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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2022

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Name of Registrant, State of Incorporation, Address Of Principal Executive Offices, Telephone Number, Commission File No., IRS Employer Identification No.

PNM Resources, Inc.
(A New Mexico Corporation)
414 Silver Ave. SW
Albuquerque, New Mexico 87102-3289
Telephone Number - (505) 241-2700
Commission File No. - 001-32462
IRS Employer Identification No. - 85-0468296

Public Service Company of New Mexico
(A New Mexico Corporation)
414 Silver Ave. SW
Albuquerque, New Mexico 87102-3289
Telephone Number - (505) 241-2700
Commission File No. - 001-06986
IRS Employer Identification No. - 85-0019030

Texas-New Mexico Power Company
(A Texas Corporation)
577 N. Garden Ridge Blvd.
Lewisville, Texas 75067
Telephone Number - (972) 420-4189
Commission File No. - 002-97230
IRS Employer Identification No. - 75-0204070

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Trading Symbol(s)	Name of exchange on which registered
PNM Resources, Inc.	Common Stock, no par value	PNM	New York Stock Exchange

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

PNM Resources, Inc. (“PNMR”)	Yes	☑	No	☐
Public Service Company of New Mexico (“PNM”)	Yes	☑	No	☐
Texas-New Mexico Power Company (“TNMP”)	Yes	☐	No	☑

(NOTE: As a voluntary filer, not subject to the filing requirements, TNMP filed all reports under Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months.)

Indicate by check mark whether each registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

PNMR	Yes	☑	No	☐
PNM	Yes	☑	No	☐
TNMP	Yes	☑	No	☐

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
PNMR	☑	☐	☐	☐	☐
	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
PNM	☐	☐	☑	☐	☐
	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
TNMP	☐	☐	☑	☐	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether any of the registrants is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of April 21, 2022, 85,834,874 shares of common stock, no par value per share, of PNMR were outstanding.

The total number of shares of common stock of PNM, no par value per share, outstanding as of April 21, 2022, was 39,117,799 all held by PNMR (and none held by non-affiliates).

The total number of shares of common stock of TNMP, $10 par value per share, outstanding as of April 21, 2022, was 6,358 all held indirectly by PNMR (and none held by non-affiliates).

PNM AND TNMP MEET THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS (H) (1) (a) AND (b) OF FORM 10-Q AND ARE THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION (H) (2).

This combined Form 10-Q is separately filed by PNMR, PNM, and TNMP. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants. When this Form 10-Q is incorporated by reference into any filing with the SEC made by PNMR, PNM, or TNMP, as a registrant, the portions of this Form 10-Q that relate to each other registrant are not incorporated by reference therein.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

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GLOSSARY

Definitions:

