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DOCKET NO.

51033



**COMPLIANCE FILING OF TEXAS-
NEW MEXICO POWER COMPANY
FOR FINAL TRUE-UP OF
COMPETITION TRANSITION
CHARGE**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

**COMPLIANCE FILING OF
TEXAS-NEW MEXICO POWER COMPANY
FOR FINAL TRUE-UP OF
COMPETITION TRANSITION CHARGE**

COMES NOW Texas-New Mexico Power Company (TNMP) and files this compliance filing as required in the Final Order in Docket No. 31994 – Findings of Fact No. 44¹ and TNMP’s Rider CTC². The final order in Docket No. 31994 and TNMP’s Rider CTC requires final true-up of the amount collected through the Competition Transition Charge (CTC) in the final year. Rider CTC became effective on December 1, 2006.³

I. AUTHORIZED REPRESENTATIVES

The telephone number and address of TNMP’s authorized business representative is as follows:

Stacy Whitehurst
Vice President of Regulatory Affairs
Texas-New Mexico Power Company
577 N. Garden Ridge Blvd.
Lewisville, Texas 75067
Tel: 214-222-4142
Fax: 214-222-4156
Stacy.Whitehurst@tnmp.com

The telephone numbers and addresses of TNMP’s authorized legal representatives are:

¹ *Application of Texas-New Mexico Power Company's to Establish A Competition Transition Charge Pursuant to P.U.C. Subst. R 25 263(N)*, Docket No. 31994, Order (Nov 2, 2006) (stating “In the final year of CTC recovery, TNMP shall file a proceeding to true-up its CTC to ensure that the CTC balance is completely recovered but not over recovered during the 14-year recovery period.”).

² TNMP Tariff for Retail Delivery Service, Chapter 6, Rate Schedules, Section 6.1.1.3 CTC, Periodic and Intra-Industrial Group Adjustments of CTC, Effective Date January 1, 2019, Revision 6, page 121.

³ *Texas-New Mexico Power Company Tariff Filing in Compliance with the Final Order in Docket No. 31994*, Docket No. 33519, Notice of Approval (Dec. 13, 2006) (stating “The Commission hereby determines that the December 1, 2006 date is the appropriate effective date. TNMP’s tariff sheets are approved as filed on November 20, 2006, effective December 1, 2006. No later than December 19, 2006, TNMP shall file clean record copies of its tariff to be stamped “Approved” by Central Records and retained for future use.”).

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TNMP requests that all information and documents in this filing be served on each of the persons above at their email addresses or fax numbers.

II. JURISDICTION

The Commission has jurisdiction over this filing pursuant to Public Utility Regulatory Act (PURA) § 39.262 and 16 Tex. Administrative Code (TAC) § 25.263.

III. AFFECTED PERSONS AND TERRITORIES

This filing affects all retail electric providers (REPs) serving end-use retail electric customers in TNMP's certificated service territory and will affect the retail electric customers of those REPs to the extent that the REPs pass along to their customers the charges under Rider CTC.

IV. BACKGROUND

In Docket No. 31994, the Commission issued a final order ("Final Order") addressing the application of TNMP to set a competition transition charge.⁴The Final Order approved the CTC rate proposed by TNMP subject to certain changes, including a \$9.8 million reduction to be applied to the true-up balance as of September 30, 2006, a \$17.9 million refund for the retail clawback for residential customers applied over a three-month period beginning with energy delivered on October 1, 2006, and a final fuel balance refund of \$3.7 million over twelve months to the interruptible industrial power ratepayer classes. The Final Order also addressed the interest rate on the true-up balance and the recovery of rate-case expenses.

⁴ *Application of Texas-New Mexico Power Company's to Establish A Competition Transition Charge Pursuant to P.U.C. Subst. R. 25.263(N)*, Docket No. 31994, Order (Nov. 2, 2006). (Docket 31994 was consolidated with First Choice Power Special Purpose L.P. application to adjust its price-to-beat base rate in Docket No. 32109 because TNMP's CTC affected the calculation of First Choice's adjustment to its price-to-beat rates. However, the portions of the Final Order regarding First Choice Power are not affected by this filing).

In its Final Order, the Commission determined that periodic adjustments to Rider CTC would occur and “[e]xcessive over-recovery or under-recovery of the CTC will be avoided by the following measures:

1. The recovery of the CTC balance may be evaluated and the CTC adjusted in TNMP's transmission and distribution rate cases;
2. TNMP or Staff shall request an adjustment to the CTC if there is a cumulative over- or under-collection of revenues, including interest, greater than or equal to 15 % of the most recent annual CTC funding amount; and
3. In the final year of CTC recovery, TNMP shall file a proceeding to true-up its CTC to ensure that the CTC balance is completely recovered but not over recovered during the 14-year recovery period.”⁵

As explained below, TNMP makes this filing in order to avoid excessive over- or under-collection in order to implement scenario 3 pursuant to the Final Order and Rider CTC.

V. REQUEST FOR APPROVAL FOR TEMPORARY SUSPENSION OF RIDER CTC AND FINAL TRUE-UP

Pursuant to the Docket No. 31994 Final Order and Rider CTC, TNMP requests a temporary interim suspension of billing Rider CTC beginning September 1, 2020 and a temporary interim order that approves Attachment A. TNMP received reconciliation approval for any under/over collection as part of TNMP's most recent rate case, Docket No. 48401⁶. As of June 30, 2020, TNMP's unaudited unrecovered balance for Rider CTC is approximately \$2.8 million. Based on the current estimate, TNMP expects to collect \$2.7 million during the months of July and August 2020. After temporarily ceasing the collection of Rider CTC as of September 1, 2020, TNMP will request on September 14, 2020 in this docket to provide a refund or additional collection for one month under CTC for billings beginning October 1, 2020.

In addition, TNMP has calculated that the following CTC rate classes are currently in an over collection position. Accordingly, TNMP requests the Commission issue a temporary interim order

⁵ *Application of Texas-New Mexico Power Company's to Establish A Competition Transition Charge Pursuant to P.U.C. Subst. R. 25.263(N)*, Docket No. 31994, Order at 11 (Nov. 2, 2006) (Finding of Fact No. 44).

⁶ *Application of Texas-New Mexico Power Company to Change Rates*, Docket No. 48401, Order (Dec. 20, 2018).

that approves Attachment B, which reduces the rates beginning on July 20, 2020, for the Industrial Power Service (IPS), IPS-Interruptible, IPS-Standby, and IPS-Economy.

