

Q3 2019 Earnings Review

November 1, 2019



Safe Harbor Statement

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Non-GAAP Financial Measures

For an explanation of the non-GAAP financial measures that appear on certain slides 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 as follows:

<http://www.pnmresources.com/investors/results.cfm>.

Opening Remarks and Overview

Pat Vincent-Collawn

Chairman, President and CEO

Financial Results and Key Highlights

Financial Results

	Q3 2019	Q3 2018	YTD 2019	YTD 2018
GAAP EPS	\$1.28	\$1.09	\$0.57	\$1.76
Ongoing EPS	\$1.29	\$1.08	\$1.80	\$1.82

- 2019 Ongoing EPS Guidance \$2.05 - \$2.11 affirmed

Key Highlights

- Higher temperatures resulted in higher load across PNM and TNMP
 - TNMP reached new all-time system peak
- Regulatory Highlights:
 - TNMP received approval of second TCOS increase
 - PNM received Western Spirit transmission line approvals
 - PNM San Juan abandonment/securitization docket continues on procedural schedule

Note: EPS is presented on a diluted basis. For a reconciliation of GAAP EPS to Ongoing EPS and a description of adjustments made, please refer to the third quarter earnings release issued November 1, 2019.

Energy Transition Act Applicability - Intervenor Positions

Intervenor(s) Briefs	Abandonment/ Securitization (19-00018-UT)	Replacement Power (19-00195-UT)	Comments
Board of County Commissioners for the County of San Juan and the City of Farmington	✓	✓	Contingent upon provision of funds to the San Juan community
Central Consolidated School District	✓	✓	Contingent upon provision of funds to the San Juan community
Citizens for Fair Rates and the Environment	✓	✓	Commission should disregard provisions that conflict with the New Mexico Constitution
Coalition for Clean Affordable Energy	✓	✓	
IBEW/IUOE	✓	✓	
Interwest Energy Alliance	✓	✓	
New Energy Economy	X	X	Cannot apply; ETA is unconstitutional
NMPRC Staff	X	X	Cannot be applied to pending case
San Juan Legislative Delegation	✓	✓	Contingent upon provision of funds to the San Juan community
Sierra Club	✓	✓	
Southwest Generation Operating Company		✓	No position on ETA applicability to abandonment/securitization
Western Resource Advocates	✓	✓	

Parties that did not file a brief on ETA applicability: ABCWUA, Attorney General, Bernalillo County, City of Albuquerque, County of Los Alamos, Diné Citizens Against Ruining Our Environment, Greg Sonnenfeld, M-S-R Public Power Agency, Navajo Power, NM AREA, Prosperity Works, REIA, San Juan Citizen Alliance, and Westmoreland Coal, Inc.

PNM and TNMP Regulatory Agenda

Filing	Action	Timing	Docket No.
<u>PNM:</u>			
Western Spirit Transmission Line	NMPRC approved acquisition on October 2, 2019; FERC approved acquisition on August 8, 2019 and incremental rate on July 9, 2019	Acquisition planned for mid-2021	19-00129-UT ER19-1824-000 EC19-90-000
Consolidated Application for San Juan (Abandonment, Securitization and Replacement)	PNM filed July 1, 2019; NMPRC bifurcated application on July 10, 2019	NMPRC decision on abandonment/ securitization expected by April 2020, decision on replacement power expected by October 2020	19-00018-UT 19-00195-UT
Appeal of 2015 General Rate Case to New Mexico Supreme Court	New Mexico Supreme Court issued opinion May 16, 2019 affirming NMPRC decision but denying the disallowance of future Palo Verde decommissioning costs; full order was remanded back to the NMPRC	No statutory timeline; oral arguments on remand held July 17, 2019	15-00261-UT S-1-SC-36115
Solar Direct Program	PNM filed May 31, 2019 for approval of voluntary renewable program expected to begin March 31, 2021	NMPRC decision expected in Q1 2020	19-00158-UT
2020 Renewable Plan	PNM filed June 3, 2019; hearings held October 24-25, 2019	NMPRC decision expected in Q1 2020	19-00159-UT
<u>TNMP:</u>			
TCOS Filing	Filed July 23, 2019; approved September 19, 2019	Rates implemented	49785

