

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE JOINT APPLICATION)
OF AVANGRID, INC., AVANGRID NETWORKS,)
INC., NM GREEN HOLDINGS, INC., PUBLIC)
SERVICE COMPANY OF NEW MEXICO AND PNM)
RESOURCES, INC., FOR APPROVAL OF THE)
MERGER OF NM GREEN HOLDINGS, INC. WITH)
PNM RESOURCES, INC.; APPROVAL OF A)
GENERAL DIVERSIFICATION PLAN; AND ALL)
OTHER AUTHORIZATIONS AND APPROVALS)
REQUIRED TO CONSUMMATE AND IMPLEMENT)
THIS TRANSACTION)
)
AVANGRID, INC., AVANGRID NETWORKS, INC.,)
NM GREEN HOLDINGS, INC., PUBLIC SERVICE)
COMPANY OF NEW MEXICO AND PNM)
RESOURCES, INC.,)
)
JOINT APPLICANTS.)
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Case No. 20-00222-UT

NOTICE OF FILING INITIAL STIPULATION

Public Service Company of New Mexico (“PNM”), in accordance with 1.2.2.20 NMAC, hereby gives notice of the filing of a Stipulation entered into between PNM, PNM Resources, Inc., Avangrid, Inc., Avangrid Networks, Inc., NM Green Holdings, Inc., the Attorney General of the State of New Mexico, Western Resource Advocates, the International Brotherhood of Electrical Workers Local 611, Dine Citizens Against Ruining Our Environment, Nava Education Project, San Juan Citizens Alliance, and To Nizhoni Ani resolving the substantive issues in this proceeding among these parties. It is anticipated that further discussions with parties will provide an opportunity to add additional stipulated commitments for the Commission’s consideration. The signed Initial Stipulation among the stipulating parties is attached hereto as Exhibit A.

Respectfully submitted this 20th day of April, 2021.

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

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GCG#527978

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Case No. 20-00222-UT

INITIAL STIPULATION

Public Service Company of New Mexico (“PNM”), PNM Resources, Inc. (“PNMR”), Avangrid, Inc. (“Avangrid”), Avangrid Networks, Inc. (“Networks”), NM Green Holdings, Inc. (“NM Green”),¹ the Office of the Attorney General of the State of New Mexico, Western Resource Advocates, International Brotherhood of Electrical Workers Local 611, Dine Citizens Against Ruining Our Environment, Nava Education Project, San Juan Citizens Alliance, and To Nizhoni Ani (collectively, the “Signatories”), and subject to the approval of by the New Mexico Public Regulation Commission (“NMPRC” or the “Commission”), through their undersigned authorized representatives, have reached agreement on substantive issues that would cause them to support the proposed merger. It should be understood that the Joint Applicants intend to continue

¹ PNM, PNMR, Avangrid, Networks, and NM Green are collectively referred to as “Join Applicants.”

discussions with other parties towards the goal of an Amended Stipulation being filed as soon thereafter as possible (e.g., within two weeks). The Signatories agree and stipulate as follows:

INTRODUCTION

A. In the Joint Application filed on November 23, 2020, Joint Applicants requested the Commission approve: (1) the merger of NM Green with and into PNMR, under NMSA 1978, Sections 62-6-12 and 62-6-13, following which PNMR will be the surviving corporation and will be a wholly-owned subsidiary of Avangrid (“Merger”); (2) Avangrid’s transfer of 100% ownership in PNMR to Networks subsequent to the Merger (together with the Merger, the “Proposed Transaction”); (3) PNM’s 2021 General Diversification Plan (“2021 GDP”), which replaces any previous diversification plans and is filed in connection with the Class II transaction contemplated by the Proposed Transaction pursuant to 17.6.450 NMAC (“Rule 450”); and (4) such other and further approvals, consents, authorizations, and relief that may be required under the New Mexico Public Utility Act (the “PUA”), including a limited variance to information required to be provided by Rule 450.10(B)(1) and Rule 450.13(A)(2), to consummate and implement the Proposed Transaction.

B. Staff and Intervenors filed direct testimony on April 2, 2021, raising various concerns and objections to the Joint Application.

C. The Signatories entered into settlement negotiations, and arrived at this Initial Stipulation which they believe: a) is fair, just and reasonable; b) meets the statutory test for approval pursuant to Sections 62-6-12 and 62-6-13 that the proposed merger of NM Green with PNMR, and the subsequent transfer of PNMR’s stock to Networks, is neither unlawful nor inconsistent with the public interest; and, c) meets the requirements of Rule 450.10, including that the level of investment appears reasonable and that PNM’s ability to provide reasonable and proper

utility service at fair, just and reasonable rates will not be adversely and materially affected by the merger of NM Green with PNMR or the transfer of PNMR's stock to Networks.