ABCWUA	Albuquerque Bernalillo County Water Utility Authority
ACE Rule	Affordable Clean Energy Rule
AEP OnSite Partners	AEP OnSite Partners, LLC, a subsidiary of American Electric Power, Inc.
Afton	Afton Generating Station
ALJ	Administrative Law Judge
AMS	Advanced Meter System
AOCI	Accumulated Other Comprehensive Income
APS	Arizona Public Service Company, the operator and a co-owner of PVNGS and Four Corners
ARO	Asset Retirement Obligation
ARP	Alternative Revenue Program
Avangrid	Avangrid, Inc., a New York corporation
BART	Best Available Retrofit Technology
Board	Board of Directors of PNMR
BSER	Best system of emission reduction technology
CAA	Clean Air Act
CAISO	California Independent System Operator
CCAE	Coalition for Clean Affordable Energy
CCR	Coal Combustion Residuals
CFIUS	Committee on Foreign Investment in the United States
CFRE	Citizens for Fair Rates and the Environment
CO_2	Carbon Dioxide
COVID-19	Novel coronavirus global pandemic
CSA	Coal Supply Agreement
DC Circuit	United States Court of Appeals for the District of Columbia Circuit
DCOS	TNMP's applications for a distribution cost recovery factor
DOE	United States Department of Energy
Effective Time	The time the Merger is consummated
EGU	Electric Generating Unit
EIM	Western Energy Imbalance Market developed and operated by CAISO
ELG	Effluent Limitation Guidelines
End Date	The date at which the Merger Agreement may be terminated if the Effective Time has not yet occurred; January 20, 2022, subsequently extended to April 20, 2023.
Energy Transition Charge	Rate rider established to collect non-bypassable customer charges for repayment of the Securitized Bonds
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
ESG	Environmental, Social, and Governance principles
ETA	The New Mexico Energy Transition Act
EUEA	The New Mexico Efficient Use of Energy Act
Exchange Act	Securities Exchange Act of 1934
FCC	Federal Communications Commission
FERC	Federal Energy Regulatory Commission
Four Corners	Four Corners Power Plant
Four Corners Abandonment Application	PNM's January 8, 2021 application for approval for the abandonment of Four Corners and issuance of a securitized financing order
Four Corners CSA	Four Corners' coal supply contract with NTEC
Four Corners Purchase and Sale Agreement	PNM's pending sale of its 13% ownership interest in Four Corners to NTEC
FPPAC	Fuel and Purchased Power Adjustment Clause
FTC	Federal Trade Commission
GAAP	Generally Accepted Accounting Principles in the United States of America
GHG	Greenhouse Gas Emissions
GWh	Gigawatt hours
HSR Act	Hart-Scott Rodino Antitrust Improvement Act of 1976
Iberdrola	Iberdrola, S.A., a corporation organized under the laws of the Kingdom of Spain, and 81.5% owner of Avangrid
INDC	Intended Nationally Determined Contribution
IRC	Internal Revenue Code

IRP	Integrated Resource Plan
IRS	Internal Revenue Service
ISFSI	Independent Spent Fuel Storage Installation
Joint Applicants	PNM, PNMR, Merger Sub, Avangrid and Iberdrola, S.A.
kV	Kilovolt
KW	Kilowatt
KWh	Kilowatt Hour
La Joya Wind II	La Joya Wind Facility generating 140 MW of output that became operational in June 2021
Leased Interest	Leased capacity in PVNGS Unit 1 and Unit 2
Leeward	Leeward Renewable Energy Development, LLC
LIBOR	London Interbank Offered Rate
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Merger	The merger of Merger Sub with and into PNMR pursuant to the Merger Agreement, with PNMR surviving the Merger as a direct, wholly-owned subsidiary of Avangrid
Merger Agreement	The Agreement and Plan of Merger, dated October 20, 2020, between PNMR, Avangrid and Merger Sub, as amended by the amendment to the Merger Agreement dated January 3, 2022
Merger Sub	NM Green Holdings, Inc., a New Mexico corporation and wholly-owned subsidiary of Avangrid which will merge with and into PNMR at the effective time of the Merger (defined below)
Meta	Meta Platform, Inc., formerly known as Facebook Inc.
Moody's	Moody's Investor Services, Inc.
MW	Megawatt
MWh	Megawatt Hour
NAAQS	National Ambient Air Quality Standards
NDT	Nuclear Decommissioning Trusts for PVNGS
NEE	New Energy Economy
NERC	North American Electric Reliability Corporation
New Mexico Wind	New Mexico Wind Energy Center
NM 2015 Rate Case	Request for a General Increase in Electric Rates Filed by PNM on August 27, 2015
NM 2016 Rate Case	Request for General Increase in Electric Rates Filed by PNM on December 7, 2016
NM District Court	United States District Court for the District of New Mexico
NM Supreme Court	New Mexico Supreme Court
NMAG	New Mexico Attorney General
NMED	New Mexico Environment Department
NMMMD	The Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department
NMPRC	New Mexico Public Regulation Commission
NMRD	NM Renewable Development, LLC, owned 50% each by PNMR Development and AEP OnSite Partners, LLC
NOx	Nitrogen Oxides
NOPR	Notice of Proposed Rulemaking
NPDES	National Pollutant Discharge Elimination System
NRC	United States Nuclear Regulatory Commission
NTEC	Navajo Transitional Energy Company, LLC, an entity owned by the Navajo Nation
OATT	Open Access Transmission Tariff
OCI	Other Comprehensive Income
OPEB	Other Post-Employment Benefits
OSM	United States Office of Surface Mining Reclamation and Enforcement
Paris Agreement	A legally binding international treaty on climate change adopted on December 12, 2015
Pattern Wind	Pattern New Mexico Wind, LLC, an affiliate of Western Spirit and Pattern Development
PCRBs	Pollution Control Revenue Bonds
PM	Particulate Matter
PNM	Public Service Company of New Mexico and Subsidiaries
PNM 2017 New Mexico Credit Facility	PNM's $40.0 Million Unsecured Revolving Credit Facility
PNM 2021 Term Loan	PNM's $75.0 Million 18-month Unsecured Term Loan that matures on December 18, 2022
PNM Revolving Credit Facility	PNM's $400.0 Million Unsecured Revolving Credit Facility
PNMR	PNM Resources, Inc. and Subsidiaries
PNMR 2021 Delayed-Draw Term Loan	PNMR's $1.0 Billion Unsecured Delayed-Draw Term Loan that matures on May 18, 2023

