

Interim Wholesale Transmission Cost of Service TEXAS-NEW MEXICO POWER COMPANY Update Period 07/01/2013 - 12/31/2013						
Account No.	Description	Reference Schedule Worksheet	Balance as of last TCOS per Docket 41727 (1)	Depreciation Expense in period 07/01/2013 - 12/31/2013 (2)	Retirements/Adjustments in period 07/01/2013 - 12/31/2013 (3)	Balance end of period 07/01/2013 - 12/31/2013 (4) = (1) + (2) + (3)
Accumulated Depreciation						
Transmission Plant						
A350.0	Land		-	-	-	-
A350.1	Land Rights	WP Schedule B-5.1	(4,747,020)	(35,790)	-	(4,782,810)
A352	Structures and Improvements	WP Schedule B-5.1	(2,277)	(5,290)	-	(7,567)
A353	Station Equipment	WP Schedule B-5.1	(12,699,202)	(1,064,181)	157,875	(13,605,507)
A354	Towers and Fixtures	WP Schedule B-5.1	(2,585,342)	(148,211)	-	(2,733,552)
A355	Poles and Fixtures	WP Schedule B-5.1	(17,291,527)	(970,982)	497,258	(17,765,251)
A356	O.H. Conductors & Devices	WP Schedule B-5.1	(12,683,911)	(558,323)	141,380	(13,100,854)
A357	Underground Conduit	WP Schedule B-5.1	-	-	-	-
A358	Underground Conductors	WP Schedule B-5.1	-	-	-	-
A359	Roads and Trails	WP Schedule B-5.1	-	-	-	-
A360	Distribution above 60 kv	WP Schedule B-5.1	-	-	-	-
A361	Distribution above 60 kv	WP Schedule B-5.1	-	-	-	-
A362	Distribution above 60 kv	WP Schedule B-5.1	(18,886,209)	(705,281)	1,841,696	(17,749,794)
	TOTAL	Schedule-B	(68,895,488)	(3,488,057)	2,638,209	(69,745,336)

Interim Wholesale Transmission Cost of Service TEXAS-NEW MEXICO POWER COMPANY Accumulated Depreciation Roll-forward Update Period 07/01/2013 - 12/31/2013									
	Beginning Balance 07/01/2013	Provision	Retirements	Cost of Removal	Salvage and Other Credits	Transfers and Adjustments	Loss/Gain	Ending Balance 12/31/2013	
A350.0	-	-	-	-	-	-	-	-	-
A350.1	4,747,020	35,790	-	-	-	-	-	4,782,810	
A352	2,277	5,290	-	-	-	-	-	7,567	
A353	12,699,202	1,064,181	(1,069,683)	(178,347)	-	1,090,155	-	13,605,507	
A354	2,585,342	148,211	-	-	-	-	-	2,733,552	
A355	17,291,527	970,982	(203,183)	(295,953)	-	1,878	-	17,765,251	
A356	12,683,911	558,323	(89,556)	(51,824)	-	-	-	13,100,854	
A357	-	-	-	-	-	-	-	-	
A358	-	-	-	-	-	-	-	-	
A359	-	-	-	-	-	-	-	-	
A360	-	-	-	-	-	-	-	-	
A361	-	-	-	-	-	-	-	-	
A362	18,886,209	705,281	(764,781)	15,511	2,013	(1,094,439)	-	17,749,794	
A363	-	-	-	-	-	-	-	-	
	68,895,488							69,745,336	

Interim Wholesale Transmission Cost of Service
TEXAS-NEW MEXICO POWER COMPANY
Change in Depreciation Expense
Update Period 07/01/2013 - 12/31/2013