Financial Overview

Chuck Eldred

Executive Vice President and CFO

Q3 2019 Ongoing EPS Financial Summary and 2019 Consolidated Ongoing Earnings Guidance

Q3 EPS Summary	Q3 2019	Q3 2018	Change
PNM Resources	\$1.29	\$1.08	\$0.21
PNM	\$1.02	\$0.95	\$0.07
TNMP	\$0.31	\$0.20	\$0.11
Corporate/Other	(\$0.04)	(\$0.07)	\$0.03

Note: Segment drivers included in appendix

\$2.05

2019 Earnings Guidance

\$2.11

PNM

\$1.59 – \$1.62

TNMP

\$0.66 – \$0.68

Corp/Other

(\$0.20) – (\$0.19)

Load and Economic Conditions

PNM

Economic indicators continue to be positive

Weather and Load improved Q3 EPS by \$0.05

- 14% increase in cooling degree days
- Industrial, Residential growth partially offset by Commercial energy efficiency impacts

PNM	Q3 2019 vs. Q3 2018	YTD 2019 vs. YTD 2018	2019E
Total PNM Retail Load ⁽¹⁾	0.3%	0.0%	0.0% – 1.0%
PNM Avg. Customers	0.7%	0.8%	0.8% – 1.0%

(1) Weather normalized, excludes economy customers

TNMP

TNMP	Q3 2019 vs. Q3 2018	YTD 2019 vs. YTD 2018	2019E
Demand-Based Load ⁽³⁾	5.4%	4.3%	4.0% – 5.0%
TNMP Avg. End Users	1.4%	1.5%	1.5% – 2.0%

Texas growth continues to lead nation

Weather and Load improved Q3 EPS by \$0.02

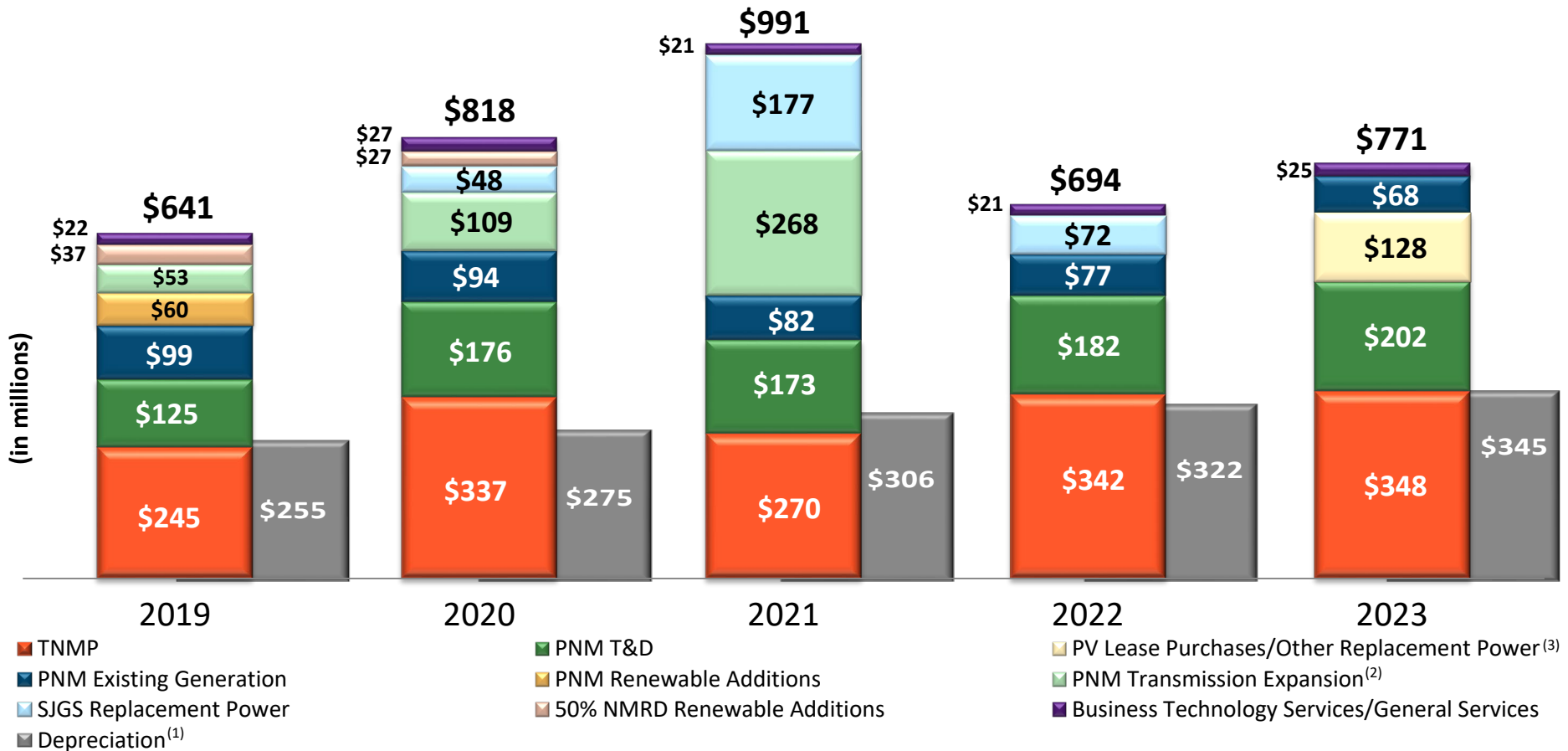
- 10% increase in cooling degree days
- Strong demand-based load growth⁽²⁾