PNMR Development	PNMR Development and Management Company, an unregulated wholly-owned subsidiary of PNMR
PNMR Development Revolving Credit Facility	PNMR Development's $40.0 million Unsecured Revolving Credit Facility
PNMR Revolving Credit Facility	PNMR's $300.0 Million Unsecured Revolving Credit Facility
PPA	Power Purchase Agreement
PSD	Prevention of Significant Deterioration
PUCT	Public Utility Commission of Texas
PV	Photovoltaic
PVNGS	Palo Verde Nuclear Generating Station
PVNGS Leased Interest Abandonment Application	Application with the NMPRC requesting approval for the decertification and abandonment of 114MW of leased PVNGS capacity
RCT	Reasonable Cost Threshold
REA	New Mexico's Renewable Energy Act of 2004
RECs	Renewable Energy Certificates
Red Mesa Wind	Red Mesa Wind Energy Center
REP	Retail Electricity Provider
RMC	Risk Management Committee
ROE	Return on Equity
RPS	Renewable Energy Portfolio Standard
S&P	Standard and Poor's Ratings Services
SEC	United States Securities and Exchange Commission
Securitized Bonds	Energy transition bonds
SIP	State Implementation Plan
SJCC	San Juan Coal Company
SJGS	San Juan Generating Station
SJGS Abandonment Application	PNM's July 1, 2019 consolidated application seeking NMPRC approval to retire PNM's share of SJGS in 2022, for related replacement generating resources, and for the issuance of securitized bonds under the ETA
SJGS CSA	San Juan Generating Station Coal Supply Agreement
SO_2	Sulfur Dioxide
SOFR	Secured Overnight Financing Rate
SRP	Salt River Project
SUNs	Senior Unsecured Notes
Tax Act	Federal tax reform legislation enacted on December 22, 2017, commonly referred to as the Tax Cuts and Jobs Act
TCOS	Transmission Cost of Service
TECA	Texas Electric Choice Act
Tenth Circuit	United States Court of Appeals for the Tenth Circuit
TEP	Transportation Electrification Program
TNMP	Texas-New Mexico Power Company and Subsidiaries
TNMP 2018 Rate Case	TNMP's General Rate Case Application filed on May 30, 2018
TNMP 2022 Bonds	TNMP's First Mortgage Bonds to be issued under the TNMP 2022 Bond Purchase Agreement
TNMP 2022 Bond Purchase Agreement	TNMP's Agreement for the sale of an aggregate $160.0 Million of TNMP's 2022 Bonds
TNMP Revolving Credit Facility	TNMP's $75.0 Million Secured Revolving Credit Facility
Tri-State	Tri-State Generation and Transmission Association, Inc.
TSAs	Transmission Service Agreements
U.S.	The Unites States of America
US Supreme Court	United States Supreme Court
Valencia	Valencia Energy Facility
VIE	Variable Interest Entity
Western Spirit Line	An approximately 150-mile 345-kV transmission line that PNM purchased in December 2021
Westmoreland	Westmoreland Coal Company
WFB LOC Facility	Letter of credit arrangements with Wells Fargo Bank, N.A., entered into in August 2020
WRA	Western Resource Advocates
WSJ LLC	Westmoreland San Juan, LLC, a subsidiary of Westmoreland Mining Holdings, LLC, and current owner of SJCC