D. The agreements set forth in this Initial Stipulation reflect good faith negotiations, with reasonable "give and take" on issues by the Signatories and result in a bargained-for resolution to this proceeding, with the understanding that the Signatories would work to reach an Amended Stipulation with additional parties as soon as possible thereafter (e.g., within two weeks).

E. Through this Initial Stipulation, the Signatories intend to resolve all issues they have raised in this proceeding and agree that the Commission should approve the Proposed Transaction, PNM's proposed 2021 GDP and associated Class II transaction, and the variance to Rule 450.10(B)(1) and Rule 450.13(A)(2).

STIPULATION

1. Subject to possible further agreements with additional parties, the Signatories agree that the Joint Application should be approved, and all approvals and authorizations sought by Joint Applicants should be granted.

2. In support of the Initial Stipulation, the Signatories have agreed to the Initial Stipulated Regulatory Commitments contained in Exhibit A. The Initial Stipulated Regulatory Commitments supersede and replace the Regulatory Commitments included with the Joint Application. The Initial Stipulated Regulatory Commitments are hereby incorporated into this Initial Stipulation by reference.

3. The Signatories agree that the Joint Application combined with the Initial Stipulated Regulatory Commitments constitute a benefit to PNM's customers, preserve the Commission's jurisdiction, ensure the quality of PNM's service will not be diminished, will not

result in improper subsidization of non-utility activities, and provide adequate protections against harm to customers.

4. The Signatories further agree that Avangrid, Networks, and Iberdrola S.A. are qualified and financially healthy public utility holding companies.

5. The Signatories agree that Joint Applicants and Iberdrola S.A. have made all of the affirmations and other requirements of Rule 450.10 for approval of a Class II transaction and the 2021 GDP.

6. The Signatories concur in granting the variance to Rule 450.10 and Rule 450.13 allowing PNM to exclude reporting information related to Iberdrola, S.A.'s subsidiaries which: 1) operate completely outside of the United States and 2) have no contact with PNM. The Signatories agree that a variance is appropriate as such, information is of limited value to stakeholders and the Commission, and would likely be burdensome on the Commission's staff to track.

7. The Signatories agree that this Initial Stipulation is made and filed solely in connection with the settlement among the Signatories with respect to the matters in this proceeding only, and is unique to the circumstances presented in this proceeding.

8. Except as specifically stated in the language of this Initial Stipulation, the provisions of this Initial Stipulation have no precedential effect and the Signatories do not waive rights they may have in any other pending or future proceeding and will not be deemed to have approved, accepted, agreed to or consented to the application of any concept, principle, theory or method in any future proceeding. In accordance with 1.2.2.20(D) NMAC, by approving this Initial Stipulation and/or an Amended Stipulation, as applicable, the Commission will be neither granting any approval nor creating any precedent regarding any principle or issue in this or any other proceeding, except as provided in the Final Order.

9. The Initial Stipulation contains the full intent, understanding, and the entire agreement of the Signatories and no implication should be drawn on any matter not addressed in the Initial Stipulation. There are not and have not been any representations, warranties, or agreements other than those specifically set in this Initial Stipulation.

10. This Initial Stipulation reflects a negotiated settlement. The Signatories agree that they will use their best efforts to obtain expeditious approval of this Initial Stipulation, or an Amended Stipulation which would supersede the Initial Stipulation, by appropriate final order of the Commission in this proceeding. If the Initial Stipulation is not adopted in its entirety by the Commission, without modification, the Initial Stipulation will be voidable by any Signatory. In order to void the Initial Stipulation and the agreements made in this Initial Stipulation, a Signatory must file a formal statement with the Commission rejecting one or more of the Commission's modifications and stating that the Signatory intends to void the Initial Stipulation if the Commission does not withdraw the rejected modification. The formal statement shall be filed within the time allotted by the Commission for filing amendments to the Initial Stipulation or, if no time is specified by the Commission, no later than fifteen days after the Commission's order. Any statement made or positions taken by the Signatories during the course of negotiations regarding this Initial Stipulation will not be admissible before any regulatory agency or court.

11. The Signatories agree that this Initial Stipulation in its entirety represents a fair, just, and reasonable resolution of the issues presented in this proceeding.

12. This Initial Stipulation may be executed through one or more counterparts or separate signatures, including, but not limited to, electronic signature, each of which will be deemed to be an original and all of which will constitute one of the same agreement.