(2) Changes in load do not have a significant impacts on quarterly EPS; however, demand-based load growth is an indicator of increased infrastructure needs

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

2019 – 2023 Investment Plan

\$3.9B investment plan results in 9.6% rate base growth
\$317M increase in TNMP investments



Targeted 2018-2023 Rate Base CAGR (2018 base): Total 9.6% / PNM 6.6% / TNMP 17.3%

⁽¹⁾ Depreciation does not include amounts associated with NMRD
⁽²⁾ Western Spirit acquisition of \$285M reflects assumed purchase price of \$360M, net of \$75M customer funding
⁽³⁾ For Palo Verde leases that expire in 2023, capex assumes either the purchase of the leases or replacement of the power through new resources

2019 - 2023 Potential Earnings Power

Earnings Growth Target 5-6%; reflects updated investment plan

- Additional investments at TNMP strengthen earnings potential*
- Equity financing plans continue to reflect modeling assumptions that will be optimized*

	Allowed Return / Equity Ratio	2019 Ongoing Earnings Guidance Midpoint			2020 Earnings Potential		2021 Earnings Potential		2022 Earnings Potential		2023 Earnings Potential	
		Avg Rate Base	Return	EPS	Avg Rate Base	EPS	Avg Rate Base	EPS	Avg Rate Base	EPS	Avg Rate Base	EPS
PNM Retail	9.575% / 50%	\$2.4 B	8.9%	\$1.37	\$2.4 B	\$1.44	\$2.5 B	\$1.52	\$2.4 B	\$1.48	\$2.4 B	\$1.48
San Juan Replacement ⁽¹⁾	9.575% / 50%								\$150 M	\$0.09	\$280 M	\$0.17
PNM Renewables	9.575% / 50%	\$115 M	9.575%	\$0.07	\$150 M	\$0.09	\$145 M	\$0.09	\$140 M	\$0.08	\$130 M	\$0.07
PNM FERC	10% / ~50%	\$275 M	6.9%	\$0.12	\$330 M	\$0.15-\$0.20	\$530 M	\$0.26-\$0.30	\$740 M	\$0.37-\$0.42	\$780 M	\$0.39-\$0.44
Items not in Rates				\$0.04		(\$0.04)-(\$0.02)		(\$0.03)-(\$0.01)		(\$0.03)-(\$0.01)		(\$0.03)-(\$0.01)
<i>Total PNM</i>		<i>\$2.7 B</i>		<i>\$1.60</i>	<i>\$2.9 B</i>	<i>\$1.64-\$1.71</i>	<i>\$3.2 B</i>	<i>\$1.84-\$1.90</i>	<i>\$3.5 B</i>	<i>\$1.99-\$2.06</i>	<i>\$3.6 B</i>	<i>\$2.08-\$2.15</i>
TNMP	9.65% / 45%	\$1.1 B	9.65%	\$0.67	\$1.3 B	\$0.73	\$1.5 B	\$0.84	\$1.6 B	\$0.89	\$1.9 B	\$1.02
Corporate/Other				(\$0.19)		(\$0.21)-(\$0.19)		(\$0.21)-(\$0.19)		(\$0.19) - (\$0.17)		(\$0.23)-(\$0.21)
Equity Financing Plans						(\$0.01)-\$0.00		(\$0.10)-(\$0.09)		(\$0.20) - (\$0.19)		(\$0.24)-(\$0.23)
Total PNM Resources		\$3.8 B		\$2.08	\$4.2 B	\$2.15 - \$2.25	\$4.7 B	\$2.37 - \$2.46	\$5.1 B	\$2.49 - \$2.59	\$5.6 B	\$2.63 - \$2.73

