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PNM Resources, Inc. (PNM)

Q2 2015 Earnings Call

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Chairman, President & Chief Executive Officer

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Chief Financial Officer & Executive Vice President

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Paul Patterson

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Ladenburg Thalmann & Co., Inc. (Broker)

MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the PNM Resources Second Quarter 2015 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to Jimmie Blotter, Director of Investor Relations. Please go ahead.

Jimmie Blotter

Director-Investor Relations and Shareholder Services

Thank you, Denise, and thank you everyone for joining us this morning for the PNM Resources second quarter 2015 earnings conference call. Please note that the presentation for this conference call and other supporting documents are available on our website at pnmresources.com.

Joining me today are PNM Resources' Chairman, President and CEO, Pat Vincent-Collawn and Chuck Eldred, our Executive Vice President and Chief Financial Officer, as well as several other members of our executive management team.

Before I turn the call over to Pat, I need to remind you that some of the information provided this morning should be considered forward looking statements pursuant to the Private Securities Litigation Reform Act of 1995. We caution you that all of the forward looking statements are based upon current expectations and estimates and that PNM Resources assumes no obligation to update this information.

For a detailed discussion of factors affecting PNM Resources' results, please refer to our current and future annual reports on Form 10-K, quarterly reports on Form 10-Q, as well as other reports on Form 8-K filed with the SEC.

And with that, I will turn the call over to Pat.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

Thank you, Jimmie, and good morning, everyone and let me add my thanks for you joining us on this absolutely beautiful New Mexico morning. I'm pleased to report that in the second quarter, the company maintained its strong performance.

If we begin with earnings per share on slide four, our GAAP earnings per share for the second quarter of 2015 were \$0.40 compared to \$0.36 in the second quarter of last year. 2015 year-to-date GAAP earnings were \$0.57 compared with \$0.52 in 2014. Ongoing earnings were \$0.44 compared to \$0.39 from the second quarter last year. Year-to-date in 2015 ongoing earnings totaled \$0.65, up \$0.08 from the first six months last year. We are also affirming our guidance for the year of \$1.50 to \$1.62. Chuck will provide a deeper look into the financial details in a few moments.

There have been a lot of developments regarding our regulatory proceedings. Let me first give you the headlines. The process to gain final approval for our BART plan for the San Juan Generating Station is moving forward. Today, we will file key documents in the case and we continue to work on a possible settlement agreement. And in May, the New Mexico Public Regulation Commission dismissed our 2016 future test year general rate case filing for being incomplete. We plan to file a new general rate case on August 27 and will hold a conference call on August 28 to discuss the filing. I'll have more on both the appeals and the rate case in a few moments.

Let's go to slide five for a look at the latest developments regarding San Juan and the BART process. At the direction of the Commission, PNM has been meeting with the other parties to the BART case to see if a settlement is possible. These discussions have been productive and we appreciate the open-mindedness of the parties that are participating. We will keep you posted and I promise we will let you know if we have an agreement.

Looking at the key milestones in the process and where we stand today. Back in April, the Hearing Examiner for the case recommended that the Commission reject the settlement and proposed significant changes to the plan. The primary reason he gave for his recommendation was the lack of executed ownership restructuring and coal supply agreements for San Juan. The Commission recognizes the importance of these agreements in making a final decision regarding San Juan and gave PNM a deadline of August 1 to file the final signed agreements.

On July 1, both the signed coal supply agreement with Westmoreland Coal Company and the signed purchase and sale agreement for the San Juan Mine between Westmoreland and BHP Billiton were filed with the New Mexico Commission. In addition, PNM filed the final ownership restructuring agreements for San Juan, which were signed by 4 of the 10 current and future owners of the plant that represent 92% of the ownership of the plant as of January 1, 2018. Today, we will file with the Commission, the remaining signature pages for the ownership restructuring agreement and the supporting testimony for San Juan.

When taken together, the coal supply and ownership restructuring agreements will save customers more than \$300 million over six years. During the January hearing on the case, we clearly showed that the PNM plan is the most cost-effective path forward. These agreements make our plan even more economical. We still have a lot of work to do. A settlement will be a positive development and would put us in a good position heading into the hearing. Regardless, we have a strong case for the approval of our plan.