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended March 31,	
	2022	**2021**
	(In thousands, except per share amounts)	
Electric Operating Revenues:		
Contracts with customers	$ 384,493	$ 346,585
Alternative revenue programs	(5,505)	(909)
Other electric operating revenue	65,130	19,031
Total electric operating revenues	444,118	364,707
Operating Expenses:		
Cost of energy	168,414	115,396
Administrative and general	55,861	59,465
Energy production costs	33,566	36,896
Depreciation and amortization	75,764	69,874
Transmission and distribution costs	18,466	17,317
Taxes other than income taxes	23,979	22,593
Total operating expenses	376,050	321,541
Operating income	68,068	43,166
Other Income and Deductions:		
Interest income	4,292	3,559
Gains (losses) on investment securities	(26,573)	968
Other income	4,330	4,252
Other (deductions)	(2,241)	(3,290)
Net other income and deductions	(20,192)	5,489
Interest Charges	26,220	25,884
Earnings before Income Taxes	21,656	22,771
Income Taxes	2,438	1,566
Net Earnings	19,218	21,205
(Earnings) Attributable to Valencia Non-controlling Interest	(3,095)	(3,494)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)
Net Earnings Attributable to PNMR	$ 15,991	$ 17,579
Net Earnings Attributable to PNMR per Common Share:		
Basic	$ 0.19	$ 0.20
Diluted	$ 0.19	$ 0.20
Dividends Declared per Common Share	$ 0.3475	$ 0.3275

The accompanying notes, as they relate to PNMR, are an integral part of these condensed consolidated financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31,	
	2022	**2021**
	(In thousands)	
Net Earnings	$ 19,218	$ 21,205
Other Comprehensive Income:		
Unrealized Gains on Available-for-Sale Debt Securities:		
Net change in unrealized holding (losses) arising during the period, net of income tax benefit of $1,657 and $845	(4,867)	(2,481)
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $375 and $919	(1,102)	(2,699)
Pension Liability Adjustment:		
Reclassification adjustment for amortization of experience losses recognized as net periodic benefit cost, net of income tax (benefit) of $(451) and $(530)	1,325	1,557
Fair Value Adjustment for Cash Flow Hedges:		
Change in fair market value, net of income tax (expense) of $0 and $(317)	—	930
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $0 and $158	—	(466)
Total Other Comprehensive Income (Loss)	(4,644)	(3,159)
Comprehensive Income	14,574	18,046
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,095)	(3,494)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)
Comprehensive Income Attributable to PNMR	$ 11,347	$ 14,420

The accompanying notes, as they relate to PNMR, are an integral part of these condensed consolidated financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2022	**2021**
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 19,218	$ 21,205
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	84,672	78,857
Deferred income tax expense	2,009	1,447
(Gains) losses on investment securities	26,486	(967)
Stock based compensation expense	3,052	4,219
Allowance for equity funds used during construction	(2,668)	(2,621)
Other, net	708	3,234
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	21,169	17,205
Materials, supplies, and fuel stock	(5,183)	4,305
Other current assets	13,079	(18,978)
Other assets	(12,215)	6,561
Accounts payable	(15,905)	(9,647)
Accrued interest and taxes	909	76
Other current liabilities	(6,458)	(4,369)
Other liabilities	(12,263)	(14,050)
Net cash flows from operating activities	116,610	86,477
Cash Flows From Investing Activities:		
Additions to utility plant and non-utility plant	(209,884)	(172,235)
Proceeds from sales of investment securities	125,246	123,596
Purchases of investment securities	(127,791)	(126,485)
Distributions from NMRD	—	572
Other, net	565	97
Net cash flows used in investing activities	(211,864)	(174,455)

