



# Q1 2022 Earnings Review

April 28, 2022



# Contact Information and Safe Harbor Statement

## Investor Relations Contact Information

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## **Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995**

Statements made in this presentation for PNM Resources, Inc. (“PNMR”), Public Service Company of New Mexico (“PNM”), or Texas-New Mexico Power Company (“TNMP”) (collectively, the “Company”) that relate to future events or expectations, projections, estimates, intentions, goals, targets, and strategies are made pursuant to the Private Securities Litigation Reform Act of 1995. Readers are cautioned that all forward-looking statements are based upon current expectations and estimates and apply only as of the date of this report. PNMR, PNM, and TNMP assume no obligation to update this information. Because actual results may differ materially from those expressed or implied by these forward-looking statements, PNMR, PNM, and TNMP caution readers not to place undue reliance on these statements. PNMR's, PNM's, and TNMP's business, financial condition, cash flow, and operating results are influenced by many factors, which are often beyond their control, that can cause actual results to differ from those expressed or implied by the forward-looking statements. Additionally, there are risks and uncertainties in connection with the proposed acquisition of us by AVANGRID which may adversely affect our business, future opportunities, employees and common stock, including without limitation, (i) the expected timing and likelihood of completion of the pending Merger, including the timing, receipt and terms and conditions of any remaining required governmental and regulatory approvals of the pending Merger that could reduce anticipated benefits or cause the parties to abandon the transaction, (ii) the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement, (iii) the risk that the parties may not be able to satisfy the conditions to the proposed Merger in a timely manner or at all, and (iv) the risk that the proposed transaction could have an adverse effect on the ability of PNMR to retain and hire key personnel and maintain relationships with its customers and suppliers, and on its operating results and businesses generally. For a discussion of risk factors and other important factors affecting forward-looking statements, please see the Company's Form 10-K, Form 10-Q filings and the information included in the Company's Forms 8-K with the Securities and Exchange Commission, which factors are specifically incorporated by reference herein.

## **Non-GAAP Financial Measures**

For an explanation of the non-GAAP financial measures in this presentation (ongoing earnings, ongoing earnings per diluted share and ongoing earnings guidance measures), as well as a reconciliation to GAAP measures, please refer to the Company's website at <http://www.pnmresources.com/investors/results.cfm>. Since the future differences between GAAP and ongoing earnings are frequently outside the control of the Company, management is generally not able to estimate the impact of the reconciling items between forecasted GAAP net earnings and ongoing earnings guidance, nor their probable impact on GAAP net earnings without unreasonable effort, therefore, management is generally not able to provide a corresponding GAAP equivalent for ongoing earnings guidance.

# Overview and Highlights



# Financial Results and Company Updates

*Q1 2022 earnings results*

*2022 and 2023 earnings guidance affirmed*

*Merger briefing process continues*

*TNMP recovery of investments*

*PNM continues pursuit of early coal exit*

## Financial Results and Guidance

	Q1 2022	Q1 2021
GAAP EPS	\$0.19	\$0.20
Ongoing EPS	\$0.50	\$0.32

- 2022 Ongoing EPS Guidance affirmed \$2.50 - \$2.60
- 2023 Ongoing EPS Guidance affirmed \$2.60 - \$2.75

## Company Updates

### Merger Updates

- PNM Merger Appeal Brief-in-Chief filed April 7, 2022

### Regulatory Updates

- TNMP Transmission Cost of Service increase approved and implemented March 25, 2022
- TNMP annual Distribution Cost of Service increase filed April 5, 2022
- PNM Decoupling Declaratory Order issued April 27, 2022
- PNM Four Corners Abandonment and Securitization Appeal Brief-in-Chief filed March 24, 2022

# Executing the Transition to Clean Energy

## Measured, Multifaceted Approach to PNM's Clean Energy Transition



Environmental  
Benefits



Customer  
Cost Reductions



Community  
Support

### Accelerated Exit from Coal:

Retirement of  
San Juan Units  
2 and 3



Retirement of  
San Juan Units  
1 and 4



Exit from Four  
Corners  
ownership

### Next Steps:

✓ Completed

- ✓ Prefund portion of community support
- Replacement power (PPAs) implementation
- Fund remaining community support
- Issue securitization bonds
- Adjust customer base rates through general rate review