This slide shows the schedule with the hearing to begin on September 30. We anticipate having a final decision in the fourth quarter, both the Hearing Examiner and the Commissioners have said that it is important to resolve this case by the end of the year. And I'm very proud of what our team has accomplished in finalizing the agreements and moving this case forward.

It's also important to note that PNM has had significant support from many important stakeholders. We have support from members of the Navajo Nation, the business community and families in the Four Corners area where the plant is located and the business community, not only in Albuquerque, but also throughout the state. Our supporters are active and vocal and are making their positions known effectively countering the vocal minority of activists who have been attacking the plan.

Let's proceed to slide six and discuss the status of the rate case. The Commission dismissed PNM's 2016 future test year general rate case on May 13, based upon their determination that the company's application was not complete. Specifically, the order stated that our filing did not provide fully functional spreadsheet of all data linked in PNM's model. We had filed strong exceptions to the Hearing Examiner's recommendation and continue to believe that it was the wrong determination.

A previous future test year rate case filed by SPS was submitted in virtually the same format and was deemed acceptable. Regardless, the filing was rejected. The Commission also voted to change the rules regarding a future test year filing requiring that the base period begin within 45 days after the filing. In addition, the Commission also dismissed the latest rate case filed by SPS, saying it did not meet the standard for a future test year case.

On June 25, PNM filed an appeal of the ruling on our rate case with the New Mexico Supreme Court. Since that time, New Mexico Gas Company and SPS have filed to join our appeal. Additionally, SPS filed a separate appeal in their case with the New Mexico Supreme Court.

On July 8, the Commission issued an order directing the Office of the General Counsel to file a motion to stay the appeal with the New Mexico Supreme Court. The reason for the motion was to allow the Commission to hold workshops and initiate a rulemaking proceeding to clarify its definition of a future test period.

On July 15, the Commission filed a motion asking the Supreme Court to remand the case back to the Commission to accommodate this process. We oppose that motion. However, if the PRC vacates the order in our case, we will consider withdrawing our appeal. The Supreme Court has not yet acted on the Commission's motion. The PRC has already held workshops related to the future test year definition. Commissioners were present at both of the workshops held. Based on the workshops, we are hopeful that the Commission will adopt an interpretation of the future test year that is similar to our legal interpretation of the rule.

Regardless of the outcome of the appeals and the Commission motion, we plan to file a new general rate case on August 27. For this case, we plan to follow the Commission's ruling and use a test year that begins within 45 days after our filing making the test year for this case October 1, 2015 through September 30, 2016.

Since our previous filing was dismissed, the company has been proactive as we prepare for the next rate case. We've had discussions with the interveners and Commission staff to help ensure that the next filing will meet their needs.

Let's go to slide seven for an update on other regulatory filings. There's one other regulatory filing I'd like to point out. TNMP made a new TCOS filing on July 17, requesting an increase of \$1.4 million that we expect will take place in late August or early September. This reflects a \$7 million increase in transmission rate base over our last filing.

I'll now turn things over to Chuck for an in-depth look at the numbers.

Charles N. Eldred

Chief Financial Officer & Executive Vice President

Thank you, Pat and good morning, everyone. Beginning with slide nine, load at PNM continues to be in line with our guidance of flat to down 2%. We saw continued strength in customer growth at PNM at 0.7% for both quarter and year-to-date. Overall load is down 1.2% for the quarter, residential is down 0.8% for the quarter, but it's up 0.7% year-to-date, commercial is down 0.3% and industrial is down 4.2% for the quarter. We continue to see signs that the New Mexico economy is stabilizing, but we do not see a steady improvement at this point. Economic growth continues to be slow in coming.

Moving to TNMP, load is up 5% compared to second quarter of last year. Residential was up 7.6% and commercial was up 3.1%. This brings the year-to-date load increase to 3.5%, which is slightly above the guidance range of 2% to 3%. While TNMP produced very strong weather normalized results for the quarter, I want to recognize that the territory experienced a lot of rainfall, including a tropical storm in the Gulf Coast area. This caused the humidity to be much higher than normal at 19.5% in Houston and was likely a primary driver for the load increase.