INITIAL STIPULATED REGULATORY COMMITMENTS

1. **Rate Benefits.** Joint Applicants¹ commit to provide a total of \$63 million in rate benefits, deployed in the following manner:
 - \$50 million in rate credits to PNM’s customers over a three-year period following the closing of the Proposed Transaction;
 - \$6 million for residential customer arrearages forgiveness within 90 days from closing of the Proposed Transaction;
 - \$2 million in funds for assisting in providing electricity to new customers in remote areas (as described in Section 11 below); and
 - \$5 million for low-income energy efficiency (as described in Section 8 below).
2. **Economic Development.** Joint Applicants make the following commitments regarding economic development:
 - Joint Applicants will create or bring an additional 150 full-time jobs in total to New Mexico over the three-year period following the closing of the Proposed Transaction, and will remain for no less than five years thereafter. Joint Applicants commit to file an annual compliance report in this merger proceeding showing the number of full-time jobs created or brought to New Mexico, identifying the employer and whether the job is performed remotely or in an office location. No more than 20 of these jobs will be at PNM. Joint Applicants will target 20 of these jobs to be electric service business unit craftsmen at PNM, and will prioritize hiring

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

personnel that have been or will be displaced as a result of SJGS closure for those positions.

- Joint Applicants commit that they will make contributions to economic development projects or programs in New Mexico, at shareholder expense, totaling \$7.5 million over the three years following the closing of the Proposed Transaction. The Joint Applicants commit that these economic development funds will not be used for fossil fuel use or related projects.
- Additionally, within 90 days of closing of the Proposed Transaction, Joint Applicants will allocate at shareholder expense \$2.5 million each year for five years following closing for a total of \$12.5 million for the benefit of impacted indigenous community groups in the Four Corners region, as designated by intervening Community Groups. This amount is not related in any way to, and will not impact, the amounts required to be transferred to the energy transition funds pursuant to NMSA 1978, Section 62-18-16(J) in relation to the abandonment of any coal-fired generation facility in New Mexico. The Joint Applicants commit to engage in periodic meetings, at least twice annually, with impacted community stakeholders in the Four Corners region and the NM AG, to discuss community interests regarding Joint Applicants operations and renewable energy and storage development in the Four Corners region.
- The ETA requires that 3.35% of the amount securitized from the closure of the San Juan Generating Station be provided to an “energy transition displaced worker assistance fund” run by NM Workforce Solutions. Joint Applicants commit to work with PNM to ensure that this program provides the maximum possible employment

opportunities for displaced workers, and will look for opportunities to improve that program. Joint Applicants commit to provide progress reports on the effectiveness of the program each six months following execution of this Stipulation to the NM AG and other stakeholders that are signatories to this Stipulation until three years following closing.

3. **Albuquerque Streetlighting.** Joint Applicants agree to work with the City of Albuquerque to provide streetlighting for a park. Joint Applicants agree that if there is any failure with respect to that streetlighting, if PNM does not fix it within 24 hours, the City can contract to fix the streetlighting and submit an invoice to PNM for the repairs.
4. **Albuquerque Airport Substation.** Joint Applicants commit to work with the City of Albuquerque to complete the development of a substation at the Albuquerque International Sunport to improve electric service at the airport.
5. **Charitable Contributions.** Joint Applicants commit that PNM and PNMR's charitable contributions in New Mexico will be maintained at historical levels identified in the Joint Applicants' direct testimony for a minimum of five years following closing of the Proposed Transaction, with a similar expectation for the PNM Resources Foundation's separate charitable activities.
6. **Minority- and Woman-Owned Business Procurement Program.** Joint Applicants commit to work closely with the Office of the Attorney General for the State of New Mexico ("NM AG") to arrive at and initiate an effective Minority- and Woman-Owned Business Procurement Program within six months following closing of the Proposed Transaction. The goal of this program will be to increase the contract opportunities for minority- and woman-owned businesses in New Mexico in conjunction with PNM

contracts to procure goods and services. The program will have three components: (i) Early Outreach (to maximize participation of minority- and woman-owned businesses in requests for proposals (“RFPs”)); (ii) RFP Weighting (to strongly consider the benefits of contracting with a minority- or woman-owned New Mexico business, along with price, experience, capability, timing and other factors); and (iii) Annual Review (to evaluate the success of the program) for a minimum of five years following closing. Each year for at least five years following closing, the Joint Applicants commit to provide data from its Annual Review to the NM AG and to other stakeholders that are signatories to this Stipulation and will modify the program as needed based upon input from and discussions with the NM AG and other stakeholders that are signatories to this Stipulation.