VI. NOTICE

TNMP will provide notice serving a copy of this pleading, Attachment A, and Attachment B via electronic mail or first class mail on each of the parties participating in TNMP's CTC proceeding, Docket No. 31994, all REPs authorized to provide service in TNMP's service area, and all parties in TNMP's most recently completed base-rate case, Docket No. 48401. TNMP will file an affidavit attesting to the completion of the above notice within 4-days after the Compliance filing is filed.

TNMP requests approval of the above notice as sufficient and in accordance with 16 TAC § 22.55.

VII. PRAYER

THEREFORE, PREMISES CONSIDERED, TNMP requests the Commission (a) issue an interim order approving Attachment A, which temporarily ceases Rider CTC on certain customers on July 20, 2020, (b) issue an interim order approving Attachment B, temporarily suspending Rider CTC for the remaining customers, on September 1, 2020, (c) require TNMP to make a compliance filing to calculate the over/under recover of Rider CTC by September 14, 2020, and (d) require TNMP to implement a one-month rider to provide a credit or surcharge to true-up collection of Rider CTC for billings beginning October 1, 2020.

Respectfully submitted,

/s/ Stephanie C. Sparks

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**ATTORNEYS FOR TEXAS-NEW
MEXICO POWER COMPANY**

TEXAS-NEW MEXICO POWER COMPANY TARIFF FOR RETAIL DELIVERY SERVICE

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6.1.1.3 CTC

This rider sets out the rates and terms and conditions under which Competitive Transition Charge will be billed and collected by Texas-New Mexico Power Company (Company). The Competitive Transition Charge was authorized by the Public Utility Commission of Texas (Commission) in Docket No. 31994.

This rider is applicable to:

1. Retail customers located within the certificated service area of Company who receive electric transmission and/or distribution service either directly from the Company or through a REP served by the Company and to the facilities, premises and loads of such retail customers;
2. Retail customers located within Company's certificated service area as it existed on May 1, 1999 who are presently receiving transmission and/or distribution service either directly from another utility, electric cooperative or municipally owned utility (T or D Provider) or through a REP served by another T or D Provider, and whose request to change service to the other T or D Provider was made after May 1, 1999;
3. Retail customers located within Company's certificated service area as it existed on May 1, 1999 and who are served by New On-Site Generation. New On-Site Generation means "New On-Site Generation" as defined in Section 25.345(c) (1) of the Commission's Substantive Rules.
4. REPs that serve retail customers located within Company's certificated service area as it existed on May 1, 1999.
5. Any other entity which, under the terms of the Final Order in Docket No. 31994 or the Utilities Code may be obligated to pay, bill, collect, or adjust the Competitive Transition Charge.

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CHARACTER OF COMPETITIVE TRANSITION CHARGE

Competitive Transition Charges are non-bypassable charges. All Competitive Transition Charge other than those applicable to New On-Site Generation are computed and paid on the basis of individual end-use retail customer consumption or demand. In accordance with Utilities Code Section 39.252(b) and Section 25.345(i)(3) of the Commission's Substantive Rules, the Competitive Transition Charge applicable to use of New On-Site Generation that results in a "material reduction" of the customer's use of energy delivered through the Company's transmission and distribution facilities (as defined in Section 25.345(i)(4) of the Commission's Substantive Rules) are computed and paid based on the output of the on site generation used to meet the internal electric requirements of the customer. Customers with New On-Site Generation will also be required to pay the Competitive Transition Charges applicable to energy actually delivered to the Customer through the Company's facilities. Individual end use retail customers are responsible for paying Competitive Transition Charge billed to them in accordance with the terms of this Rider CTC whether the charges are billed directly by the Company or are included in the bills submitted to the customer by a REP or another entity. Payment is to be made to the entity that bills the customer. The billing entity may be the Company, a REP or an entity designated to collect Competitive Transition Charge.

The Competitive Transition Charges are separate charges to be paid in addition to any other applicable charges for services received. Although the Competitive Transition Charges are separate charges, they may be included within other charges of the billing entity.

In accordance with the Final Order in Docket No. 31994, the final fuel balance for customers serving under the industrial power service and industrial interruptible power service will receive a refund over a 12 month period, beginning with the effect date of this tariff. The customers eligible for this credit were identified in a confidential exhibit in Docket No. 31994. For all other customer classes, the final fuel balance will be treated as an immediate deduction of each class's share of the true-up balance.

TERM

Rider CTC will remain in effect for fourteen years as provided for in the Final Order in Docket No. 31994. The Company shall initiate a proceeding in the final year of the CTC's recovery period to true-up the CTC. In that proceeding, the Commission will determine the appropriate means of correcting any over- or under-recovery.

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COMPETITION TRANSITION CHARGE CLASSES

Competitive Transition Charges are calculated and applied using the Stipulated and Agreement that set the Competition Transition Charge Class. Each CTC Class is defined in terms of the base rate tariff classes that existed on Company's system on September 1, 1999 ("pre-restructuring rate schedules"). The CTC Classes are defined as follows:

Residential Class: The Residential Class is made up of (i) every customer that was served under Company's rate schedule RESIDENTIAL SERVICE on the day before the customer discontinued taking service from Company under a pre-restructuring rate schedule, and (ii) each new customer that was not served by COMPANY under any pre-restructuring rate schedule, but is the type of customer which, if it had been served by COMPANY under pre-restructuring rate schedules would have qualified for service under Company's rate schedules RESIDENTIAL SERVICE. Customers served under rate schedule RESIDENTIAL SERVICE – STATE INSTITUTION FOR HIGHER EDUCATION are included in the Residential Class.

General Service Class: The General Service Class is made up of (i) every customer that was served under COMPANY rate schedule GENERAL SERVICE on the day before the customer discontinued taking service from COMPANY on a pre-restructuring rate schedule, and (ii) each new customer that was not served by COMPANY under any pre-restructuring rate schedule, but is the type of customer which, if it had been served by COMPANY under a pre-restructuring rate schedule would have qualified for service under Company's rate schedule GENERAL SERVICE and whose demand is estimated by the Company to be less than 100 kW. Customers served under rate schedule GENERAL SERVICE TIME OF DAY, INTERRUPTIBLE IRRIGATION are included in the General Service Class.