TNMP did have strong customer growth again coming in higher than the forecast of 1.6% for the second quarter in 2015, compared to the second quarter of last year. The economy in Texas continues to perform well and would appear to have minimal impact from the downward pressure on oil prices.

Now turning to slide 10 for the Q2 2015 financial results. Ongoing earnings were \$0.44 compared to \$0.39 last year. Looking at the segments, both PNM and TNMP came in \$0.03 higher than last year, while corporate and other was down \$0.01. The change in corporate and other is driven by \$0.01 improvement in interest expense because of the retirement of the holding company's \$119 million 9.25% debt in May. This was offset by last year's \$0.02 IRS settlement. As a reminder, the 2014 IRS settlement was a wash to the bottom line with the other side of the entry in PNM.

Now for more detail on PNM and TNMP's drivers on slide 11. Starting with PNM, the half-price renewal of Palo Verde Unit 1 leases caused a year-over-year improvement of \$0.03. We negotiated new gas transportation agreements with El Paso Natural Gas, resulting in \$0.03 refund of previous amounts paid under a FERC tariff and establishing a new reduced rate through October 31 of 2022. The new rate will provide annual savings of \$800,000 until the implementation of PNM's next general rate case. The refined coal process at San Juan also improved earnings by \$0.01 and the Nuclear Decommissioning Trust had gains that were \$0.01 higher than the second quarter of last year.

In July 2014, we purchased the Rio Bravo Generating Station, which had previously been under a PPA. This contributed to \$0.01 to earnings. AFUDC also contributed \$0.01 in the second quarter of 2015. This is due to higher capital spending related to the 40 megawatts of solar coming online this year, construction of the Gallup gas peaking plant and the installation of SNCRs. The combined impacts of 2014's recording of the IRS settlement was offset in corporate and other, and the entry for prior period off-system sales sharing caused earnings to be up \$0.01.

Load caused earnings to be lower by \$0.01 as did the termination of the Gallup FERC generation contract. Depreciation and property tax expenses were higher by \$0.02 driven by capital additions. Weather was lower than the second quarter of last year by \$0.03. Cooling degree days were 18% lower than last year and 17% lower than normal.

Now moving to TNMP. We saw an improvement for the rate relief from the semiannual TCOS filings of \$0.02. Load was also up \$0.02 compared to the second quarter of 2014. Depreciation and property tax expenses were higher because of capital spending since Q2 of 2014. This caused results to be \$0.01 lower.

Now turning to slide 12. Today, we're affirming our 2015 guidance range of \$1.50 to \$1.62. Load at PNM is coming in as expected, but we have seen weather putting some pressure on earnings. So far in July, we have seen this cooler weather continue. TNMP's load, however, is ahead of where we expected, although some of this is due to the abnormally humid weather during the quarter. In fact, TNMP hit an all-time high peak on Wednesday of this week. Overall, we're comfortable with our ability to meet 2015 guidance and expect to be solidly in the middle of the range.

Let me add some additional perspective on the BART settlement talks. We view the settlement activity as a positive development in the case, bringing greater certainty with this broader base of support. We're pleased with the cooperation of the parties at the table for the settlement discussions. Our goal is for any proposed settlement to be credit neutral to the company when compared to the Hearing Examiner's recommendation. The talks so far have been productive and the parties are keeping in mind the urgency of the matter. We're hopeful that this will result in the announcement of a settlement in the very near future.

As a final note, I would like to briefly address our upcoming rate case filing at PNM. Pat had mentioned that we'll host a conference call following the rate case filing to review the specific details of the rate request. At that point, we will update our earnings power slides to reflect the numbers in the filing to show the full impact of the rate increase in 2017 and to reflect the BART settlement assuming that we come to an agreement. Overall, we remain focused on achieving our 7% to 9% earnings growth goal by 2019.

And with that, I will turn it back over to Pat.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

Thanks, Chuck. As you've heard a lot of great work has been accomplished, we still have a lot to do, but we continue to be confident that the company remains on the right track. We're happy to take your questions now, but let me say upfront that because the BART settlement process is still underway, we cannot comment on those discussions. We promise we'll let you know of the specifics of any agreement if and when one is reached.