Note: 2018-2023 CAGR measured from 2018 Ongoing EPS of \$2.00

⁽¹⁾ Assumes mid-year implementation

Questions and Answers

Appendix

San Juan Abandonment, Securitization and Replacement Power

Abandonment

- Requests abandonment of San Juan coal plant after participation agreement and coal supply contracts end June 30, 2022

Securitization

- \$283M undepreciated investment in San Juan, proceeds available to fund replacement power
- \$29M decommissioning and reclamation costs
- \$20M job training and severance costs
- \$20M economic development funds
- \$9M financing costs

Total \$361M securitization

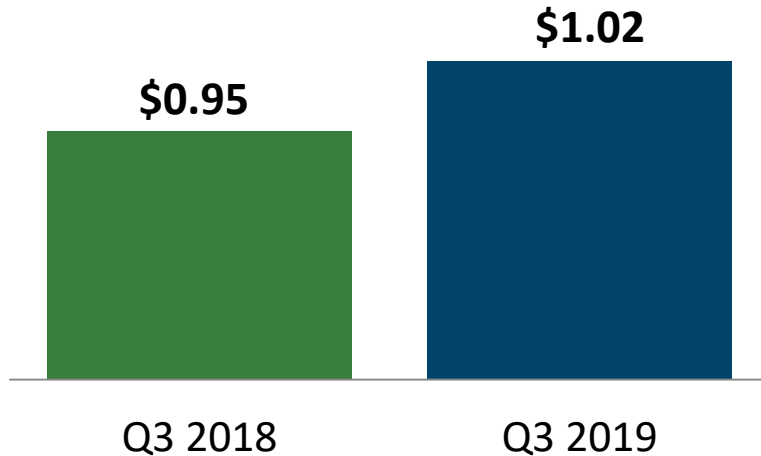
Replacement Power

- Recommended scenario balances environment, cost and reliability
- 350MW solar drives 62% reduction in carbon emissions
- 130MW battery storage capacity responsibly integrates new technology
- 280MW natural gas peaking plants ensure reliability during energy transition, provides San Juan property tax base

Total \$298M investment

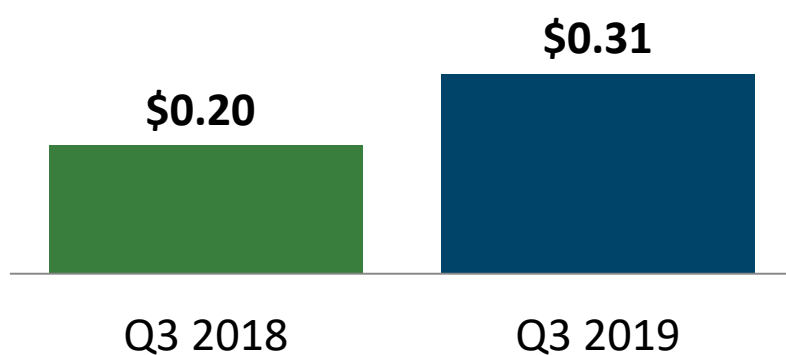
Q3 2019 vs Q3 2018 EPS (Ongoing): PNM

PNM



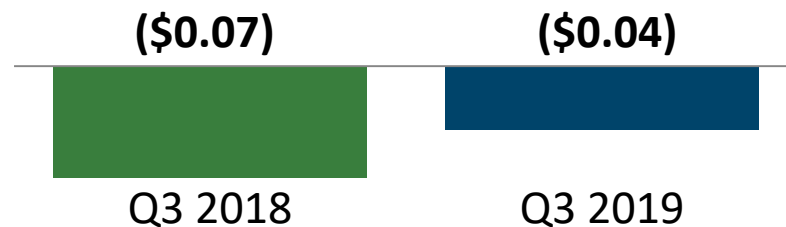
Q3 2019 Key Performance Drivers	Δ EPS
Weather and retail load	\$0.05
Retail rate phase-in, including excess deferred income taxes (before impacts resulting from lower sales volumes)	\$0.02
O&M decreases	\$0.02
Transmission margin	\$0.01
Depreciation and property tax	(\$0.02)
Other	(\$0.01)