7. **Low-Income Customer Assistance Programs.** Joint Applicants commit that PNM will maintain its existing low-income customer assistance programs, including the Good Neighbor Fund, for a minimum of five years following the closing of the Proposed Transaction.
8. **Low-Income Energy Efficiency Program.** Joint Applicants commit to evaluate PNM’s current low-income energy efficiency program. Within six months following closing, Joint Applicants will work with the NM AG and other stakeholders that are signatories to this Stipulation to propose improvements to the program, to result in their passing the Utility Cost Test, which PNM will then incorporate in its next Energy Efficiency program filing with the Commission. Joint Applicants will have PNM commit to propose increased spending on all cost-effective low-income energy efficiency and weatherization programs up to the statutory limit on energy efficiency spending, so long as such spending does not cause the overall energy efficiency plan to fail the Utility Cost Test. In addition, Applicants

will commit \$5 million in total over a three-year period in shareholder expense to increase cost-effective low-income energy efficiency and weatherization.

9. **Local Energy Efficiency Procurement.** Joint Applicants commit to work closely with stakeholders to have local New Mexico businesses manage PNM's energy efficiency programs. The Joint Applicants commit that within six months of closing, PNM will include in its RFPs for managing its energy efficiency programs weighting that considers the benefits of contracting with local New Mexican businesses, as well as price, experience, capability and other relevant factors to maximize the participation of local businesses in the provision of these services.
10. **Diversity of PNM Management Team.** Joint Applicants commit that within six months following closing, they will implement a new program for PNM in consultation with the NM AG and the other stakeholders that are signatories to this Stipulation to increase diversity on the PNM management team (Executives, Vice-Presidents and Directors). Among other considerations such as qualifications, capabilities, and credentials, the Joint Applicants commit that diversity (gender, race, ethnicity, etc.) will be a key priority for management hiring efforts at PNM. Joint Applicants commit to report annually on the progress and success of this program for five years. During the five-year reporting period, in any given year in which management diversity is reduced by more than 10% from the prior year, the Joint Applicants commit to contribute \$250,000 to designated scholarship(s).
11. **“Electrification for All” Program.** Joint Applicants will work with New Mexico Public Regulation Commission's (“Commission”) Utility Division Staff (“Staff”) and the NM AG to propose a low-income “Electrification for All” program to improve the access that low-

income New Mexicans have to electricity, particularly in remote areas. Joint Applicants commit to report on the results of the program annually to signatories to the Stipulation for three years from closing to evaluate its success and to entertain modifications to improve effectiveness. The low-income electrification fund as described above in Section 1 will remain open for three years from closing or until fully deployed, whichever occurs first; in the event that the low income electrification fund is not fully deployed at the end of the three-year period, Joint Applicants will work with the NM AG and other stakeholders that are signatories to this Stipulation to determine how to deploy any residual funding that has not been utilized. Joint Applicants will fund the program with \$2 million that will not be passed through in rates to customers and will count toward the rate benefits described above. As needed, Joint Applicants commit to work toward electrification during this three-year period for up to \$2 million of electrification.

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

- a. Neither PNM nor any affiliate or subsidiary of PNM, Avangrid, or Iberdrola, S.A. (“Iberdrola”), will seek recovery of transaction costs in PNM’s rates. None of the transaction costs will be borne by PNM’s customers, nor will PNM seek to include transaction costs in its rates. Transaction costs are those incremental costs paid to advance or consummate the transaction. Transaction costs do not include PNM and shared services employee time but must include any form of incentive compensation associated with the Proposed Transaction, regardless of whether

Avangrid, PNMR, or their affiliates and subsidiaries internally refer to it as incentive compensation.

- b. 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 for dividend payment purposes.
- c. No time and expenses, third party costs, fees, expenses, or costs of the transition (transition costs) incurred by any party to the Transaction (including Avangrid and its subsidiaries and PNMR and its subsidiaries) will be borne by PNM's customers, nor will PNM seek to include transition costs in rates. Transition costs are those costs necessary to integrate PNM into the holdings of Avangrid Networks, whether incurred before or after closing of the transaction, including one-time transition costs being incurred whether directly or indirectly through affiliate charges, to integrate PNM's operations and systems with those of Avangrid Networks. Provided, however, that transition costs do not include PNM and shared services employee time, or costs that reflect reasonable and necessary costs in providing service to the public.
- d. Neither PNM nor any of its affiliates will elect to apply pushdown accounting for the transaction (i.e., the transaction will have no accounting impact on PNM's assets). Any incremental goodwill will not be allocated to, nor recognized within, PNM's financial statements.
- e. Joint Applicants commit to file with the Commission a comprehensive compliance report about actual acquisition premium, transaction costs, and/or merger transition

costs allocated to PNM not later than six months following the publication of PNM's audited financial statements for the fiscal year during which the Proposed Transaction closes.