Account No.	Description	Reference Schedule Worksheet	Depreciation Expense as of last TCOS per Docket 41727 (1)	Gross Plant Balance end of update period (Schedule B-1, Column 9) (2)	Depreciation % used in last TCOS (3)	Depreciation Expense on Balance (4) = (2) * (3)	Increase in Depreciation Expense (5) = (4) - (1)
Depreciation Expense							
Transmission Plant							
A350.0	Land		-	1,041,643	0.00%	-	-
A350.1	Land Rights		71,580	7,304,085	0.98%	71,580	-
A352	Structures and Improvements		10,592	1,156,532	2.89%	33,424	22,832
A353	Station Equipment		2,039,843	102,187,721	2.22%	2,268,567	228,725
A354	Towers and Fixtures		243,095	9,377,707	3.77%	353,540	110,445
A355	Poles and Fixtures		1,939,288	60,911,090	3.27%	1,991,793	52,504
A356	O.H. Conductors & Devices		1,110,110	43,225,717	2.66%	1,149,804	39,694
A357	Underground Conduit		-	-	0.00%	-	-
A358	Underground Conductors		-	-	0.00%	-	-
A359	Roads and Trails		-	-	0.00%	-	-
A360	Distribution above 60 kv		-	-	1.02%	-	-
A361	Distribution above 60 kv		-	-	2.85%	-	-
A362	Distribution above 60 kv		1,429,228	68,382,585	2.15%	1,470,226	40,998
TOTAL		Schedule-A	6,843,735	293,587,081		7,338,933	495,198

Interim Wholesale Transmission Cost of Service TEXAS-NEW MEXICO POWER COMPANY Taxes Other Than Federal Income Taxes Update Period 07/01/2013 - 12/31/2013					
Line No.	Description	Reference Schedule Workpaper	Amount Approved per Docket 41727 (1)	Interim Annual Increase (2)	Federal Income Taxes Balance at 12/31/2013 (3) = (1) + (2)
1	Taxes Other Than Income Taxes				
2	Non-Revenue Related				
3	Payroll Taxes	Docket 38480	110,535	-	110,535
4	Ad Valorem Taxes	WP Schedule E-2.1	2,681,697	157,848	2,839,545
5					
6	Revenue Related Taxes				
7	Sales and Use Tax	Docket 38480	15,342	-	15,342
8	Texas Gross Margin Tax	WP Schedule E-2.2	262,503	19,888	282,391
9					
10	TOTAL		3,070,076	177,737	3,247,813

Interim Wholesale Transmission Cost of Service
TEXAS-NEW MEXICO POWER COMPANY
Ad Valorem Taxes
Update Period 07/01/2013 - 12/31/2013

Line No.			
1	<u>Ad Valorem Taxes</u>		
2	TCOS Ad Valorem Taxes, Docket No. 41727	2,681,697	
3			
4	Total Ad Valorem Taxes, Twelve Months Ended 12/31/13	8,768,547	WP/Sched E-2.1.1
5			
6	TCOS Direct Assigned Net Plant at 12/31/13	223,841,745	Schedule B
7	Total Direct Assigned Net Plant at 12/31/13	691,225,714	WP/Sched E-2.1.2
8	TCOS Net Plant Factor at 12/31/13	32.38%	
9			
10	Ad Valorem Taxes Functionalized to Transmission Function, 12/31/13	2,839,545	
11			
12	Change in Ad Valorem Expense	157,848	

Interim Wholesale Transmission Cost of Service
 TEXAS-NEW MEXICO POWER COMPANY
 Ad Valorem Taxes by Month
 Update Period 07/01/2013 - 12/31/2013

Line No.	Account Description	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Total
1	408111 - Taxes - Ad Valorem	755,138	755,138	755,138	755,138	755,138	755,138	755,138	755,138	755,138	755,138	755,138	462,032	8,768,547
2														

Interim Wholesale Transmission Cost of Service
TEXAS-NEW MEXICO POWER COMPANY
Total Direct Assigned Net Plant
Update Period 07/01/2013 - 12/31/2013

Note: TNMP's 12/31/2013 Balance Sheet, showing TNMP's net plant balance at 12/31/2013, will be provided after the filing of TNMP's 2013 Form 10-K.

Interim Wholesale Transmission Cost of Service
TEXAS-NEW MEXICO POWER COMPANY
Texas Gross Margin Tax
Update Period 07/01/2013 - 12/31/2013

Line
 No.