Large General Service Class (LGS): The Large General Service Class is made up of (i) every customer that was served under COMPANY rate schedule LARGE GENERAL SERVICE on the day before the customer discontinued taking service from COMPANY on a pre-restructuring rate schedule, and (ii) each new customer that was not served by COMPANY under any pre-restructuring rate schedule, but is the type of customer which, if it had been served by COMPANY under a pre-restructuring rate schedule would have qualified for service under Company's rate schedules schedule LARGE GENERAL SERVICE and whose demand as estimated by the Company is 100 kW or greater. Customers served under rate schedules LARGE GENERAL SERVICE - TIME OF DAY are included in the LGS class if the customer's contract for service from COMPANY provided that the LARGE GENERAL SERVICE - TIME OF DAY rate was the basis for pricing.

Industrial Power Service Class: The INDUSTRIAL POWER SERVICE class is made up of (i) every customer that was served under COMPANY rate schedule INDUSTRIAL POWER SERVICE-HLF or INDUSTRIAL POWER SERVICE-LLF on the day before the customer discontinued taking service from COMPANY on a pre-restructuring rate schedule, and (ii) each new customer that was not served by COMPANY under any pre-restructuring rate schedule, but is the type of customer which, if it had been served by COMPANY under a pre-restructuring rate schedule would have qualified for service under Company's rate schedule INDUSTRIAL

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POWER SERVICE-HLF or INDUSTRIAL POWER SERVICE-LLF by being served at 69.0 KV or above.

Municipal Power Service Class: The Municipal Power Class is made up of (i) every customer that was served under COMPANY rate schedule MUNICIPAL POWER on the day before the customer discontinued taking service from COMPANY on a pre-restructuring rate schedule, and (ii) each new customer that was not served by COMPANY under any pre-restructuring rate schedule, but is the type of customer which, if it had been served by COMPANY under a pre-restructuring rate schedule would have qualified for service under Company's rate schedule MUNICIPAL POWER and whose service is used for pumping required in the operation of water and sewage plants. Customers served under rate schedule MUNICIPAL POWER TIME OF DAY are included in the Municipal Power Class.

Street Lighting Class: The Street Lighting Class is made up of (i) every customer that was served under COMPANY rate schedules PUBLIC LIGHTING on the day before the customer discontinued taking service from COMPANY on a pre-restructuring rate schedule, and (ii) each new customer which was not served by COMPANY under any pre-restructuring rate schedule, but is taking outdoor lighting services which are provided on an unmetered or metered basis using lighting fixtures which would have qualified for service under Company's pre-restructuring rate schedules STREET LIGHTING, PUBLIC HIGHWAY LIGHTING, TRAFFIC LIGHTING.

Outdoor Lighting Class: The Outdoor Lighting Class is made up of (i) every customer that was served under COMPANY rate schedules OUTDOOR LIGHTING on the day before the customer discontinued taking service from COMPANY on a pre-restructuring rate schedule, and (ii) each new customer which was not served by COMPANY under any pre-restructuring rate schedule, but is taking outdoor lighting services which are provided on an unmetered or metered basis using lighting fixtures which would have qualified for service under Company's pre-restructuring rate schedules OUTDOOR LIGHTING.

In addition to the seven CTC Classes described above, there will be four additional CTC Classes, each of which is a capped class ("Capped Classes"). Each of the Capped Classes will be made up solely of customers that actually received service from Company's during the 12-month period ended April 30, 1999 under Company's rate schedule related to the class. The four Capped Classes, and the related rate schedule, are as follows:

Capped Class	Related Rate Schedule
Industrial Interruptible Service	Industrial Interruptible Service
Industrial Standby Service	Industrial Standby Service
Economy Industrial Power Service	Economy Industrial Power Service
Economy Large General Service	Economy Large General Service

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The categories of service historically provided by Company ceased to exist after electric business activities were unbundled pursuant to Section 39.051 of the Utilities Code. Similarly, since the advent of customer choice under Section 39.102 of the Utilities Code, retail customers receive service that may not only have different names, but may have different characteristics than the service historically provided by Company. The classifications set out in the preceding paragraphs will be applied to determine the CTC applicable to each customer without regard to the descriptions that may be used to describe the services currently provided to retail customers.

PERIODIC BILLING REQUIREMENT ALLOCATION FACTORS

The initial Periodic Billing Requirement Allocation Factors ("PBRF") for each Competition Transition Charge Class are set out below. These initial PBRFs will remain in effect throughout the term of Rider CTC unless a modification of the factors is made pursuant to the Periodic Adjustment provisions in Section 7 of this Rider CTC or if, but only if, the total retail stranded costs (determined pursuant to Section 39.253 of the Utilities Code) on a statewide basis exceed \$5 billion, then the qualified costs attributable to TNMP's share of the statewide stranded costs in excess of \$5 billion shall be reallocated using the allocation methodology prescribed in Section 39.253(f) of the Utilities Code. TNMP's share of any statewide stranded costs in excess of \$5 billion shall be determined by multiplying (1) the percentage obtained by dividing TNMP's total stranded costs (determined pursuant to Section 39.253) by the total statewide stranded costs (determined pursuant to Section 39.253(f)) by (2) the amount by which the total statewide stranded costs (determined pursuant to Section 39.253(f)) exceed \$5 billion:

COMPETITION TRANSITION CHARGE CLASS	PBRF
Residential	51.404%
General Service	32.845%
Large General Service	5.540%
Economy Large General Service	2.822%
Industrial	1.046%
Stand-By Power	2.076%
Economy Power	0.890%
Interruptible	0.399%
Municipal Power	1.900%
Street Lighting	0.429%
Outdoor Lighting	0.649%

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MONTHLY COMPETITIVE TRANSITION CHARGE

The monthly charges for Competitive Transition Charges are set out below:

COMPETITIVE TRANSITION CHARGE CHARGES

COMPETITION TRANSITION CHARGE CLASS	TEMPORARY CHARGE	kWh/kW	
Residential	\$0.00000	kWh	T
General Service	\$0.00000	kWh	R
Large General Service	\$0.00000	kW	R
Economy Large General Service	\$0.00000	kW	R
Industrial	\$0.00000	kW	R
Stand-By Power	\$0.00000	kW	
Economy Power	\$0.00000	kW	
Interruptible	\$0.00000	kW	
Municipal Power	\$0.00000	kWh	R
Street Lighting	\$0.00000	kWh	R
Outdoor Lighting	\$0.00000	kWh	R

The CTC shall be applied on a kW basis for all service under the Large General Service, Economy Large General Service, Industrial Power Service, Standby Power Service, Economy Industrial Power Service, and Interruptible Industrial Power Service. The kW to be used in calculating the bill for those customers obligated to pay on a kW basis will be the highest kW for the month supplied during the 15-minute period of maximum use during the billing month.