13. **No New Debt From Proposed Transaction.** Joint Applicants commit that PNM and PNM's will not take on any new debt in conjunction with the Proposed Transaction.

14. **Avangrid Controlling Ownership Interest.** Joint Applicants commit that Avangrid will maintain an indirect controlling ownership interest in PNM for not less than ten years following the closing of the Proposed Transaction.

15. **Commission Jurisdiction.** The Commission jurisdiction over PNM remains and will not be adversely affected in any manner by the Proposed Transaction, as PNM will continue to abide and to be bound by existing applicable NMPRC rules, regulations, and orders. Additionally, Avangrid agrees, and Iberdrola authorizes Avangrid to represent that Iberdrola agrees, to submit to New Mexico jurisdiction with respect to the enforceability of these regulatory commitments and the services each may provide in New Mexico and to PNM.

16. **Commitment Duration.** Joint Applicants commit that PNM will continue to abide and be bound by the commitments set forth in all stipulations that are currently in effect until the commitments expire on their own accord or the Commission enters any order that supersede such commitments.

17. **Management.** In recognition of the importance of having a utility board that has a significant local voice, Joint Applicants make the following commitments to local management:

- PNM’s Board of Directors will have decision-making authority over PNM dividend policy, issuance of dividends (except for contractual tax payments), debt issuance, capital expenditures, management and services fees, PNM director and officer compensation and benefits, and operation and maintenance expenditures;
- PNM’s Board of Directors will include a majority of local leaders from New Mexico, at least 40% of whom (e.g., 2 of 5 directors) shall qualify as “independent” as defined in the rules and regulations of the New York Stock Exchange;
- PNM’s Board of Directors meetings will be held in New Mexico or virtually;
- PNM’s day-to-day operations will be conducted by PNM’s local management and employees, and PNM’s local management will continue to establish company priorities and respond to local conditions;
- PNM’s Board of Directors, including the affirmative vote of a majority of independent directors, will have the sole right to determine dividends, except for contractual tax payments;
- Any amendments or changes to the dividend policy must be approved by a majority vote of the directors, including the affirmative vote of a majority of independent directors;
- The independent directors, acting by majority vote, shall have the authority to prevent PNM from making any dividend, except for contractual tax payments, if they determine that it is in the best interest of PNM to retain such amounts to meet expected future requirements of PNM; and

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

18. **Authorized Purpose of PNM.** The sole authorized purpose of PNM shall be the provision of electric utility service and the performance of activities reasonably necessary and appropriate thereto.

19. **Best Interests of PNM and Customers.** The Board of Directors and officers of PNM are obligated to act in the best interests of PNM and its customers, consistent with the terms of this settlement and order.

20. **Extinguishment of Debt.** Avangrid will extinguish all debt at PNMR, reducing it to zero within 90 days following the closing of the Proposed Transaction and maintaining it at zero going forward for as long as Avangrid has an indirect ownership interest in PNMR unless authorized in advance by the Commission.

21. **Terminations and Reductions of Wages or Benefits.** Joint Applicants commit that there will be no involuntary terminations except for cause or performance (other than those associated with the planned closure of the San Juan Generating Station) and no reductions of wages or benefits to union or non-union employees for a minimum of three years following the closing of the Proposed Transaction.

22. **Collective Bargaining Agreement and Pension.** Joint Applicants will honor PNM's current collective bargaining agreement and will use good faith in any future collective bargaining agreement negotiation. Within six (6) months following closing, PNM will study the pension for union employees to evaluate whether the pension is fully funded, and will work with the union to ensure that the pension remains fully funded.