Q3 2019 vs Q3 2018 EPS (Ongoing): TNMP and Corporate



TNMP

Q3 2019 Key Performance Drivers	Δ EPS
Rate relief, including TCOS	\$0.07
Weather and retail load	\$0.02
O&M decreases	\$0.01
Interest expense	\$0.01
Other	\$0.02
Depreciation and property tax	(\$0.02)



Corporate

Q3 2019 Key Performance Drivers	Δ EPS
Lower effective tax rate	\$0.03

2019 - 2023 Potential Earnings Power

	Allowed Return / Equity Ratio	2019 Ongoing Earnings Guidance Midpoint			2020 Earnings Potential		2021 Earnings Potential		2022 Earnings Potential		2023 Earnings Potential	
		Avg Rate Base	Return	EPS	Avg Rate Base	EPS	Avg Rate Base	EPS	Avg Rate Base	EPS	Avg Rate Base	EPS
PNM Retail ⁽¹⁾	9.575% / 50%	\$2.4 B	8.9%	\$1.37	\$2.4 B	\$1.44	\$2.5 B	\$1.52	\$2.4 B	\$1.48	\$2.4 B	\$1.48
San Juan Replacement ⁽²⁾	9.575% / 50%								\$150 M	\$0.09	\$280 M	\$0.17
PNM Renewables ⁽³⁾	9.575% / 50%	\$115 M	9.575%	\$0.07	\$150 M	\$0.09	\$145 M	\$0.09	\$140 M	\$0.08	\$130 M	\$0.07
PNM FERC ⁽⁴⁾	10% / ~50%	\$275 M	6.9%	\$0.12	\$330 M	\$0.15-\$0.20	\$530 M	\$0.26-\$0.30	\$740 M	\$0.37-\$0.42	\$780 M	\$0.39-\$0.44
Items not in Rates ⁽⁵⁾				\$0.04		(\$0.04)-(\$0.02)		(\$0.03)-(\$0.01)		(\$0.03)-(\$0.01)		(\$0.03)-(\$0.01)
Total PNM		\$2.7 B		\$1.60	\$2.9 B	\$1.64-\$1.71	\$3.2 B	\$1.84-\$1.90	\$3.5 B	\$1.99-\$2.06	\$3.6 B	\$2.08-\$2.15
TNMP ⁽⁶⁾	9.65% / 45%	\$1.1 B	9.65%	\$0.67	\$1.3 B	\$0.73	\$1.5 B	\$0.84	\$1.6 B	\$0.89	\$1.9 B	\$1.02
Corporate/Other ⁽⁷⁾				(\$0.19)		(\$0.21)-(\$0.19)		(\$0.21)-(\$0.19)		(\$0.19)-(\$0.17)		(\$0.23)-(\$0.21)
Equity Financing Plans ⁽⁸⁾						(\$0.01)-\$0.00		(\$0.10)-(\$0.09)		(\$0.20)-(\$0.19)		(\$0.24)-(\$0.23)
Total PNM Resources		\$3.8 B		\$2.08	\$4.2 B	\$2.15 - \$2.25	\$4.7 B	\$2.37 - \$2.46	\$5.1 B	\$2.49 - \$2.59	\$5.6 B	\$2.63 - \$2.73

⁽¹⁾ Average rate base has been reduced by approximately \$130M to represent (\$0.05) of Earnings Potential for the lost equity return on Four Corners investment determined in the 2018 general rate review. 2022 and 2023 rate base also reflects the removal of \$283M undepreciated SJGS investment upon its retirement in mid-2022 to be recovered through securitization.

⁽²⁾ Replacement Power includes \$298M investment implemented mid-2022; \$278M of generation investment and \$20M of transmission investment.