The CTC shall be applied on a kWh basis to all Residential customers, all Street and Outdoor Lighting customers, all General Service customers, and all Municipal Power Service customers served at distribution voltage.

Each retail customer shall be obligated to pay Competition Transition Charges for its applicable class. The Competition Transition Charges shall be applied to all service received by the customer during the applicable billing period. If a customer was taking service in more than one rate class through one point of service on April 30, 1999, or on the day before the customer discontinued taking service from TNMP on a pre-restructuring rate schedule, its Competition Transition Charges shall be determined as follows:

For an industrial customer taking service under two or more rates through a single meter, the meter shall be 'tagged' based on the customer's usage as of April 30, 1999. The applicable charge for such a customer shall apply in ascending order, by price, based on the average amount of demand purchased by that customer under the interruptible, standby, economy, and firm schedules as of April 30, 1999. Additional load

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growth of a customer beyond its historical usage shall pay the firm IPS charge unless a customer with existing self generation or cogeneration installs additional generation, in which case the standby charge would apply to customer's entire standby load.

In addition, each customer which has New On-Site Generation shall pay an amount each month computed by multiplying the output of the on-site generation used to serve the internal electric requirements of the customer by the Competition Transition Charges in effect for services provided to customers in that class during the month. This amount shall be in addition to any Competition Transition Charges applicable to energy or demand actually delivered to the customer through the Company's or another T&D Provider's facilities.

PERIODIC AND INTRA-INDUSTRIAL GROUP ADJUSTMENTS OF CTC

Part A: Periodic Adjustments

Competition Transition Charges may be adjusted due to an over- or under-recovery under the following conditions (Periodic Adjustments):

1. at Company cost of service cases any over- or under-recovery of the CTC may be addressed;
2. if there is a cumulative over- or under-recovery equal to or greater than 15% of the projected annual funding amount, the Company or Commission Staff shall initiate a proceeding to adjust the CTC recovery; and
3. During the final year of the projected recovery period, a true-up of the CTC should occur.

Part B: Intra Industrial Group Adjustments Due to Cumulative Load Loss Not Attributable to Eligible Generation

The adjustments under this Part B are applicable only to CTC classes within the Industrial Group. The Industrial Group is made up of all CTC classes: Industrial Power, Standby Power, Economy IPS, and Interruptible IPS.

In connection with each Periodic Adjustment, the Company will compare the projected billing determinants being used to set Competition Transition Charges for each Industrial Group Competition Transition Charge Class during the ensuing year to the billing determinants for the period July 2004 through June 2005 (adjusted to exclude any billing determinants attributable to Eligible Generation if Commission determines such adjustment should be made) (such billing determinants as adjusted are hereafter referred to as the "Industrial Base Year Billing Determinants"). The Competition Transition Charges of all Competition Transition Charge Classes in the Industrial CTC Group will be adjusted if one or more Competition Transition Charge Classes experience load loss (calculated excluding load loss attributable to Eligible Generation for which adjustments have been made but including load loss attributable to small power production facilities of 10 megawatts or less) aggregating more than 10% on a cumulative basis when measured against the Industrial Base Year Billing Determinants. The adjustments under this Part B will be made using the following procedures:

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Step 1:	
If $FBU_c / IBD_c \geq 0.90$ for each Industrial CTC Class	Then, no adjustments will occur under this Section 7, Part B and the Competition Transition Charge for each Industrial CTC class will be calculated under Part A.
If $FBU_c / IBD_c < 0.90$ for any Industrial CTC Class (Load Loss Class)	Then, adjustments will be calculated pursuant to Steps 2 through 6.
<p>Where:</p> <p style="padding-left: 40px;">FBU_c = forecasted or projected billing determinants for class c used to set CTC in the Periodic Adjustment</p> <p style="padding-left: 40px;">IBD_c = Industrial Base Year Billing Determinants for class c</p>	

<p>Step 2:</p> <p>For each Industrial CTC Class in Step 1 where $FBU_c / IBD_c < 0.90$, a reduction amount (RED_c) will be calculated as follows:</p> $RED_c = PBR_c - TCLL_c$ <p>Where:</p> $PBR_c = PBR_T * PBRAF_c$ $TCLL_c = \text{Test Collections with 10\% Load Loss for Class c} = [PBR_c / (IBD_c * 0.9)] * FBU_c$ <p>PBR_T = total periodic billing requirement for upcoming period</p> <p>$PBRAF_c$ = the PBRAFs then in effect, including any adjustment made for Eligible Generation</p>
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Step 3:

For each Industrial CTC class for which a reduction amount was not calculated in Step 2 and whose $CTC_c^{-1} \leq CTC_{LOSA}^{-1}$, a reallocation amount shall be calculated as follows:

$$RA_c = IAP_c * \Sigma RED_c \text{ for all classes}$$

Where:

IAP_c = Intra-Group Allocation Percentage for class c = $PBRAFC_c / \Sigma PBRAF_c$
for all Industrial CTC Classes for which a reduction amount was not
calculated in Step 2 and whose $CTC_c^{-1} \leq CTC_{LOSA}^{-1}$

CTC_{LOSA}^{-1} = Competition Transition Charge implemented for the LOSA CTC class
in the last Periodic Adjustment

CTC_c^{-1} = Competition Transition Charge implemented for class c in the last
Periodic Adjustment

Step 4:

The adjusted Competition Transition Charge for a class (CTC_c) shall be calculated as follows:

For those Industrial CTC Classes receiving a reallocation amount in Step 3:

$$CTC_c = [PBR_c + RA_c] / FBU_c$$

For all other Industrial CTC Classes:

$$CTC_c = [PBR_c - RED_c] / FBU_c$$

Step 5:

Calculate the percent increase in the Competition Transition Charge from the Base Year as follows:

$$PI_c = (CTC_c / CTC_c^{BASE}) - 1$$

Where:

CTC_c = The adjusted Competition Transition Charge calculated in Step 4

CTC_c^{BASE} = The Competition Transition Charge calculated using the Industrial
Base Year Billing Determinants.