- Approval for abandonment/ securitization (New Mexico Supreme Court Appeal)
- Replacement power filing, approval and implementation
- Issue securitization bonds, fund community support
- Adjust customer base rates through general rate review

### New Mexico Energy Transition Act: landmark energy legislation

- Enacted in 2019
- Increases Renewable Portfolio Standards up to 80% by 2040
- Encourages early exit of coal through recovery of undepreciated investment
- Lower-cost financing through securitization
- Supports customers and communities impacted by transition out of coal

# Q1 2022 ESG Highlights



## Empowering Energy Efficiency

- PNM business customers saved 24 million kilowatt-hours of energy in 2021, the equivalent of powering 3,487 homes for a year, removing 13,127 metric tons of carbon dioxide from the air, or saving 7.7 million gallons of water
- PNM recognized the business customers generating the highest kilowatt-hour savings through energy efficiency programs with Business Energy Efficiency Star Awards and Top-Performing Trade Ally Awards



## PNM Pueblo Scholarship Endowment Fund

- *Investment in education and economic development, provides opportunity to create economies aligned with Pueblo cultural values and traditions*
- *Continues our commitment to education and support for tribal communities, adds to existing PNM Navajo Nation Workforce Training Scholarship Program and paid engineering internships for American Indian students*



## Supporting Customers and Communities

- PNM Resources Foundation awarded \$290,000 to nonprofits working to improve quality of life and prevent homelessness
- COVID relief funds continue to be made available to help PNM customers impacted by the pandemic to pay past due bills

# Financial Updates

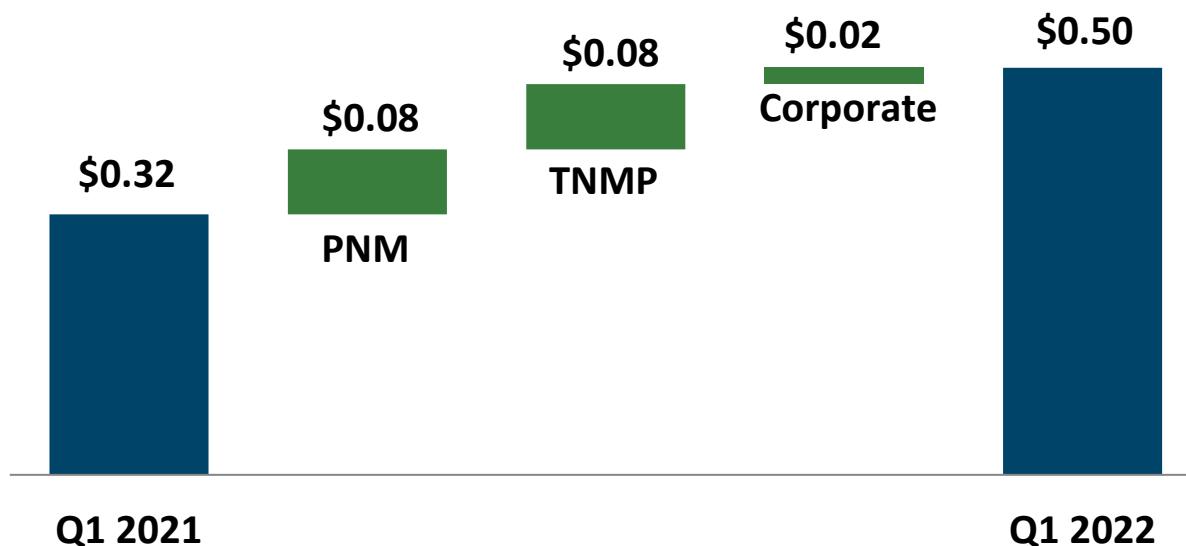


# Q1 2022 Ongoing EPS Financial Summary

*Q1 2022 changes in ongoing earnings driven by:*

- *Increased FERC Transmission margins due to higher system demand and new customers, including the Western Spirit transmission contract*
- *TNMP TCOS and DCOS rate relief*
- *Higher retail load and colder temperatures*
- *Increased depreciation and property tax expenses on new investments*
- *Lower corporate interest expense due to debt refinancings in May 2021*