The accompanying notes, as they relate to PNMR, are an integral part of these condensed consolidated financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2022	**2021**
	(In thousands)	
Cash Flows From Financing Activities:		
Revolving credit facilities borrowings, net	$ 23,300	$ 165,500
Long-term borrowings	100,000	220,000
Repayment of long-term debt	—	(300,000)
Awards of common stock	(6,735)	(9,027)
Dividends paid	(29,960)	(28,243)
Valencia's transactions with its owner	(4,232)	(5,243)
Transmission interconnection and security deposit arrangements	18,569	5,460
Refunds paid under transmission interconnection arrangements	(1,972)	(584)
Debt issuance costs and other, net	(431)	(292)
Net cash flows from financing activities	98,539	47,571
Change in Cash, Restricted Cash, and Equivalents	3,285	(40,407)
Cash, Restricted Cash, and Equivalents at Beginning of Period	1,104	47,928
Cash, Restricted Cash, and Equivalents at End of Period	$ 4,389	$ 7,521
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	$ 21,682	$ 23,317
Income taxes (refunded), net	$ (346)	$ —
Supplemental schedule of noncash investing activities:		
Decrease in accrued plant additions	$ 38,918	$ 49,092

The accompanying notes, as they relate to PNMR, are an integral part of these condensed consolidated financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2022	December 31, 2021
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 4,389	$ 1,104
Accounts receivable, net of allowance for credit losses of $6,392 and $7,265	116,015	123,292
Unbilled revenues	42,153	57,736
Other receivables	19,414	18,784
Materials, supplies, and fuel stock	70,244	65,061
Regulatory assets	18,597	14,785
Prepaid assets	25,149	37,325
Income taxes receivable	4,102	4,878
Other current assets	1,082	1,635
Total current assets	301,145	324,600
Other Property and Investments:		
Investment securities	431,097	463,126
Equity investment in NMRD	89,344	89,158
Other investments	174	265
Non-utility property, net	24,420	25,439
Total other property and investments	545,035	577,988
Utility Plant:		
Plant in service, held for future use, and to be abandoned	9,448,704	9,357,849
Less accumulated depreciation and amortization	3,003,558	2,952,743
	6,445,146	6,405,106
Construction work in progress	313,901	248,856
Nuclear fuel, net of accumulated amortization of $47,131 and $41,181	99,381	98,937
Net utility plant	6,858,428	6,752,899
Deferred Charges and Other Assets:		
Regulatory assets	511,639	514,258
Goodwill	278,297	278,297
Operating lease right-of-use assets, net of accumulated amortization	74,126	79,511
Other deferred charges	159,016	139,332
Total deferred charges and other assets	1,023,078	1,011,398
	$ 8,727,686	$ 8,666,885