⁽³⁾ PNM Renewables reflect assets collected through the Renewable Rate Rider.

⁽⁴⁾ PNM FERC in 2021-2023 reflects a return of 8%-9% to account for Western Spirit investment recovered through incremental rates.

⁽⁵⁾ Consists primarily of decommissioning/reclamation trust income (net of fees/taxes), AFUDC, certain incentive compensation, and the 65MW ownership of San Juan Unit 4 (prior to retirement).

⁽⁶⁾ TNMP earnings include additional recovery for Energy Efficiency, along with items excluded from rates (primarily AFUDC) and interest savings from the refinancing of existing debt.

⁽⁷⁾ Corporate/Other includes the earnings impacts associated with short and intermediate term bank debt and the 50% equity interest in NMRD.

⁽⁸⁾ Equity Financing Plans to fund capital growth reflect financing alternatives, including block sale of up to \$290M (dilution impacts assume \$50M issued in 2020, \$90M to \$140M in 2021, \$50M in 2022 and \$50M in 2023), and \$300M mandatory convertibles beginning mid-2021.

EBITDA Guidance (Ongoing)

Ongoing EBITDA (In millions)	
	2019E Midpoint
Consolidated PNM Resources	\$568
PNM	\$372
TNMP	\$175

Weather Impact

PNM	Q3 2019	Q3 2018	2019 Normal⁽¹⁾
Heating Degree Days	0	0	0
Cooling Degree Days	1,129	988	940
Net EPS Impact <i>compared to normal</i>	\$0.07	\$0.02	

TNMP	Q3 2019	Q3 2018	2019 Normal⁽¹⁾
Heating Degree Days	0	0	0
Cooling Degree Days	1,826	1,663	1,641
Net EPS Impact <i>compared to normal</i>	\$0.03	\$0.00	

⁽¹⁾ 2019 normal weather assumption reflects the 20-year average for the period 1999 - 2018

PNM Scheduled Plant Outages

San Juan

Unit	Duration in Days	Time Period
2019 planned outages completed		
No planned outages in 2020		

Four Corners

Unit	Duration in Days	Time Period
5	76	Q1-Q2 2020
4	12	Q2 2020

Palo Verde

Unit	Duration in Days	Time Period
3	44	Q4 2019
2	30	Q2 2020
1	44	Q3 2020

Balance Sheet and Credit Metrics

Liquidity as of October 25, 2019

	PNM	TNMP	PNMR		PNM Resources Consolidated
			PNMR Development	Corporate /Other	
Financing Capacity ⁽¹⁾ :	(In millions)				
Revolving credit facilities	\$440.0	\$75.0	\$40.0	\$300.0	\$855.0
As of 10/25/19:					
Short-term debt and LOC balances	\$2.5	\$15.4	\$38.9	\$84.1	\$140.9
Remaining availability	437.5	59.6	1.1	215.9	714.1
Invested cash	20.5	-	-	0.9	21.4
Total Available Liquidity	\$458.0	\$59.6	\$1.1	\$216.8	\$735.5

⁽¹⁾ Excludes intercompany debt and term loans

Selected Balance Sheet Information

(In millions)	Dec 31, 2018	Sep 30, 2019
Long-Term Debt (incl. current portion) ⁽¹⁾		
PNM	\$1,656.5	\$1,707.6
TNMP	575.4	705.8
Corporate/Other	438.2	438.8
Consolidated	\$2,670.1	\$2,852.2
Total Debt (incl. short-term) ^(1,2)		
PNM	\$1,698.9	\$1,707.6
TNMP	592.9	720.8
Corporate/Other	614.2	713.4
Consolidated	\$2,906.0	\$3,141.8

⁽¹⁾ Net of unamortized debt issuance costs, premiums and discounts

⁽²⁾ Excludes intercompany debt

Amounts may not add due to rounding

Credit Ratings

PNMR Consolidated	S&P	Moody's
Issuer rating	BBB+	Baa3
Outlook	Negative	Stable
Senior unsecured rating	BBB	Baa3

PNM	S&P	Moody's
Issuer rating	BBB+	Baa2
Outlook	Negative	Stable
Senior unsecured rating	BBB+	Baa2

TNMP	S&P	Moody's
Issuer rating	BBB+	A3
Issuer outlook	Negative	Stable
Senior secured rating	A	A1