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Step 6:

- A. For any Industrial CTC Class where PI is less than the PI for the CTC Classes identified in Step 1 as Load Loss Classes:

$$CTC_c^{FINAL} = CTC_c$$

- B. If PI for any Industrial CTC Class is greater than or equal to the PI for the Load Loss Classes identified in Step 1, then calculate an initial Equal Percent Increase for that class and the Load Loss Classes identified in Step 1:

$$CTC_c^{FINAL} = CTC_c^{BASE} * (1 + EPI^{INITIAL})$$

Where:

$EPI^{INITIAL}$ = initial Equal Percent Increase = $\frac{\sum (CTC_c * FBU_c)}{\sum (CTC_c^{BASE} * FBU_c)}$ for only those Industrial CTC Classes identified in Step 1 as Load Loss Classes and CTC classes with a PI greater than or equal to those Industrial CTC Load Loss Classes identified in Step 1.

- A. In the event that $EPI^{INITIAL}$ for any Industrial CTC Class, other than a Load Loss Class identified in Step 1, exceeds the PI_c calculated in Step 5, then for that Class,

$$CTC_c^{FINAL} = CTC_c$$

- B. For the remaining classes, a final Equal Percent Increase will be calculated to reflect the exclusion of the Classes identified in Step 6, Parts A and C above as follows:

$$CTC_c^{FINAL} = CTC_c^{BASE} * (1 + EPI^{FINAL})$$

Where:

EPI^{FINAL} = final Equal Percent Increase = $\frac{\sum (CTC_c * FBU_c)}{\sum (CTC_c^{BASE} * FBU_c)}$ for only those Industrial CTC Classes remaining in Step 6, Part D.

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BILLING AND COLLECTION TERMS AND CONDITIONS

Competitive Transition Charge will be billed and collected as set forth in this Rider CTC. The terms and conditions for each party are set forth below.

A. Billings by Company to other T or D Providers:

1. Competitive Transition Charge applicable to former retail customers of the Company in multiply certificated service areas who are now taking service directly from other T or D Providers or through REPs served by other T or D Providers will be billed to and collected from the other T or D Provider, which, in turn will be responsible for collecting the Competitive Transition Charge from the retail customers and REPs.
2. The T or D Provider shall pay all Competitive Transition Charge not later than 35 days after bill is mailed by Company. The T or D Provider shall make such payment regardless of whether it collects such charges from the end use retail customer or REP.

B. Billings by Company to New On-Site Generation.

1. Customers subject to Competitive Transition Charge for New On-Site Generation shall pay such charges in full not later than sixteen days after the date the bill is mailed to the customer.
2. Competitive Transition Charge applicable to New On-Site Generation are in addition to applicable Competitive Transition Charge under A above or C below.
3. If the entity with New On-Site Generation receives transmission or distribution service from the Company or another T or D Provider, Company shall have the same right to terminate service or require the other provider to terminate service for non payment of Competitive Transition Charge as the Company has to terminate service for non-payment of charges under the Company's rate schedules. Any termination shall comply with applicable Commission rules.

C. Billings by the REP or its replacement to end-use customers:

1. REPs will bill and collect, or cause to be billed and collected, all Competitive Transition Charge applicable to consumption by retail customers served by the REP.
2. If Company is providing the metering, metering data will be provided to the REP at the same time as the billing. If Company is not providing the metering, the entity providing metering services will be responsible for complying with Commission rules and ensuring that Company and the

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REP will receive timely and accurate metering data in order for Company to meet its obligations under the Servicing Agreement and the Financing Order with respect to billing and true-ups.

D. Billings by Company to the REP or its replacement (when applicable):

1. Company will bill and collect from REPs all Competitive Transition Charge applicable to consumption by retail customers served by the REP, including applicable customers served by New On-Site Generation.
2. Payments of Competitive Transition Charges are due pursuant to terms of the Company's Tariff.

NOTICE

This rate schedule is subject to the Company's Tariff and Applicable Legal Authorities.

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6.1.1.3 CTC

This rider sets out the rates and terms and conditions under which Competitive Transition Charge will be billed and collected by Texas-New Mexico Power Company (Company). The Competitive Transition Charge was authorized by the Public Utility Commission of Texas (Commission) in Docket No. 31994.

This rider is applicable to:

1. Retail customers located within the certificated service area of Company who receive electric transmission and/or distribution service either directly from the Company or through a REP served by the Company and to the facilities, premises and loads of such retail customers;
2. Retail customers located within Company's certificated service area as it existed on May 1, 1999 who are presently receiving transmission and/or distribution service either directly from another utility, electric cooperative or municipally owned utility (T or D Provider) or through a REP served by another T or D Provider, and whose request to change service to the other T or D Provider was made after May 1, 1999;
3. Retail customers located within Company's certificated service area as it existed on May 1, 1999 and who are served by New On-Site Generation. New On-Site Generation means "New On-Site Generation" as defined in Section 25.345(c) (1) of the Commission's Substantive Rules.
4. REPs that serve retail customers located within Company's certificated service area as it existed on May 1, 1999.
5. Any other entity which, under the terms of the Final Order in Docket No. 31994 or the Utilities Code may be obligated to pay, bill, collect, or adjust the Competitive Transition Charge.

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CHARACTER OF COMPETITIVE TRANSITION CHARGE

Competitive Transition Charges are non-bypassable charges. All Competitive Transition Charge other than those applicable to New On-Site Generation are computed and paid on the basis of individual end-use retail customer consumption or demand. In accordance with Utilities Code Section 39.252(b) and Section 25.345(i)(3) of the Commission's Substantive Rules, the Competitive Transition Charge applicable to use of New On-Site Generation that results in a "material reduction" of the customer's use of energy delivered through the Company's transmission and distribution facilities (as defined in Section 25.345(i)(4) of the Commission's Substantive Rules) are computed and paid based on the output of the on site generation used to meet the internal electric requirements of the customer. Customers with New On-Site Generation will also be required to pay the Competitive Transition Charges applicable to energy actually delivered to the Customer through the Company's facilities. Individual end use retail customers are responsible for paying Competitive Transition Charge billed to them in accordance with the terms of this Rider CTC whether the charges are billed directly by the Company or are included in the bills submitted to the customer by a REP or another entity. Payment is to be made to the entity that bills the customer. The billing entity may be the Company, a REP or an entity designated to collect Competitive Transition Charge.