## Q1 Earnings Summary



EPS Summary	Q1 2021	Q1 2022
PNM Resources	\$0.32	\$0.50
PNM	\$0.27	\$0.35
TNMP	\$0.10	\$0.18
Corporate/Other	(\$0.05)	(\$0.03)



# Load and Economic Conditions

## PNM

### *Industrial customers drive growth*

- Industrial growth reflects slower ramp-up from new and expanding customers, reflects lowest-rate usage with small revenue impact
- Residential and Commercial load largely returns to pre-COVID levels, in line with expectations

PNM	Q1 2022 vs. Q1 2021	2022E
Total Retail Load <sup>(1)</sup>	0.5%	2% – 3%
PNM Avg. Customers	0.6%	~1%

## TNMP

TNMP	Q1 2022 vs. Q1 2021	2022E
Volumetric Load <sup>(2)</sup>	1.2%	1% - 2%
Demand-Based Load <sup>(3)</sup>	3.1%	2.5% - 3.5%
TNMP Avg. End Users	1.8%	~1.5%

### *Growth in line with expectations*

- Volumetric load growth in line with customer growth
- Demand-based growth reflects expansion of existing customers and continued new service requests

(1) Weather normalized, excludes Economy customers

(2) Primarily Residential per-kwh billings, weather-normalized

(3) Commercial and Industrial per-kw monthly peak billings, weather-normalized; excludes retail Transmission customers

# Earnings Guidance (Ongoing)

**2022 Ongoing Earnings  
Guidance Affirmed**

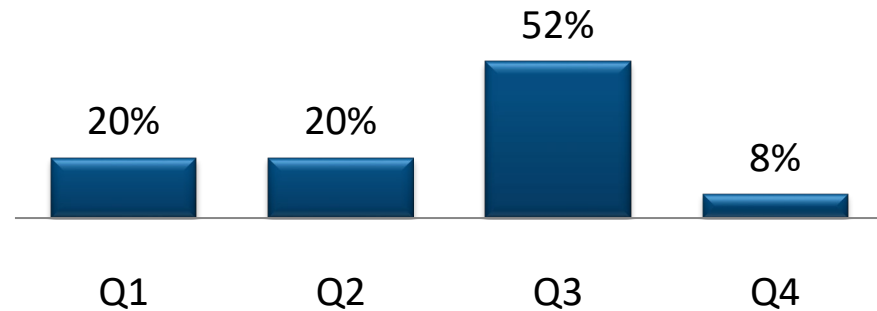
**Quarterly distribution updated  
to reflect current expectations**