The accompanying notes, as they relate to PNMR, are an integral part of these condensed consolidated financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2022	December 31, 2021
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 86,000	$ 62,700
Current installments of long-term debt	179,419	179,339
Accounts payable	117,772	172,595
Customer deposits	5,364	5,095
Accrued interest and taxes	70,238	70,105
Regulatory liabilities	12,885	8,316
Operating lease liabilities	27,722	27,218
Dividends declared	29,960	132
Transmission interconnection arrangement liabilities	42,666	39,564
Other current liabilities	101,017	99,149
Total current liabilities	673,043	664,213
Long-term Debt, net of Unamortized Premiums, Discounts, and Debt Issuance Costs	3,620,041	3,519,580
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	772,263	764,850
Regulatory liabilities	845,701	841,393
Asset retirement obligations	236,877	234,146
Accrued pension liability and postretirement benefit cost	15,772	19,057
Operating lease liabilities	47,369	55,993
Other deferred credits	335,291	333,195
Total deferred credits and other liabilities	2,253,273	2,248,634
Total liabilities	6,546,357	6,432,427
Commitments and Contingencies (Note 11)		
Cumulative Preferred Stock of Subsidiary		
without mandatory redemption requirements ($100 stated value; 10,000,000 shares authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNMR common stockholders' equity:		
Common stock (no par value; 120,000,000 shares authorized; issued and outstanding 85,834,874 shares)	1,425,574	1,429,257
Accumulated other comprehensive income (loss), net of income taxes	(76,580)	(71,936)
Retained earnings	766,538	810,203
Total PNMR common stockholders' equity	2,115,532	2,167,524
Non-controlling interest in Valencia	54,268	55,405
Total equity	2,169,800	2,222,929
	$ 8,727,686	$ 8,666,885

The accompanying notes, as they relate to PNMR, are an integral part of these condensed consolidated financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

	Attributable to PNMR					
	Common Stock	AOCI	Retained Earnings	Total PNMR Common Stockholders' Equity	Non-controlling Interest in Valencia	Total Equity
	(In thousands)					
Balance at December 31, 2021	$ 1,429,257	$ (71,936)	$ 810,203	$ 2,167,524	$ 55,405	$ 2,222,929
Net earnings before subsidiary preferred stock dividends	—	—	16,123	16,123	3,095	19,218
Total other comprehensive income (loss)	—	(4,644)	—	(4,644)	—	(4,644)
Subsidiary preferred stock dividends	—	—	(132)	(132)	—	(132)
Dividends declared on common stock	—	—	(59,656)	(59,656)	—	(59,656)
Awards of common stock	(6,735)	—	—	(6,735)	—	(6,735)
Stock based compensation expense	3,052	—	—	3,052	—	3,052
Valencia's transactions with its owner	—	—	—	—	(4,232)	(4,232)
Balance at March 31, 2022	$ 1,425,574	$ (76,580)	$ 766,538	$ 2,115,532	$ 54,268	$ 2,169,800
Balance at December 31, 2020	$ 1,429,941	$ (79,183)	$ 698,707	$ 2,049,465	$ 59,009	$ 2,108,474
Net earnings before subsidiary preferred stock dividends	—	—	17,711	17,711	3,494	21,205
Total other comprehensive income (loss)	—	(3,159)	—	(3,159)	—	(3,159)
Subsidiary preferred stock dividends	—	—	(132)	(132)	—	(132)
Dividends declared on common stock	—	—	(28,111)	(28,111)	—	(28,111)
Awards of common stock	(9,027)	—	—	(9,027)	—	(9,027)
Stock based compensation expense	4,219	—	—	4,219	—	4,219
Valencia's transactions with its owner	—	—	—	—	(5,243)	(5,243)
Balance at March 31, 2021	$ 1,425,133	$ (82,342)	$ 688,175	$ 2,030,966	$ 57,260	$ 2,088,226

The accompanying notes, as they relate to PNMR, are an integral part of these condensed consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Electric Operating Revenues:		
Contracts with customers	$ 275,644	$ 251,206
Alternative revenue programs	(2,065)	976
Other electric operating revenue	65,130	19,031
Total electric operating revenues	338,709	271,213
Operating Expenses:		
Cost of energy	138,814	88,886
Administrative and general	50,347	47,134
Energy production costs	33,566	36,896
Depreciation and amortization	45,790	41,949
Transmission and distribution costs	11,611	10,659
Taxes other than income taxes	13,565	12,639
Total operating expenses	293,693	238,163
Operating income	45,016	33,050
Other Income and Deductions:		
Interest income	3,133	3,595
Gains (losses) on investment securities	(26,573)	968
Other income	3,048	2,708
Other (deductions)	(1,691)	(2,432)
Net other income and deductions	(22,083)	4,839
Interest Charges	14,572	12,893
Earnings before Income Taxes	8,361	24,996
Income Taxes	823	2,834
Net Earnings	7,538	22,162
(Earnings) Attributable to Valencia Non-controlling Interest	(3,095)	(3,494)
Net Earnings Attributable to PNM	4,443	18,668
Preferred Stock Dividend Requirements	(132)	(132)
Net Earnings Available for PNM Common Stock	$ 4,311	$ 18,536