The Competitive Transition Charges are separate charges to be paid in addition to any other applicable charges for services received. Although the Competitive Transition Charges are separate charges, they may be included within other charges of the billing entity.

In accordance with the Final Order in Docket No. 31994, the final fuel balance for customers serving under the industrial power service and industrial interruptible power service will receive a refund over a 12 month period, beginning with the effect date of this tariff. The customers eligible for this credit were identified in a confidential exhibit in Docket No. 31994. For all other customer classes, the final fuel balance will be treated as an immediate deduction of each class's share of the true-up balance.

TERM

Rider CTC will remain in effect for fourteen years as provided for in the Final Order in Docket No. 31994. The Company shall initiate a proceeding in the final year of the CTC's recovery period to true-up the CTC. In that proceeding, the Commission will determine the appropriate means of correcting any over- or under-recovery.

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COMPETITION TRANSITION CHARGE CLASSES

Competitive Transition Charges are calculated and applied using the Stipulated and Agreement that set the Competition Transition Charge Class. Each CTC Class is defined in terms of the base rate tariff classes that existed on Company's system on September 1, 1999 ("pre-restructuring rate schedules"). The CTC Classes are defined as follows:

Residential Class: The Residential Class is made up of (i) every customer that was served under Company's rate schedule RESIDENTIAL SERVICE on the day before the customer discontinued taking service from Company under a pre-restructuring rate schedule, and (ii) each new customer that was not served by COMPANY under any pre-restructuring rate schedule, but is the type of customer which, if it had been served by COMPANY under pre-restructuring rate schedules would have qualified for service under Company's rate schedules RESIDENTIAL SERVICE. Customers served under rate schedule RESIDENTIAL SERVICE – STATE INSTITUTION FOR HIGHER EDUCATION are included in the Residential Class.

General Service Class: The General Service Class is made up of (i) every customer that was served under COMPANY rate schedule GENERAL SERVICE on the day before the customer discontinued taking service from COMPANY on a pre-restructuring rate schedule, and (ii) each new customer that was not served by COMPANY under any pre-restructuring rate schedule, but is the type of customer which, if it had been served by COMPANY under a pre-restructuring rate schedule would have qualified for service under Company's rate schedule GENERAL SERVICE and whose demand is estimated by the Company to be less than 100 kW. Customers served under rate schedule GENERAL SERVICE TIME OF DAY, INTERRUPTIBLE IRRIGATION are included in the General Service Class.

Large General Service Class (LGS): The Large General Service Class is made up of (i) every customer that was served under COMPANY rate schedule LARGE GENERAL SERVICE on the day before the customer discontinued taking service from COMPANY on a pre-restructuring rate schedule, and (ii) each new customer that was not served by COMPANY under any pre-restructuring rate schedule, but is the type of customer which, if it had been served by COMPANY under a pre-restructuring rate schedule would have qualified for service under Company's rate schedules schedule LARGE GENERAL SERVICE and whose demand as estimated by the Company is 100 kW or greater. Customers served under rate schedules LARGE GENERAL SERVICE - TIME OF DAY are included in the LGS class if the customer's contract for service from COMPANY provided that the LARGE GENERAL SERVICE - TIME OF DAY rate was the basis for pricing.

Industrial Power Service Class: The INDUSTRIAL POWER SERVICE class is made up of (i) every customer that was served under COMPANY rate schedule INDUSTRIAL POWER SERVICE-HLF or INDUSTRIAL POWER SERVICE-LLF on the day before the customer discontinued taking service from COMPANY on a pre-restructuring rate schedule, and (ii) each new customer that was not served by COMPANY under any pre-restructuring rate schedule, but is the type of customer which, if it had been served by COMPANY under a pre-restructuring rate schedule would have qualified for service under Company's rate schedule INDUSTRIAL

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POWER SERVICE-HLF or INDUSTRIAL POWER SERVICE-LLF by being served at 69.0 KV or above.

Municipal Power Service Class: The Municipal Power Class is made up of (i) every customer that was served under COMPANY rate schedule MUNICIPAL POWER on the day before the customer discontinued taking service from COMPANY on a pre-restructuring rate schedule, and (ii) each new customer that was not served by COMPANY under any pre-restructuring rate schedule, but is the type of customer which, if it had been served by COMPANY under a pre-restructuring rate schedule would have qualified for service under Company's rate schedule MUNICIPAL POWER and whose service is used for pumping required in the operation of water and sewage plants. Customers served under rate schedule MUNICIPAL POWER TIME OF DAY are included in the Municipal Power Class.

Street Lighting Class: The Street Lighting Class is made up of (i) every customer that was served under COMPANY rate schedules PUBLIC LIGHTING on the day before the customer discontinued taking service from COMPANY on a pre-restructuring rate schedule, and (ii) each new customer which was not served by COMPANY under any pre-restructuring rate schedule, but is taking outdoor lighting services which are provided on an unmetered or metered basis using lighting fixtures which would have qualified for service under Company's pre-restructuring rate schedules STREET LIGHTING, PUBLIC HIGHWAY LIGHTING, TRAFFIC LIGHTING.

Outdoor Lighting Class: The Outdoor Lighting Class is made up of (i) every customer that was served under COMPANY rate schedules OUTDOOR LIGHTING on the day before the customer discontinued taking service from COMPANY on a pre-restructuring rate schedule, and (ii) each new customer which was not served by COMPANY under any pre-restructuring rate schedule, but is taking outdoor lighting services which are provided on an unmetered or metered basis using lighting fixtures which would have qualified for service under Company's pre-restructuring rate schedules OUTDOOR LIGHTING.

In addition to the seven CTC Classes described above, there will be four additional CTC Classes, each of which is a capped class ("Capped Classes"). Each of the Capped Classes will be made up solely of customers that actually received service from Company's during the 12-month period ended April 30, 1999 under Company's rate schedule related to the class. The four Capped Classes, and the related rate schedule, are as follows:

Capped Class	Related Rate Schedule
Industrial Interruptible Service	Industrial Interruptible Service
Industrial Standby Service	Industrial Standby Service
Economy Industrial Power Service	Economy Industrial Power Service
Economy Large General Service	Economy Large General Service

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The categories of service historically provided by Company ceased to exist after electric business activities were unbundled pursuant to Section 39.051 of the Utilities Code. Similarly, since the advent of customer choice under Section 39.102 of the Utilities Code, retail customers receive service that may not only have different names, but may have different characteristics than the service historically provided by Company. The classifications set out in the preceding paragraphs will be applied to determine the CTC applicable to each customer without regard to the descriptions that may be used to describe the services currently provided to retail customers.