23. **Affiliate Lending and Borrowing.** Joint Applicants commit that PNM will not lend money to or borrow money from any of its affiliates, other than as permitted by the Commission.
24. **Affiliate Credit Facilities.** Joint Applicants commit that PNM will not share credit facilities with any affiliates other than as approved by the Commission.
25. **Affiliate Cross-Default Provisions.** Joint Applicants commit that PNM will not include in any of its debt or credit agreements cross-default provisions relating to any of its affiliates. Under no circumstances will any debt of PNM become due and payable or otherwise be rendered in default because of any cross-default, financial covenants, rating agency triggers or similar provisions of any debt or other agreement of any of its affiliates.
26. **Affiliate Material Asset Transfers.** Joint Applicants commit that PNM will not acquire or transfer material assets from or to any of its affiliates, except on an arm's length basis, and in accordance with the Commission's affiliate transaction standards and requirements.
27. **Stand-Alone Bond Credit and Debt Ratings.** Joint Applicants commit to take the actions necessary to ensure the existence of PNM's standalone bond credit and debt ratings. PNM will, except as otherwise approved by the Commission, be registered with at least two nationally recognized statistical ratings organizations that are registered with the United States Securities and Exchange Commission, which must include two of Moody's, Fitch, or Standard and Poor's. The Joint Applicants shall take the actions necessary to ensure that PNM's credit ratings reflect the ring-fence provisions adopted in this order such that the credit rating agencies provide PNM with a standalone credit rating.

28. **Restrictions on Dividends or Distributions Related to Debt Rating.** Joint Applicants commit that PNM will not pay dividends or distributions, except for contractual tax payments, at any time that PNM's debt rating is below (BBB) or its equivalent with any of the credit-rating agencies with a negative watch, unless approved by the Commission in a proceeding opened for that purpose. PNM shall promptly notify the Commission if PNM's credit rating falls below investment grade with any of the credit-rating agencies.
29. **Dividend Payment Limitation.** PNM will limit its payment of dividends, except for contractual tax payments, to an amount not to exceed its net income as determined in accordance with GAAP. PNM, however, shall be permitted to rollover under-utilized dividending capacity to subsequent periods for payment for the number of years the Commission allows for rollovers.
30. **Minimum Common Equity Ratio.** PNM shall maintain a minimum common equity ratio (measured using a trailing 13-month average) in compliance with the equity ratio established from time to time by the Commission for ratemaking purposes. PNM will make no payment of dividends, except for contractual tax payments, where such dividends would cause PNM to be out of compliance with the Commission approved equity ratio (measured using a trailing 13-month average).
31. **Affiliate Pledge Restriction.** Joint Applicants commit that PNM's assets, or revenues shall not be pledged by any of its affiliates for the benefit of any entity other than PNM.
32. **Shared Services.** Joint Applicants commit that PNM will submit for filing with the Commission any and all shared services provided by affiliates, as well as a Cost Allocation Manual. The Commission shall determine the reasonableness of the Cost Allocation Manual and the allocation methodology in PNM's next rate case and all parties will retain

their rights to take positions with respect to such Cost Allocation Manual and the allocation methodology in that case.

33. **Incremental New Debt.** Without prior approval of the Commission, neither Avangrid nor any affiliate of Avangrid (excluding PNM) will incur, guaranty, or pledge PNM assets in respect of any incremental new debt at the closing or thereafter that is dependent on: (1) the revenues of PNM in more than a proportionate degree than the other revenues of Avangrid; or (2) the stock of PNM.
34. **Independent Evaluator.** Whenever an affiliate expresses interest in participating in an RFP for PNM to purchase power, PNM will choose and retain an Independent Evaluator in order to ensure there is no favoritism in the evaluation of proposals. PNM will file the report of the Independent Evaluator to ensure that there is no favoritism in the RFP process. The first \$75,000 of costs associated with the retention of the Independent Evaluator will be borne by PNM whenever an affiliate participates in such an RFP, and the parties to the Stipulation agree that any costs in excess of \$75,000 associated with retention of the Independent Evaluator are properly recoverable through PNM rates. PNM will retain an Independent Evaluator for any generation resource purchase power RFP over \$50 million regardless of whether there is affiliate participation for five years. At the end of five years, the Commission may choose to extend this provision. To the extent that PNM is obligated to retain an Independent Evaluator where there is not an affiliate participating in the RFP, the parties to the Stipulation agree that all of the reasonable costs of the Independent Evaluator are properly recoverable through PNM rates. All parties will retain rights to oppose any new projects proposed and to oppose any affiliate contracts proposed.

35. Affiliate Contracts. Joint Applicants commit that PNM will implement policies with respect to existing and/or potential future affiliate contracts that would accomplish the following:

- PNM has the burden of proving that any new affiliate transaction benefits ratepayers;
- No PNM affiliate can obtain a new affiliate power purchase agreement with PNM without winning a competitive RFP (with an Independent Evaluator) with evidence of direct head-to-head competition;
- Any information that PNM provides to its affiliate with respect to any such RFP must simultaneously be provided to all bidders;
- No other non-public information about a competitive RFP will be shared between PNM and affiliates at any time, unless as described in this paragraph;
- Communications with respect to contract administration must be on an arms-length basis; and
- PNM and Avangrid will comply with all affiliate transaction requirements under New Mexico and federal laws and regulations.