1	Total TCOS Revenue Requirement	42,384,810	Schedule A
2	Intercompany allocation	2.380%	Docket No. 42062
3	Less: Intra-Company TCOS Revenue	<u>1,008,875</u>	
4	Total TCOS Revenue for TX Gross Margin Tax	<u>41,375,935</u>	
5	Taxable Revenue Percentage	<u>70.00%</u>	
6	Total TCOS Taxable Revenue	<u>28,963,155</u>	
7	Texas Gross Margin Tax Rate for 2013	<u>0.975%</u>	
8	Gross Margin Tax Amount	<u><u>282,391</u></u>	Schedule E-2

Interim Wholesale Transmission Cost of Service TEXAS-NEW MEXICO POWER COMPANY Federal Income Tax Update Period 07/01/2013 - 12/31/2013					
Line No.	Description	Reference Schedule Worksheet	Amount Approved per Docket 41727 (1)	Interim Annual Increase (2)	Federal Income Taxes at 12/31/2013 (3) = (1) + (2)
1	Federal Income Taxes				
2	Return on Rate Base	Schedule-B	18,073,555	1,800,195	19,873,750
3					
4					
5	Deductions:				
6	Synchronized Interest	WP Schedule E-3.1	(9,757,502)	(971,884)	(10,729,386)
7	ITC Amortization	Docket 41727	-	-	-
8	Amortization of Protected Excess DFIT	Docket 41727	(29,889)	-	(29,889)
9	AFUDC Equity	Docket 41727	(2)	-	(2)
10	Subtotal		(9,787,392)	(971,884)	(10,759,277)
11					
12	Additions:				
13	Depreciation Adjustment	Docket 41727	1,364	-	1,364
14	Meals and Entertainment	Docket 41727	-	-	-
15	Fines and Penalties	Docket 41727	-	-	-
16	Subtotal		1,364	-	1,364
17					
18	Taxable Component of Return		8,287,527	828,310	9,115,837
19	Tax Factor		53.85%	53.85%	53.85%
20					
21	Federal Income Taxes Before Adjust.		4,462,514	446,013	4,908,528
22					
23	Tax Credits				
24	ITC Amortization	Docket 41727	-	-	-
25	Amortization of Protected Excess DFIT	Docket 41727	(29,889)	-	(29,889)
26	Subtotal		(29,889)	-	(29,889)
27					
28	TOTAL FEDERAL INCOME TAXES		4,432,626	446,013	4,878,639

**Interim Wholesale Transmission Cost of Service
TEXAS-NEW MEXICO POWER COMPANY
Federal Income Tax - Synchronized Interest
Update Period 07/01/2013 - 12/31/2013**

Line
No.

1	<u>Federal Income Tax - Synchronized Interest</u>		
2			
3	Increase In Rate Base	Schedule-B	18,179,653
4			
5	Weighted Cost of Debt	WP Schedule E-3.2	5.35%
6			
7	Incremental Synchronized Interest		971,884

PUBLIC UTILITY COMMISSION OF TEXAS
TEXAS-NEW MEXICO POWER COMPANY
II-C-2.1 WEIGHTED AVERAGE COST OF CAPITAL - AMENDED
FOR THE TEST YEAR ENDING 12/31/13
DOCKET NO. 38480

Line No	Reference Schedule	1 Balance	2 Proforma Adjustments	3 Proforma Balance	4 Percent of Total	5 Cost	6 Weighted Cost	7 Pro Forma Percent of Total	8 Cost	9 Pro Forma Weighted Cost
1	Common Equity	452,988,494	(226,664,902)	226,323,592	42.77%	10.13%	4.33%	45.00%	10.13%	4.56%
2	Preferred Stock	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
3	Preferred Trust Securities	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4	Long-Term Debt	302,852,236	-	302,852,236	57.23%	9.72%	5.56%	55.00%	9.72%	5.35%
5	Short-Term Debt	17,500,000	(17,500,000)	-	0.00%	1.48%	0.00%	0.00%	1.48%	0.00%
6										
7	Total	773,340,730		529,175,828	100.00%		9.89%	100.00%		9.9023%