Operator, let's go ahead and open it up for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And our first question will come from Paul Fremont of Nexus (sic) [Jefferies] (18:07). Please go ahead.

Paul Fremont
Jefferies & Company

Q

Thanks. I guess my question is, with respect to any conversations that you are having, I mean, effectively is there any type of a deadline to try and get it done? Would it be optimal to try and get something done well before hearings begin, which are now scheduled for the end of August? Or is the timing relatively open in terms of your ability to talk to the parties?

Patricia K. Vincent-Collawn
Chairman, President & Chief Executive Officer

A

Yes. Paul, good morning. I think sooner rather than later is good and I think the parties understand the urgency of this. It's much more productive if we can get a settlement done and then have to testimony written on that, and have the hearing on the settlement. The Commission really wants to get this right and the Hearing Examiner really wants to get this right. And if you look around the country, you see any case where there is a coal plant involved, the potential coal plant retirement and other coal plants still there, the environmental folks are really redoubling their efforts to get coal plants retired. So they just want to make sure they get this really right so that the record is complete. And if there could be an appeal, the record is good. So I think everyone is being thoughtful to make sure they get this right, but they do understand the urgency of getting it done. And we continue to work to get it done sooner rather than later.

Paul Fremont
Jefferies & Company

Q

And just as a quick follow up. I guess my understanding would be that it would likely be a non-unanimous settlement. So we should still expect the litigated calendar to proceed with hearings and the other items?

Patricia K. Vincent-Collawn
Chairman, President & Chief Executive Officer

A

And Paul, even if it was a unanimous settlement, you'd still have to have a hearing on it. It would be great if we could get everybody. We won't set that as our goal.

Paul Fremont
Jefferies & Company

Q

Okay. Thank you very much.

Patricia K. Vincent-Collawn
Chairman, President & Chief Executive Officer

A

Thanks, Paul.

Operator: The next question will come from Ali Agha of SunTrust Robinson Humphrey. Please go ahead.

Ali Agha

SunTrust Robinson Humphrey

Q

Thank you. Good morning.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

A

Good morning, Ali.

Charles N. Eldred

Chief Financial Officer & Executive Vice President

A

Good morning.

Ali Agha

SunTrust Robinson Humphrey

Q

Pat, just to put this in context. So should we assume that original – because there was a settlement on BART, right and the Hearing Examiner decided to reject it. So is the original settlement no longer valid? Now we are looking at a new settlement? Can you just put this in context of how this settlement relates to a settlement that's already in place?

Charles N. Eldred

Chief Financial Officer & Executive Vice President

A

Yes, Ali, it's Chuck. The Hearing Examiner made recommendations regarding the settlement and any modifications that he felt was appropriate, based on the record that was established in the hearing process that we went through. And so our baseline is continuing to work through broadening the support, as Pat mentioned, continued support from AG and NMIEC and certainly the staff, which has been a continued strong support throughout the process to ensure that the results of any modifications to the stipulation certainly at a minimum stays in line with what the Hearing Examiner has recommended to ensure that and as we have stated in our comments this morning that we remain credit neutral as far as any impact to PNM and its results from a financial perspective. So, I would look at it as a modified stipulation in the event that it occurs that the other parties would agree to sign up and we remain in line with the Hearing Examiner's original recommendation to ensure that there is no less than what was recommended by their recommendation as a result of the financial outcome of the hearings.

Ali Agha

SunTrust Robinson Humphrey

Q

And so also to be clear I think and you alluded to that on your slide as well, so that CCN for the 132 MW, is that a separate a process with its own assigned timeline? Or is that part of this one big issue here?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

A

It's part of the one big issue. It's all together.

Ali Agha

SunTrust Robinson Humphrey

Q

It is all together. Okay.

Patricia K. Vincent-Collawn
Chairman, President & Chief Executive Officer

A

Yes, sir.