**2023 Ongoing Earnings  
Guidance Affirmed**

## 2022 Earnings Guidance

**\$2.50 Consolidated EPS \$2.60**

## 2022 Quarterly Ongoing Earnings Distribution

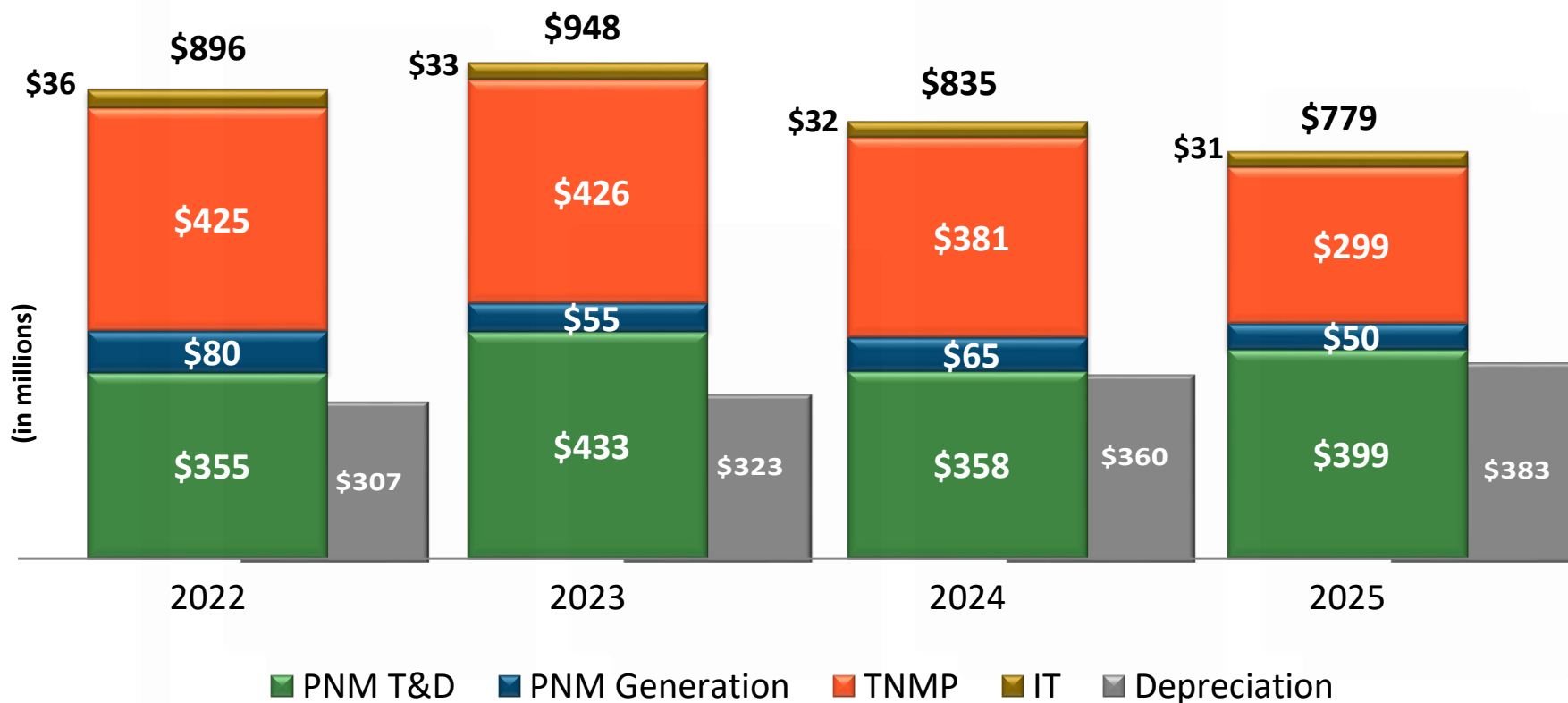


## 2023 Earnings Guidance

**\$2.60 Consolidated EPS \$2.75**

# Investment Plan 2022 – 2025

*Investment plan of \$3.5b focused on T&D infrastructure  
Targeted 5% EPS CAGR 2020 -2025*