**TEXAS-NEW MEXICO POWER COMPANY
TARIFF FOR TRANSMISSION SERVICE**

Chapter 3: Rate Schedules
Applicable: Entire Certified Service Area
Effective Date: February 25, 2014

Page No.: 4
Revision 8

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3.1 Rate NTS – Network Transmission Service

Application

Applicable to all Transmission Service Customers receiving service over the Company's electric facilities rated at 60 kV and above ("Customers") for delivery of electric power and energy from resources to loads while maintaining reliable operation of the Company's transmission system in accordance with Good Utility Practice and Commission Substantive Rules. This Rate Schedule is not applicable to service offered by the Company under another Rate Schedule.

Type of Service

Three phase, 60 hertz, and at Company's standard transmission voltages.

Monthly Rate

Network Transmission Service Charge	=	\$0.650865	per kW
Hurricane Cost Recovery Factor (5 years)	=	\$0.00	per kW
Rate Case Expense - Docket No. 38880*	=	\$0.002403	per kW

I

*The rates shall take effect on the first day of the month following Commission approval of this schedule and shall continue in effect for three years or until the full amount approved in Docket No. 38880 has been recovered (no more and no less).

The amount payable for Network Transmission Service for a month is equal to the product of (a) the sum of (i) one-twelfth of the Network Transmission Service Charge plus (ii) one-twelfth of the Hurricane Cost Recovery Factor plus (iii) one-twelfth of the Rate Case Expense(s) (Docket No. 38480/38880) multiplied by (b) the Customer's Utility System Demand. The Customer's "Utility System Demand" is the average of the demand, expressed in kilowatts, of the Customer's retail and wholesale loads for the 15-minute interval that is coincident with the ERCOT system coincident peak demand for the months of June, July, August and September in the preceding calendar year.

**TEXAS-NEW MEXICO POWER COMPANY
TARIFF FOR TRANSMISSION SERVICE**

Chapter 3: Rate Schedules

Applicable: Entire Certified Service Area

Effective Date: February 25, 2014

Page No.: 4

Revision 8

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PUC DOCKET NO. _____

BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

**APPLICATION OF
TEXAS-NEW MEXICO POWER COMPANY
FOR INTERIM UPDATE OF
WHOLESALE TRANSMISSION RATES
PURSUANT TO SUBST. R. 25.192(h)(1)**

**PREPARED DIRECT TESTIMONY AND EXHIBITS
OF
EVANS SPANOS**

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

JANUARY 21, 2014

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1 **I. INTRODUCTION AND QUALIFICATIONS**

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

4 A. My name is Evans Spanos. I am the Vice President of Operations for Texas-New
5 Mexico Power Company ("TNMP" or "Company"). My business address is 577 N.
6 Garden Ridge Blvd., Lewisville, Texas 75067.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL**
8 **EXPERIENCE.**

9 A. I graduated from the University of New Mexico in 1977 with a Bachelor of Science
10 degree in Electrical Engineering. I began employment with Public Service Company of
11 New Mexico in October 1975 as an Engineering Aide, and subsequently held the
12 positions of Load Management Coordinator (1977-1979) and Senior Rate Engineer
13 (1979-1981). In March 1981, I accepted a position at Central Louisiana Electric
14 Company ("CLECO") as Manager of Rate Research, with responsibility in the areas of
15 Load Research, Cost of Service and Rate Design. I joined Gas Company of New
16 Mexico in 1985 as Planning Manager (1985-1986) and was then appointed
17 Director/General Manager of Rates and Regulatory Affairs (1986-1993). I moved to Gas
18 Operations as Natural Gas Vehicle Coordinator (1993-1996), before joining PNM
19 Resources ("PNMR") as Manager, Corporate Strategy (1996-2005). I accepted a
20 position as ERCOT Business Manager with TNMP after PNMR acquired TNMP in June
21 2005. I was elected as the Vice-President of Operations in 2012.