Ali Agha
SunTrust Robinson Humphrey

Q

And then separately on the rate case, just to again understand the chronology here, so your appeal is still with the Supreme Court, the Commission said bring it back to us, you guys have opposed that, Commission is having workshops. I am just trying to understand how you see this play out? Are we going to wait for the Supreme Court to first decide on the whole merit of the case or decide on the Commission's application? Can you just walk-through the chronology of how this is supposed to play out?

Patricia K. Vincent-Collawn
Chairman, President & Chief Executive Officer

A

Well, Ali, first let me say that, remind everybody that this is not going to affect the case that we file at the end of August. We will file that case under the Commission's current definition of a future test year. We need to get that case filed. We need to get the elements of it in the rate base. So we can't afford to wait for the process to play out on this one.

In terms of the future test year, the process will depend a little bit with the Commission, the outcome of the workshops are good, the Commission vacates their order. We could possibly drop our appeal, but we can't say what's going to happen yet until we see exactly what the Commission does. If it goes forward to the Supreme Court, it's a 9-month to 12-month process before we have an answer from the court. We would expect to have an answer from the court before we'd have to file another rate case, but it isn't going to impact this rate case now.

Ali Agha
SunTrust Robinson Humphrey

Q

I see. And Chuck, the update you gave us to the 2016 earnings power slide, is that all reflective of just the delay in the filing or is that also reflective of the test year definition in the filing? Can you just explain that reduction in the 2016 earnings potential? What's driving that?

Charles N. Eldred
Chief Financial Officer & Executive Vice President

A

Yeah. It actually reflects the delay in the filing for the current rate case that we would submit on August 28. So it reflects the changes in the base period and the linkage period. So the test year falls into October 15 through September 16, with rates going in place in July or October of 2016. Either one of those, the 10 months suspension or 13 month suspension is really what reflects the adjustment in the PNM retail earnings that we reflect in the earnings power slide.

Ali Agha
SunTrust Robinson Humphrey

Q

I see. But the changed definition of the rate case is also a factor in there, the new definition from the Commission?

Charles N. Eldred
Chief Financial Officer & Executive Vice President

A

As we update that slide, we will show, when we update the earnings power slide, the 2013 rate base and earnings power representative for 2016, as we see that reflected in the rate case, in the new test year period that we are intending to file.

Ali Agha

SunTrust Robinson Humphrey

Q

And last question, Chuck, again to you. The \$0.03 refund from the renegotiated contract and the \$0.01 from the trust fund gains, was that embedded in your original guidance? Or is that incremental earnings?

Charles N. Eldred

Chief Financial Officer & Executive Vice President

A

The El Paso contract?

Ali Agha

SunTrust Robinson Humphrey

Q

Yes.

Charles N. Eldred

Chief Financial Officer & Executive Vice President

A

We didn't have it in the guidance. So it was really reflective of ongoing negotiations, but at the point in time it wasn't at a stage that we were comfortable to reflect it in the current guidance. And of course, it does help us offset the negative impact of weather that we are seeing currently in this year's earnings.

Ali Agha

SunTrust Robinson Humphrey

Q

Got it. Thanks so much.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

A

Thanks, Ali.

Operator: The next question will come from Paul Ridzon of Key Banc Capital Markets. Please go ahead.

Paul T. Ridzon

KeyBanc Capital Markets, Inc.

Q

Good morning. How are you?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

A

Good morning, Paul. Good.

Charles N. Eldred

Chief Financial Officer & Executive Vice President

A

Hi Paul.

Paul T. Ridzon

KeyBanc Capital Markets, Inc.

Q

Hypothetical, if these forward test year workshops result in the Commission basically acknowledging that your position is correct, can you withdraw your rate case and refile with your new definition of a test year?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

A

Hypothetically, we wouldn't, let's say it that way because it's so much work to get done. You would have to, if the Commission, say in September gave us something that does that, we'd have to go back and redo all the work. We are better off getting this new case in, getting it going because remember when we filed the last case, we had \$585 million of capital we needed to get in the rate base. So we are better off going ahead filing because even with the Commission's current future test year definition, we are still better off than we were before with the historical test year. So it just doesn't work out; if we would have gotten this resolved, perhaps by August 1, we could have filed on the new definition but it's really impractical to file if we would get something now.