Note: Amounts may not visually add due to rounding

(1) Compound annual growth rate calculated from 2020 base period of \$2.28

# Appendix

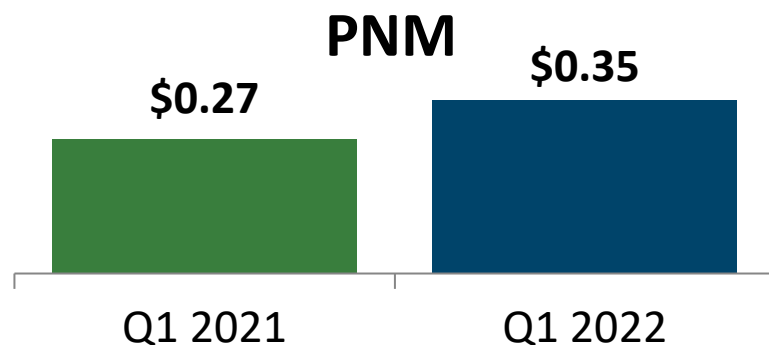


# PNM and TNMP Regulatory Agenda

	Filing	Action	Timing	Docket No.
PNM NMPRC	Merger transaction approval	NMPRC issued order denying stipulation on Dec. 8, 2021; PNM filed appeal with NM Supreme Court, PNM/AVANGRID Brief filed April 7, 2022	NMPRC answer brief due June 13, 2022, no statutory timeframe for appeal, expect a ~12- to 18-month process	S-1-SC-39152
	Four Corners Power Plant Abandonment/Securitization	NMPRC issued order denying application on Dec. 15, 2021; PNM filed appeal with NM Supreme Court, PNM Brief filed Mar. 24, 2022	NMPRC answer brief due by May 12, 2022, no statutory timeframe for appeal	S-1-SC-39138
	Palo Verde Leased Capacity Abandonment/Replacement	Abandonment Order deemed not necessary; Case bifurcated, NMPRC issued limited order approving replacement power Feb 16, 2022; monthly replacement resource updates being filed	Separate order on remaining issues, including RFP and replacement resource modeling, to be issued following completion of procedural schedule	21-00215-UT 21-00083-UT
	San Juan Units 1 and 4 Abandonment/Securitization	PNM filed Feb. 17, 2022 to extend Unit 4 operations until Sept. 30, 2022; approval deemed not necessary  Procedural schedule established in response to Joint Motion for Order to Show Cause and Enforce Financing Order and Supporting Brief	Bi-weekly meetings with stakeholders and monthly filings updating status  Decision expected by June 30, 2022	19-00195-UT 20-00182-UT 19-00018-UT
	2020 Integrated Resource Plan	Staff filed recommendation to accept plan on Nov. 12, 2021; Order requiring notice of material event and update to IRP issued Apr. 6, 2022	Notice and update filed April 27, 2022; Pending NMPRC order	21-00033-UT
	Decoupling Filing	Declaratory Order issued Apr. 27, 2022 limiting rate adjustment mechanism to energy efficiency savings	PNM evaluating next steps	20-00121-UT
FERC	Section 206 Show Cause Investigation	Order issued Apr. 21, 2022 regarding formula rate protocols for transparency of information exchange	Response due June 20, 2022	EL22-40-000
TNMP	TCOS Filing (1 <sup>st</sup> 2022 filing)	Filed January 26, 2022	Approved and implemented Mar. 25, 2022	53146
	DCOS Filing	Filed April 5, 2022	Expected to be implemented Sept. 2022	53436

# Q1 2022 Ongoing EPS Details: PNM

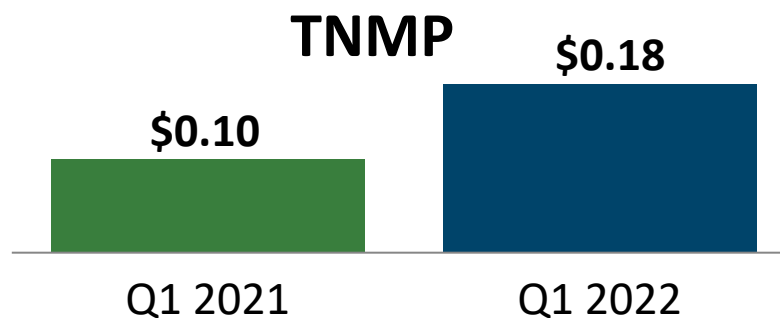
- Higher transmission margins due to higher system demand and the addition of new customers, including the Western Spirit transmission contract
- Increased load, primarily from colder temperatures
- Lower decommissioning / reclamation trust performance in Q1 2022 compared to Q1 2021
- Higher depreciation and property tax expenses on new capital investments
- Timing of excess deferred income taxes is expected to offset in future quarters



Q1 2022 Key Performance Drivers	Δ EPS
FERC transmission margin	\$0.05
Western Spirit (net of costs/financing)	\$0.04
Retail load and weather	\$0.01
Other	\$0.01
Decommissioning/reclamation trust performance	(\$0.01)
Depreciation and property tax	(\$0.01)
Timing of excess deferred income taxes	(\$0.01)