36. Reliability and Safety. Joint Applicants commit that:

- PNM will invest in its system to ensure reliability and safety; and
- PNM will meet with representatives from the Commission's Consumer Relations Division and Utility Division Staff to establish a list of customer service quality indices and reliability standards and file a report with the Commission on an annual basis that reflects its performance based on these measures. In that meeting, PNM

will discuss what type of feeder outage information should be included in that annual report.

37. **Maintenance of Books, Records, and Accounts.** Joint Applicants commit that PNM will maintain accurate, appropriate, and detailed books, financial records (including upon request, audited financials), and accounts, including checking and other bank accounts, and custodial and other securities safekeeping accounts that are separate and distinct from those of any other entity.
38. **Access to Books, Records, and Accounts and Audits.** Joint Applicants commit that the Commission and its Staff will have access to the books, records, accounts, or documents of PNM, its corporate subsidiaries and its holding companies, including PNMR, Networks, Avangrid, and Iberdrola, pursuant to NMSA 1978, Sections 62-6-17 and 62-6-19.
39. **Name and Logo.** PNM will maintain a separate name and logo from Avangrid, Iberdrola, and all other Avangrid and Iberdrola subsidiaries and affiliates, but may also include the same Avangrid name and logo for branding (*e.g.*, “an Avangrid company”).
40. **Dividend Notice.** PNM will provide at least 30 days’ notice to the Commission before making any dividend payments. The notice will include the amount of the proposed dividend, the proposed pay-out ratio, and historic pay-out ratios for the preceding three years.
41. **Duty to Act in the Best Interests of PNM.** The PNM board of directors shall have the duty to act, subject to applicable New Mexico law, in the best interests of PNM.
42. **Restriction on Affiliate Commingling.** Except insofar as the Commission may authorize PNM to participate in the Avangrid Networks shared credit facilities or affiliate money pool, PNM shall not commingle its funds, assets, or cash flows with its affiliates.

43. Regional Transmission Organization. In recognition of the potential benefits to New Mexico and PNM's customers of PNM joining a Regional Transmission Organization, Independent System Operator or regional power exchange ("RTO"), including the implementation of open and competitive electric generation markets, elimination of barriers to market entry and preclusion of control of bottleneck electric transmission facilities in the provision of retail and wholesale electric service, Joint Applicants shall use all reasonable efforts to find or participate in the development of a viable RTO that it can join by January 1, 2030, or as soon thereafter as possible, subject to Commission review and approval. As soon as possible following the completion of the merger, but not later than January 1, 2022, PNM will organize and convene an RTO stakeholder initiative, to include representatives of interested organizations, to develop and initiate the process by which PNM will explore and participate in the development of an RTO. PNM will communicate the progress of its exploration and development activities on a regular basis to the members of the stakeholder initiative and the Utility Division Staff. PNM will also participate in and report on any other organized efforts to form an RTO that it could potentially join. PNM will work with stakeholders, including the NM AG, to determine if joining the RTO is in the best interests of customers and the State. The Commission shall make the final determination as to whether joining an RTO is in the best interest of customers.

44. Carbon Reduction Task Force. In recognition of the importance of meeting PNM's carbon reduction goals, the Joint Applicants will create a task force within one month following closing to work with and stakeholder representatives of environmental interests, consumer interests and state agencies (NMED, EMNRD, NMAG, NMPRC) ("PNM

Carbon Reduction Task Force”) to ensure that PNM will not only meet but exceed its zero carbon goals by 2040. Within 6 months following the creation of the PNM Carbon Reduction Task Force, and each six month period thereafter until 2040, the Joint Applicants will cause PNM to present a workable step-by-step plan to exceed its carbon reduction goals (Plan) to the PNM Carbon Reduction Task Force. The PNM Carbon Reduction Task Force will provide comments and suggestions to PNM with respect to its Plan and Joint Applicants will cause PNM to address each and every comment and suggestion and use all reasonable efforts to improve its Plan. In addition, PNM will work with stakeholders to craft reasonable and appropriate NM legislation in 2022 that would create a market-based credit program to achieve reasonable and consistent progress in reducing emissions to meet the ETA’s 2045 decarbonization requirements. The signatories reserve all positions on all such legislations. PNM will also report to the stakeholders the reduction in emissions resulting from the seasonal operations agreement by the joint owners of the Four Corners Power Plant for so long as PNM remains a joint owner.