Charles N. Eldred

Chief Financial Officer & Executive Vice President

A

And Paul, too, we have talked about this that the difference in this filing, we would use a period in rate base as opposed to average rate base and also five months of CWIP on project capital investments that have already occurred, they would complete five months after the test period. So that helps a little bit. It's not perfect to our definition. It doesn't eliminate the regulatory lags that we are attempting to do with our definition of forward test year, but it certainly helps bridge the gap until we can get this issue resolved.

Paul T. Ridzon

KeyBanc Capital Markets, Inc.

Q

How much certainty are you going to need around the Commission's definition before you actually withdraw your appeal to the Supreme Court?

Charles N. Eldred

Chief Financial Officer & Executive Vice President

A

Well, they would have to vacate the order.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

A

Yeah, they would have to vacate the order and we would have to see the outcome of the workshops, is that they are moving towards the legal interpretation that we have.

Paul T. Ridzon

KeyBanc Capital Markets, Inc.

Q

What should we look for in your filing, as far as rate design and decoupling?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

A

Yeah. I mean, I think we never want to get out in front of our regulators in terms of announcing what's going to be in the case, but the themes will be the same in terms of the recovery of all the capital that we have invested in our

system and keeping in mind the need to recover more fixed costs. But we won't give out the details until the end of August.

Paul T. Ridzon

KeyBanc Capital Markets, Inc.

Q

And then, just in Texas, you talked about the humidity may be a contributing factor. Are you just suggesting that your weather-normalization may not fully capture the impact of humidity?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

A

Correct.

Charles N. Eldred

Chief Financial Officer & Executive Vice President

A

Yeah. The humidity doesn't factor into that at all. So that's right.

Paul T. Ridzon

KeyBanc Capital Markets, Inc.

Q

And then lastly, the El Paso refunds, what period were those revenues collected over?

Charles N. Eldred

Chief Financial Officer & Executive Vice President

A

That goes from January 1 of 2009 through June 30 of 2015.

Paul T. Ridzon

KeyBanc Capital Markets, Inc.

Q

Okay. Thank you very much. Those were all my questions.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

A

Thanks, Paul.

Paul T. Ridzon

KeyBanc Capital Markets, Inc.

Q

Thank you.

Operator: The next question will come from Paul Patterson of Glenrock Associates. Please go ahead.

Paul Patterson

Glenrock Associates LLC

Q

Paul just asked a bunch of my questions. But let me ask you this, the rate case seems like it's coming up a little quicker than you thought, or at least that I thought. Am I right? The filing of the new rate case?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

A

This is the one that we had filed and had gotten rejected.

Paul Patterson
Glenrock Associates LLC

Q

Right.

Patricia K. Vincent-Collawn
Chairman, President & Chief Executive Officer

A

So, we are refiled it faster than you would probably normal file a case. The folks are working really hard and diligently to get it out the door quickly.

Paul Patterson
Glenrock Associates LLC

Q

Okay. Okay. And you are not going to get too far in advance of that. The other thing I noticed was that there is a lot of news stories on this settlement that you guys have. And it sounds like, other than maybe one party, that you guys are very close. Does that make sense? And I wasn't clear as to when you guys think it might be filed?

Patricia K. Vincent-Collawn
Chairman, President & Chief Executive Officer

A

Unfortunately, someone leaked the fact what was going on in the discussions and we just don't want to contribute to that, because we really feel strongly that mediation and settlement discussions are confidential. As we said, we hope sooner rather than later but if and when we have a settlement, you guys will be, actually after us, the second to know, so.

Paul Patterson
Glenrock Associates LLC

Q

Okay. And your filing today will have all this stuff. There is no hiccup on that? All the stuff that the Commission wanted, right?

Patricia K. Vincent-Collawn
Chairman, President & Chief Executive Officer

A

Absolutely everything that the Commission wanted, yes.

Paul Patterson
Glenrock Associates LLC

Q

Okay. And then just finally on the Supreme Court, you said 9 months to 12 months, and I just wasn't clear. From now, assuming that the Supreme Court and everything goes through, and there is no change or whatever, I mean, the process of the Supreme Court goes through and what have you, what would it be from today? Is that 9 months to 12 months from today? Or is it some other time period?