PERIODIC BILLING REQUIREMENT ALLOCATION FACTORS

The initial Periodic Billing Requirement Allocation Factors ("PBRF") for each Competition Transition Charge Class are set out below. These initial PBRFs will remain in effect throughout the term of Rider CTC unless a modification of the factors is made pursuant to the Periodic Adjustment provisions in Section 7 of this Rider CTC or if, but only if, the total retail stranded costs (determined pursuant to Section 39.253 of the Utilities Code) on a statewide basis exceed \$5 billion, then the qualified costs attributable to TNMP's share of the statewide stranded costs in excess of \$5 billion shall be reallocated using the allocation methodology prescribed in Section 39.253(f) of the Utilities Code. TNMP's share of any statewide stranded costs in excess of \$5 billion shall be determined by multiplying (1) the percentage obtained by dividing TNMP's total stranded costs (determined pursuant to Section 39.253) by the total statewide stranded costs (determined pursuant to Section 39.253(f)) by (2) the amount by which the total statewide stranded costs (determined pursuant to Section 39.253(f)) exceed \$5 billion.

COMPETITION TRANSITION CHARGE CLASS	PBRF
Residential	51.404%
General Service	32.845%
Large General Service	5.540%
Economy Large General Service	2.822%
Industrial	1.046%
Stand-By Power	2.076%
Economy Power	0.890%
Interruptible	0.399%
Municipal Power	1.900%
Street Lighting	0.429%
Outdoor Lighting	0.649%

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MONTHLY COMPETITIVE TRANSITION CHARGE

The monthly charges for Competitive Transition Charges are set out below:

COMPETITIVE TRANSITION CHARGE CHARGES

COMPETITION TRANSITION CHARGE CLASS	CHARGE	kWh/kW
Residential	\$0.00212	kWh
General Service	\$0.00282	kWh
Large General Service	\$0.16592	kW
Economy Large General Service	\$0.97285	kW
Industrial	\$0.00000	kW
Stand-By Power	\$0.00000	kW
Economy Power	\$0.00000	kW
Interruptible	\$0.00000	kW
Municipal Power	\$0.00309	kWh
Street Lighting	\$0.00219	kWh
Outdoor Lighting	\$0.00611	kWh

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The CTC shall be applied on a kW basis for all service under the Large General Service, Economy Large General Service, Industrial Power Service, Standby Power Service, Economy Industrial Power Service, and Interruptible Industrial Power Service. The kW to be used in calculating the bill for those customers obligated to pay on a kW basis will be the highest kW for the month supplied during the 15-minute period of maximum use during the billing month.

The CTC shall be applied on a kWh basis to all Residential customers, all Street and Outdoor Lighting customers, all General Service customers, and all Municipal Power Service customers served at distribution voltage.

Each retail customer shall be obligated to pay Competition Transition Charges for its applicable class. The Competition Transition Charges shall be applied to all service received by the customer during the applicable billing period. If a customer was taking service in more than one rate class through one point of service on April 30, 1999, or on the day before the customer discontinued taking service from TNMP on a pre-restructuring rate schedule, its Competition Transition Charges shall be determined as follows.

For an industrial customer taking service under two or more rates through a single meter, the meter shall be 'tagged' based on the customer's usage as of April 30, 1999. The applicable charge for such a customer shall apply in ascending order, by price, based on the average amount of demand purchased by that customer under the interruptible, standby, economy, and firm schedules as of April 30, 1999. Additional load

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growth of a customer beyond its historical usage shall pay the firm IPS charge unless a customer with existing self generation or cogeneration installs additional generation, in which case the standby charge would apply to customer's entire standby load.

In addition, each customer which has New On-Site Generation shall pay an amount each month computed by multiplying the output of the on-site generation used to serve the internal electric requirements of the customer by the Competition Transition Charges in effect for services provided to customers in that class during the month. This amount shall be in addition to any Competition Transition Charges applicable to energy or demand actually delivered to the customer through the Company's or another T&D Provider's facilities.

PERIODIC AND INTRA-INDUSTRIAL GROUP ADJUSTMENTS OF CTC

Part A: Periodic Adjustments

Competition Transition Charges may be adjusted due to an over- or under-recovery under the following conditions (Periodic Adjustments):

1. at Company cost of service cases any over- or under-recovery of the CTC may be addressed;
2. if there is a cumulative over- or under-recovery equal to or greater than 15% of the projected annual funding amount, the Company or Commission Staff shall initiate a proceeding to adjust the CTC recovery; and
3. During the final year of the projected recovery period, a true-up of the CTC should occur.

Part B: Intra Industrial Group Adjustments Due to Cumulative Load Loss Not Attributable to Eligible Generation

The adjustments under this Part B are applicable only to CTC classes within the Industrial Group. The Industrial Group is made up of all CTC classes: Industrial Power, Standby Power, Economy IPS, and Interruptible IPS.

In connection with each Periodic Adjustment, the Company will compare the projected billing determinants being used to set Competition Transition Charges for each Industrial Group Competition Transition Charge Class during the ensuing year to the billing determinants for the period July 2004 through June 2005 (adjusted to exclude any billing determinants attributable to Eligible Generation if Commission determines such adjustment should be made) (such billing determinants as adjusted are hereafter referred to as the "Industrial Base Year Billing Determinants"). The Competition Transition Charges of all Competition Transition Charge Classes in the Industrial CTC Group will be adjusted if one or more Competition Transition Charge Classes experience load loss (calculated excluding load loss attributable to Eligible Generation for which adjustments have been made but including load loss attributable to small power production facilities of 10 megawatts or less) aggregating more than 10% on a cumulative basis when measured against the Industrial Base Year Billing Determinants. The adjustments under this Part B will be made using the following procedures:

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Step 1:	
If $FBU_c / IBD_c \geq 0.90$ for each Industrial CTC Class	Then, no adjustments will occur under this Section 7, Part B and the Competition Transition Charge for each Industrial CTC class will be calculated under Part A.
If $FBU_c / IBD_c < 0.90$ for any Industrial CTC Class (Load Loss Class)	Then, adjustments will be calculated pursuant to Steps 2 through 6.
<p>Where:</p> <p style="padding-left: 40px;">FBU_c = forecasted or projected billing determinants for class c used to set CTC in the Periodic Adjustment</p> <p style="padding-left: 40px;">IBD_c = Industrial Base Year Billing Determinants for class c</p>	