22 I am a registered Professional Engineer, holding New Mexico License No. 12160.

23 **Q. PLEASE DESCRIBE YOUR DUTIES AS THE VICE-PRESIDENT OF OPERATIONS.**

24 A. As Vice-President of Operations I am responsible for operation and maintenance of
25 TNMP's transmission and distribution line assets statewide. In addition, I lead Business
26 Operations, including TNMP's large industrial customer liaison and contract negotiations,
27 strategic planning and Regulatory liaison for the TNMP Operations group.

28 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY BODIES?**

29 A. Yes. I have testified before the New Mexico Public Service Commission (Case Nos.
30 1554, 1575, 2030, 2064, 2068, 2147, 2183, and 2340) and Louisiana Public Service
31 Commission (Case Nos. U-15297, U-15622 and U-16510). My testimony in these
32 proceedings concerned cost of service, and electric and gas rate design matters. I also
33 filed testimony with the Federal Energy Regulatory Commission presenting a

1 transmission wheeling case for CLECO. I have filed testimony before the Public Utility
2 Commission of Texas ("PUCT") in Docket Nos. 38012, 40674, 41176, and 41727,
3 TNMP's most recent interim TCOS filing.

4 **II. PURPOSE OF TESTIMONY**

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

6 A. The purpose of my testimony is to support the update to wholesale transmission rates
7 for TNMP pursuant to P.U.C. SUBST. R. 25.192(h). My testimony establishes that
8 transmission plant additions included in this filing are complete and are "used and
9 useful" as required by General Instruction No. 2 of the Interim TCOS Filing Package.

10 **III. DESCRIPTION OF TNMP'S INTERIM TCOS FILING**

11 **Q. HAS TNMP LISTED AND DESCRIBED THE TRANSMISSION FACILITY ADDITIONS
12 INCLUDED IN ITS INTERIM TCOS UPDATE?**

13 A. Yes. TNMP witness Peters has included a listing and description of transmission
14 projects closed to plant-in-service from July 1, 2013 through December 31, 2013 in
15 WP/Schedule B-1.2 and WP/Schedule B-1.3. The dollar amounts shown for these
16 projects are those that have been incurred as of December 31, 2013. It is not unusual
17 for costs such as contractor invoices and landscaping charges to be recorded in
18 subsequent time periods. Therefore, it is likely that some of the charges included in the
19 July 1, 2013 through December 31, 2013 relate to projects actually in service prior to
20 July 1, 2013, and it is also likely that some in-service projects will incur some charges
21 after December 31, 2013 that are not included in this interim TCOS filing.

22 **Q. WHAT ARE THE STANDARDS FOR INCLUSION OF TRANSMISSION PROJECTS IN
23 THE INTERIM TCOS FILING?**

24 A. The Interim TCOS Filing Package, General Instruction No. 2, provides that "only the
25 costs associated with completed (used and useful) transmission additions shall be
26 eligible for recovery through interim rates."

27 **Q. DOES TNMP'S TRANSMISSION PLANT NET ADDITIONS INCLUDED IN THE
28 INTERIM TCOS FILING MEET THE "USED AND USEFUL" REQUIREMENT OF THE
29 INTERIM TCOS FILING PACKAGE?**

30 A. Yes, the transmission plant net additions included in the Interim TCOS filing are
31 completed and are providing transmission service, which satisfies the "used and useful"
32 requirement.

1 Q. PURSUANT TO GENERAL INSTRUCTION NO. 2 IN THE INTERIM TCOS FILING
2 PACKAGE, DID TNMP SEEK TO AMEND ITS CERTIFICATE OF CONVENIENCE
3 AND NECESSITY ("CCN") TO INCLUDE VARIOUS PROJECTS INCLUDED IN THIS
4 APPLICATION?

5 A. No, it did not. TNMP routinely amends its CCN for projects requiring CCN amendments;
6 however, CCNs are not required for all projects. During the 6-month period covered by
7 this filing, TNMP did not have any transmission projects that required CCN amendments.

8 Q. GENERAL INSTRUCTION NO. 2 IN THE INTERIM TCOS FILING PACKAGE
9 REQUIRES A LISTING OF WHICH PROJECTS ARE LOCAL AND WHICH
10 PROJECTS ARE NOT LOCAL. HOW DO YOU INTERPRET THOSE TERMS?

