknowledge Commission's jurisdiction	15. Commission jurisdiction over PNM remains and will not be adversely affected by Transaction; PNM will continue to abide and be bound by existing applicable NMPRC rules, regulations, orders. 16. Joint Applicants acknowledge the NMPRC's jurisdiction and authority to initiate a future proceeding to modify any or all of the regulatory commitments adopted as part of the final order in this proceeding.	NA
Sole business is electric utility service	17. Sole authorized purpose of PNM will be the provision of electric utility service.	NA
Maintain-headquarters in jurisdiction	31. TXNM and PNM headquarters will remain in NM as long as owned by Troy ParentCo.	NA
No recovery of acquisition premium.	30. PNM will not seek recovery in rates of any transaction acquisition premium. Any goodwill associated with the transaction will not be included in rates, rate base, cost of capital, or operating expenses in future PNM ratemaking proceedings. Write-downs or write-offs of goodwill associated with the transaction will not be included in the calculation of net income of PNM for dividend or other distribution payment purposes.	NA
No recovery of transaction or transition costs	29. PNM will not seek recovery of transaction or related acquisition transition costs from customers in PNM's rates provided that the transition costs shall not include employee time and labor.	NA
Books and records/reporting transparency	24. PNM will maintain accurate, appropriate and detailed books, financial records and accounts, including checking and other bank accounts, and custodial and other securities separate and distinct from other entities.	NA
Parent officers and directors	32. PNM President and CEO and senior management will continue to have day-to-day control over operations.	NA

Standard of Protection (From JA Exhibit EL-4)	Regulatory Commitments or Statutory Basis	Fulfills Standard
Maintain union labor contracts and other labor arrangements	34. For at least three years post-closing, PNM will not implement any involuntary workforce reductions (other than for cause or performance) or reductions in wages or benefits. 35. PNM will continue to honor its labor contracts with the International Brotherhood of Electrical Workers Local 611.	NA
Continued Ownership	33. Troy ParentCo will maintain controlling interest in PNM for a period of at least 10 years following consummation of the Acquisition.	NA
Assure funding of the capex program	14. PNM will continue to make minimum capital expenditures in an amount equal to PNM's current 2025 – 2029 capital budget of $3.4 billion, subject to the following adjustments: PNM may reduce capital spending due to conditions not under PNM's control, including, without limitation, siting delays, cancellation of projects by third parties, weaker than expected economic conditions or if PNM determines that a particular expenditure would not be prudent.	NA

NA - Not applicable. These additional regulatory conditions do not correspond to standards of protection in the Framework.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF PUBLIC SERVICE COMPANY OF NEW MEXICO, TXNM ENERGY, INC. AND TROY PARENTCO LLC FOR APPROVAL OF AN ACQUISITION AND MERGER OF TROY MERGER SUB INC. WITH TXNM ENERGY, INC.; APPROVAL OF A GENERAL DIVERSIFICATION PLAN; AND ALL OTHER AUTHORIZATIONS AND APPROVALS REQUIRED TO CONSUMMATE AND IMPLEMENT THIS TRANSACTION	**) Case No. 25-00___-UT**
PUBLIC SERVICE COMPANY OF NEW MEXICO, TXNM ENERGY, INC. AND TROY PARENTCO LLC,	
JOINT APPLICANTS.	

SELF AFFIRMATION

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, **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, affirms and states: I have read the foregoing **Direct Testimony and Exhibits of Ellen Lapson, CFA** and it is true and correct based on my personal knowledge and belief.

DATED this 25th day of August, 2025.

/s/ *Ellen Lapson*
ELLEN LAPSON

GCG #534049