Patricia K. Vincent-Collawn
Chairman, President & Chief Executive Officer

A

It's about 9 months to 12 months from today.

Paul Patterson
Glenrock Associates LLC

Q

Okay, just wanted to make sure. Thanks so much.

Patricia K. Vincent-Collawn
Chairman, President & Chief Executive Officer

A

Thanks, Paul.

Operator: [Operator Instructions]. The next question will come from Brian Russo of Ladenburg Thalmann. Please go ahead.

Brian J. Russo
Ladenburg Thalmann & Co., Inc. (Broker)

Q

Hi. Good morning.

Patricia K. Vincent-Collawn
Chairman, President & Chief Executive Officer

A

Hi, Brian. Good morning.

Charles N. Eldred
Chief Financial Officer & Executive Vice President

A

Hi, Brian.

Brian J. Russo
Ladenburg Thalmann & Co., Inc. (Broker)

Q

Pat, can you just remind us what the Hearing Examiner's position was on the CCN for the 132 megawatts?

Patricia K. Vincent-Collawn
Chairman, President & Chief Executive Officer

A

Yeah. The Hearing Examiner denied the CCN for 132 megawatts because of a lack of the final coal contract and the restructuring agreements.

Brian J. Russo
Ladenburg Thalmann & Co., Inc. (Broker)

Q

Okay. So now that you are planning to file for all of that, there shouldn't be any like RFP process for new generation? It's still 132 megawatts is intact?

Patricia K. Vincent-Collawn
Chairman, President & Chief Executive Officer

A

Correct.

Brian J. Russo
Ladenburg Thalmann & Co., Inc. (Broker)

Q

Okay. And then, I got cut off before, so I may have missed this, but the potential new settlement, that would address, like you said, the Hearing Examiner's recommendation, and then also the subsequent concerns or comments by the Commissioners?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

Yeah.

A

Charles N. Eldred

Chief Financial Officer & Executive Vice President

Yeah, exactly. One of the Commissioners or the Commissions itself asked that we address to see if there was additional parties that would be interested in a broader support of the Hearing Examiner's recommendations and the direction that we are headed. And as a result of that, we are proceeding with those discussions. And as Pat well pointed out, we are encouraged with the involvement and the discussions as they continue to go on.

A

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

The hearing also allows the Commission to get into the record, the new restructuring agreements and the coal contract because those were not available in January. As we said that's one of the reasons the Hearing Examiner rejected the 132 megawatts, it was because they weren't final. And the Commission and the Hearing Examiner, everyone wants to get this right. So they want to make sure those are in the record.

A

Brian J. Russo

Ladenburg Thalmann & Co., Inc. (Broker)

Okay. And then lastly, what's driving the weakness or the negative year-over-year, weather-normalized sales growth in the industrial segment at PNM?

Q

Charles N. Eldred

Chief Financial Officer & Executive Vice President

Yeah. As you know, Brian, it's a smaller percentage of the total load that we carry but as a result of that, there is some large customers and particularly one that we have alluded to in the past that continues to have some sort of a slight decline in load. It although appears to be stabilizing a little bit, that's been the biggest driver in that particular segment of the load.

A

Brian J. Russo

Ladenburg Thalmann & Co., Inc. (Broker)

Okay, great. Thank you.

Q

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

Thanks.

A

Operator: And ladies and gentlemen, at this time we will conclude the question-and-answer session. I would like to hand the conference back over to Pat Vincent-Collawn for her closing remarks.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer

Thank you. And again, thank you everyone for joining us this morning. I know you wish we could talk more about what's in the upcoming rate case, but we will do that on August 28 and I know you all wish we could talk more about the BART settlement and we are hopeful we will be able to talk about that soon with you. We remain confident in our position and know that we are going to be able to deliver a great plan that provides savings for our customers. So we look forward to talking to you all at the end of August. Enjoy the rest of our summer. Thank you.

Operator: Ladies and gentlemen, the conference has now concluded. We thank you for attending today's presentation. You may now disconnect your lines.

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