45. Compensation and Carbon Reduction Targets. The Joint Applicants agree that the carbon reduction goals set forth above are of preeminent importance. Accordingly the incentive compensation for all relevant PNM executives will include goals related to the achievement of PNM’s 2040 carbon reduction targets, including the PNM President, and senior executive officers (including Chief Financial Officer and Chief Operating Officer to the extent applicable) responsible for operations, planning, and procurement for power generation, and environmental compliance, as well as other executives that PNM’s Board of Directors determine will have a reasonable and achievable impact on carbon reduction.

All parties reserve all rights with respect to the prudence of any additional expenditures in conjunction with this provision.

46. **Contract Impacts On Emissions.** For the five calendar years following closing, the Joint Applicants commit that PNM will file a report with the Commission identifying any material emissions impact resulting from any new contracts signed by PNM during each such calendar year. Each such report will be filed as part of PNM's Rule 17.3.510 Annual Report.
47. **Four Corners Replacement Resources.** In the docket(s) in which PNM submits replacement resources for Four Corners, PNM shall propose one or more renewable energy and/or energy storage replacement resources on Navajo Nation land of no less than 200 MW.
48. **PNM Environmental Studies.** Within one year following closing, PNM will submit to the Commission and stakeholders the following studies regarding: (a) the infrastructure requirements resulting from projected electric vehicle demands; (b) efforts needed to decarbonize commercial buildings in its service territory by 2040; and (c) efforts needed to reach 1.5% annual incremental energy efficiency savings in its service territory. PNM will not request rate recovery from ratepayers for the cost of the studies.
49. **Chief Environmental Officer.** By no later than December 1, 2022, PNM will name a Chief Environmental Officer with significant environmental and climate change experience responsible for meeting PNM's carbon reduction goals. The Chief Environmental Officer will report directly to the PNM President and will present (no less than once each year) to the PNM Board of Directors on PNM's carbon reduction plans and

progress. All parties reserve all rights with respect to the prudence of any executive compensation with respect to this new position.

50. Transmission Plan. Within one year following closing, PNM shall develop and complete a long-term transmission plan for PNM's transmission system, which PNM shall include in all future Integrated Resource Plans (IRPs) filed with the Commission.

51. Other Proceedings. The parties and intervenors in this case reserve all rights in all other dockets in which PNM is a party. Specifically, the Parties agree that until closing, either a non-decision or a dismissal of Case No. 21-00017-UT will not affect this merger. Events that occur after closing cannot have an impact on the merger.

52. Enforceability of Stipulated Commitments. Joint Applicants and, as applicable, Iberdrola, will fulfill all merger commitments. For the five years following the closing of the Proposed Transaction, PNM will submit with its Annual Report² a report detailing the progress Joint Applicants have made toward meeting each Stipulated Regulatory Commitment. Joint Applicants shall include in that Annual Report information about the capital structure of PNM and the composition of the Board of Directors of PNM (and any changes to each from the previous Annual Report). Joint Applicants acknowledge and agree that to the extent that there is any failure to meet each Stipulated Regulatory Commitment, any stakeholder or the Commission may initiate a proceeding to enforce the merger commitments and Joint Applicants will be subject to potential consequences, including the penalties provided for pursuant to NMSA 1978, Section 62-12-4.

53. Effectiveness, Amendments and Modifications. These regulatory commitments will become effective upon Commission approval. Any amendments or modifications to these

² 17.3.510.12 NMAC.

regulatory commitments will require prior Commission approval. Nothing will preclude PNM, PNMR, or Avangrid Networks from seeking to modify these regulatory commitments in a future filing made with the Commission.

GCG#527980

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION)
OF AVANGRID, INC., NM GREEN HOLDINGS, INC.,)
PUBLIC SERVICE COMPANY OF NEW MEXICO)
AND PNM RESOURCES, INC. FOR APPROVAL OF)
THE MERGER OF NM GREEN HOLDINGS, INC.)
WITH PNM RESOURCES, INC.; APPROVAL OF A)
GENERAL DIVERSIFICATION PLAN; AND ALL) **Case No. 20-00222-UT**
OTHER AUTHORIZATIONS AND APPROVALS)
REQUIRED TO CONSUMMATE AND IMPLEMENT)
THIS TRANSACTION)
)
)
AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC)
SERVICE COMPANY OF NEW MEXICO AND PNM)
RESOURCES, INC.,)
)
)
JOINT APPLICANTS.)
)

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of **Notice of Filing Stipulation** was emailed to the parties listed below on April 20, 2021:

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