Step 2:
For each Industrial CTC Class in Step 1 where $FBU_c / IBD_c < 0.90$, a reduction amount (RED_c) will be calculated as follows:
$RED_c = PBR_c - TCLL_c$
Where:
$PBR_c = PBR_T * PBRAF_c$
$TCLL_c$ = Test Collections with 10% Load Loss for Class c = $[PBR_c / (IBD_c * 0.9)] * FBU_c$
PBR_T = total periodic billing requirement for upcoming period
$PBRAF_c$ = the PBRAFs then in effect, including any adjustment made for Eligible Generation

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Step 3:

For each Industrial CTC class for which a reduction amount was not calculated in Step 2 and whose $CTC_c^{-1} \leq CTC_{LOSA}^{-1}$, a reallocation amount shall be calculated as follows:

$$RA_c = IAP_c * \Sigma RED_c \text{ for all classes}$$

Where:

IAP_c = Intra-Group Allocation Percentage for class $c = PBRAF_c / \Sigma PBRAF_c$
for all Industrial CTC Classes for which a reduction amount was not
calculated in Step 2 and whose $CTC_c^{-1} \leq CTC_{LOSA}^{-1}$

CTC_{LOSA}^{-1} = Competition Transition Charge implemented for the LOSA CTC class
in the last Periodic Adjustment

CTC_c^{-1} = Competition Transition Charge implemented for class c in the last
Periodic Adjustment

Step 4:

The adjusted Competition Transition Charge for a class (CTC_c) shall be calculated as follows:

For those Industrial CTC Classes receiving a reallocation amount in Step 3:

$$CTC_c = [PBR_c + RA_c] / FBU_c$$

For all other Industrial CTC Classes:

$$CTC_c = [PBR_c - RED_c] / FBU_c$$

Step 5:

Calculate the percent increase in the Competition Transition Charge from the Base Year as follows:

$$PI_c = (CTC_c / CTC_c^{BASE}) - 1$$

Where:

CTC_c = The adjusted Competition Transition Charge calculated in Step 4

CTC_c^{BASE} = The Competition Transition Charge calculated using the Industrial
Base Year Billing Determinants.

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Step 6:

- A. For any Industrial CTC Class where PI is less than the PI for the CTC Classes identified in Step 1 as Load Loss Classes:

$$CTC_c^{FINAL} = CTC_c$$

- B. If PI for any Industrial CTC Class is greater than or equal to the PI for the Load Loss Classes identified in Step 1, then calculate an initial Equal Percent Increase for that class and the Load Loss Classes identified in Step 1:

$$CTC_c^{FINAL} = CTC_c^{BASE} * (1 + EPI^{INITIAL})$$

Where:

$EPI^{INITIAL}$ = initial Equal Percent Increase = $\frac{\sum (CTC_c * FBU_c)}{\sum (CTC_c^{BASE} * FBU_c)}$ for only those Industrial CTC Classes identified in Step 1 as Load Loss Classes and CTC classes with a PI greater than or equal to those Industrial CTC Load Loss Classes identified in Step 1.

- A. In the event that $EPI^{INITIAL}$ for any Industrial CTC Class, other than a Load Loss Class identified in Step 1, exceeds the PI_c calculated in Step 5, then for that Class,

$$CTC_c^{FINAL} = CTC_c$$

- B. For the remaining classes, a final Equal Percent Increase will be calculated to reflect the exclusion of the Classes identified in Step 6, Parts A and C above as follows:

$$CTC_c^{FINAL} = CTC_c^{BASE} * (1 + EPI^{FINAL})$$

Where:

EPI^{FINAL} = final Equal Percent Increase = $\frac{\sum (CTC_c * FBU_c)}{\sum (CTC_c^{BASE} * FBU_c)}$ for only those Industrial CTC Classes remaining in Step 6, Part D.

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BILLING AND COLLECTION TERMS AND CONDITIONS

Competitive Transition Charge will be billed and collected as set forth in this Rider CTC. The terms and conditions for each party are set forth below.

A. Billings by Company to other T or D Providers:

1. Competitive Transition Charge applicable to former retail customers of the Company in multiply certificated service areas who are now taking service directly from other T or D Providers or through REPs served by other T or D Providers will be billed to and collected from the other T or D Provider, which, in turn will be responsible for collecting the Competitive Transition Charge from the retail customers and REPs.
2. The T or D Provider shall pay all Competitive Transition Charge not later than 35 days after bill is mailed by Company. The T or D Provider shall make such payment regardless of whether it collects such charges from the end use retail customer or REP.

B. Billings by Company to New On-Site Generation:

1. Customers subject to Competitive Transition Charge for New On-Site Generation shall pay such charges in full not later than sixteen days after the date the bill is mailed to the customer.
2. Competitive Transition Charge applicable to New On-Site Generation are in addition to applicable Competitive Transition Charge under A above or C below.
3. If the entity with New On-Site Generation receives transmission or distribution service from the Company or another T or D Provider, Company shall have the same right to terminate service or require the other provider to terminate service for non payment of Competitive Transition Charge as the Company has to terminate service for non-payment of charges under the Company's rate schedules. Any termination shall comply with applicable Commission rules.

C. Billings by the REP or its replacement to end-use customers:

1. REPs will bill and collect, or cause to be billed and collected, all Competitive Transition Charge applicable to consumption by retail customers served by the REP.
2. If Company is providing the metering, metering data will be provided to the REP at the same time as the billing. If Company is not providing the metering, the entity providing metering services will be responsible for complying with Commission rules and ensuring that Company and the

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REP will receive timely and accurate metering data in order for Company to meet its obligations under the Servicing Agreement and the Financing Order with respect to billing and true-ups.

D. Billings by Company to the REP or its replacement (when applicable):

1. Company will bill and collect from REPs all Competitive Transition Charge applicable to consumption by retail customers served by the REP, including applicable customers served by New On-Site Generation.
2. Payments of Competitive Transition Charges are due pursuant to terms of the Company's Tariff.

NOTICE

This rate schedule is subject to the Company's Tariff and Applicable Legal Authorities.