# Q1 2022 Ongoing EPS Details: TNMP

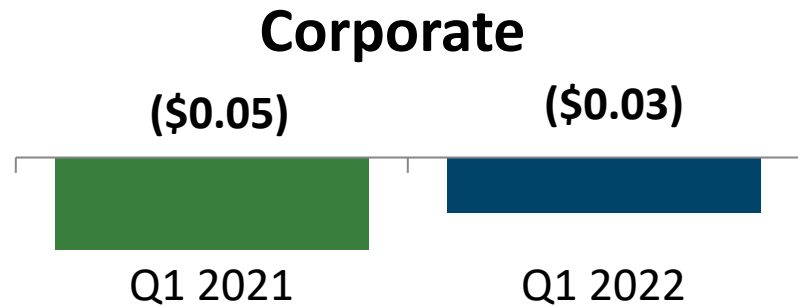
- *Rate relief from 2021 TCOS and DCOS filings and the implementation of the first 2022 TCOS increase in March*
- *Weather-normalized load growth and colder temperatures*
- *Timing of excess deferred income taxes is expected to offset in future quarters*
- *Higher depreciation and property tax expenses on new capital investments*



Q1 2022 Key Performance Drivers	Δ EPS
Transmission rate relief (TCOS)	\$0.04
Distribution rate relief (DCOS)	\$0.03
Retail load and weather	\$0.01
Timing of excess deferred income taxes	\$0.01
Other	\$0.01
Depreciation and property tax	(\$0.02)

# Q1 2022 Ongoing EPS Details: Corporate

- *Interest expense savings from the refinancing of debt at lower rates in May 2021*



Q1 2022 Key Performance Drivers	Δ EPS
Interest expense	\$0.02



# Weather Impacts

## PNM:

- *Q1 2022 temperatures were colder than normal and Q1 2021*

PNM	Q1 2022	Q1 2021	Q1 Normal <sup>(1)</sup>
Heating Degree Days	1,278	1,220	1,124
Cooling Degree Days	0	0	0
Net EPS Impact compared to Normal	\$0.02	\$0.01	\$ -

## TNMP:

- *Q1 2022 temperatures were colder than normal and Q1 2021*

TNMP	Q1 2022	Q1 2021	Q1 Normal <sup>(1)</sup>
Heating Degree Days	1,101	1,015	911
Cooling Degree Days	81	117	103
Net EPS Impact compared to Normal	\$0.01	\$0.01	\$ -

# Balance Sheet and Credit Metrics



# Liquidity as of April 21, 2022

	PNM	TNMP	Corporate/ Other	PNM Resources Consolidated
Financing Capacity <sup>(1)</sup> :	(In millions)			
Revolving credit facilities	\$440.0	\$75.0	\$300.0	\$815.0
As of 4/21/22:				
Short-term debt and LOC balances	-	75.0	34.5	109.5
Remaining availability	440.0	-	265.5	705.5
Invested cash	8.7	-	0.9	9.6
<b>Total Available Liquidity</b>	<b>\$448.7</b>	<b>-</b>	<b>\$266.4</b>	<b>\$715.1</b>

(1) Excludes intercompany debt and term loans

# Selected Balance Sheet Information

(In millions)	Dec. 31, 2021	Mar. 31, 2022
<b>Long-Term Debt (incl. current portion) <sup>(1)</sup></b>		
PNM	\$1,881.1	\$1,881.6
TNMP	918.1	918.0
Corporate/Other	899.7	999.9
<b>Consolidated</b>	<b>\$3,698.9</b>	<b>\$3,799.5</b>
<b>Total Debt (incl. short-term) <sup>(1,2)</sup></b>		
PNM	\$1,888.5	\$1,886.3
TNMP	918.5	993.0
Corporate/Other	954.6	1,006.2
<b>Consolidated</b>	<b>\$3,761.6</b>	<b>\$3,885.5</b>

<sup>(1)</sup> Net of unamortized debt issuance costs, premiums and discounts

<sup>(2)</sup> Excludes intercompany debt

# Credit Ratings

<b>PNMR Consolidated</b>	<b>S&amp;P</b>	<b>Moody's</b>
Issuer rating	BBB	Baa3
Outlook	Positive	Stable
Senior unsecured rating	BBB-	Baa3

<b>PNM</b>	<b>S&amp;P</b>	<b>Moody's</b>
Issuer rating	BBB	Baa2
Outlook	Positive	Stable
Senior unsecured rating	BBB	Baa2

<b>TNMP</b>	<b>S&amp;P</b>	<b>Moody's</b>
Issuer rating	BBB+	Baa1
Outlook	Positive	Stable
Senior secured rating	A	A2