11 A. Most of the projects TNMP has included in this filing are local. These are projects that
12 provide direct interconnection to wholesale or retail customers, or that replace existing
13 equipment. However, some projects address ERCOT regional system needs and are
14 not considered to be local. Large regional projects have been studied in the ERCOT
15 regional transmission planning ("RPG") group peer review and acceptance process. In
16 addition, regional projects have been considered and recommended by the ERCOT
17 Board of Directors as needed to support the safety and reliability of the ERCOT regional
18 transmission system.

19 Q. PLEASE IDENTIFY THE PROJECTS THAT ARE NOT LOCAL THAT TNMP HAS
20 INCLUDED IN THIS FILING.

21 A. The regional projects included in this filing are the Friendswood Bus Upgrade, the
22 Hastings-Friendswood 138 kV transmission line Rebuild, the League City-Magnolia 138
23 kV transmission line Rebuild, and the Highlands Substation 3000A Upgrade projects.

24 Q. PURSUANT TO GENERAL INSTRUCTION NO. 2 IN THE INTERIM TCOS FILING
25 PACKAGE, HAS TNMP RECEIVED INPUT FROM ERCOT FOR THE PROJECTS
26 THAT ARE NOT LOCAL?

27 A. Yes. As discussed above, TNMP participates in regional planning groups conducted by
28 ERCOT for the consideration of projects proposed by TNMP, the ERCOT Staff, other
29 transmission service providers and other market participants to address transmission
30 constraints and other system needs. ERCOT's review of these proposed projects
31 ensures that ERCOT and NERC requirements are met and that appropriate solutions to
32 regional transmission problems are addressed through a coordinated effort. The
33 projects listed above are not large enough for RPG review, but were recommended in

1 ERCOT's 5-Year Transmission Plan. The projects that received ERCOT input and
2 review are noted on WP Schedule B-1.2.

3 **Q. HAVE INTERCONNECTION AGREEMENTS BEEN EXECUTED AND FILED WITH**
4 **THE COMMISSION FOR INTERCONNECTION PROJECTS?**

5 A. No, there have not been any interconnection agreements executed during the 6-month
6 period covered by this filing, nor have costs for any interconnection projects been
7 included in this filing.

8 **IV. CONCLUSION**

9 **Q. WHAT ACTION DO YOU PROPOSE THAT THE COMMISSION TAKE IN THIS**
10 **PROCEEDING?**

11 A. TNMP is requesting the Commission approve TNMP's interim TCOS adjustment and
12 allow for billings to begin 35 days after the filing of this application.

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

14 A. Yes, it does.

AFFIDAVIT

STATE OF TEXAS

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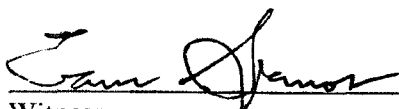
COUNTY OF DENTON

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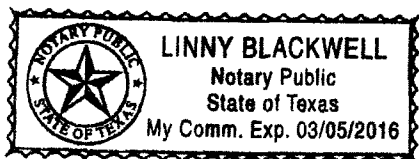
BEFORE ME, the undersigned authority, on this day personally appeared Evans Spanos, who, upon proving his identity to me and by me being duly sworn, deposes and states the following:

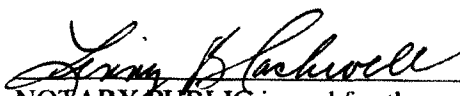
“My name is Evans Spanos. I am of legal age, a resident of the State of Texas, and have never been convicted of a felony. I certify that the foregoing testimony, offered by me on behalf of Texas-New Mexico Power Company, is true and correct and based upon my personal knowledge and experience.”



Witness

SWORN TO AND SUBSCRIBED before me, Notary Public, on this 17th day of January 2014, to certify which witness my hand and seal of office.





NOTARY PUBLIC in and for the
State of Texas

Printed Name: LINNY BLACKWELL

My Commission expires: 3-5-2016