The accompanying notes, as they relate to PNM, are an integral part of these condensed consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Net Earnings	$ 7,538	$ 22,162
Other Comprehensive Income:		
Unrealized Gains on Available-for-Sale Debt Securities:		
Net change in unrealized holding (losses) arising during the period, net of income tax benefit of $1,657 and $845	(4,867)	(2,481)
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $375 and $919	(1,102)	(2,699)
Pension Liability Adjustment:		
Reclassification adjustment for amortization of experience losses recognized as net periodic benefit cost, net of income tax (benefit) of $(451) and $(530)	1,325	1,557
Total Other Comprehensive Income (Loss)	(4,644)	(3,623)
Comprehensive Income	2,894	18,539
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,095)	(3,494)
Comprehensive Income (Loss) Attributable to PNM	$ (201)	$ 15,045

The accompanying notes, as they relate to PNM, are an integral part of these condensed consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 7,538	$ 22,162
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	53,844	50,108
Deferred income tax expense	893	2,910
(Gains) losses on investment securities	26,486	(967)
Allowance for equity funds used during construction	(2,294)	(2,135)
Other, net	894	911
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	22,466	17,491
Materials, supplies, and fuel stock	(4,636)	4,341
Other current assets	11,418	(21,763)
Other assets	(11,065)	5,780
Accounts payable	(6,876)	(934)
Accrued interest and taxes	14,873	14,729
Other current liabilities	(4,879)	(1,911)
Other liabilities	(10,198)	(13,196)
Net cash flows from operating activities	98,464	77,526
Cash Flows From Investing Activities:		
Utility plant additions	(96,359)	(88,198)
Proceeds from sales of investment securities	125,246	123,596
Purchases of investment securities	(127,791)	(126,485)
Other, net	565	97
Net cash flows used in investing activities	(98,339)	(90,990)

The accompanying notes, as they relate to PNM, are an integral part of these condensed consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2022	**2021**
	(In thousands)	
Cash Flows From Financing Activities:		
Revolving credit facilities borrowings (repayments), net	$ (2,700)	$ (10,000)
Dividends paid	(132)	(132)
Valencia's transactions with its owner	(4,232)	(5,243)
Transmission interconnection and security deposit arrangements	12,170	3,810
Refunds paid under transmission interconnection arrangements	(1,972)	(584)
Debt issuance costs and other, net	(293)	87
Net cash flows from financing activities	2,841	(12,062)
Change in Cash, Restricted Cash, and Equivalents	2,966	(25,526)
Cash, Restricted Cash, and Equivalents at Beginning of Period	19	31,446
Cash, Restricted Cash, and Equivalents at End of Period	$ 2,985	$ 5,920
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	$ 9,070	$ 7,568
Income taxes paid (refunded), net	$ —	$ —
Supplemental schedule of noncash investing activities:		
Decrease in accrued plant additions	$ 26,620	$ 30,828

The accompanying notes, as they relate to PNM, are an integral part of these condensed consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2022	December 31, 2021
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,985	$ 19
Accounts receivable, net of allowance for credit losses of $6,392 and $7,265	87,329	98,151
Unbilled revenues	31,424	44,759
Other receivables	16,871	16,538
Affiliate receivables	8,895	8,837
Materials, supplies, and fuel stock	62,578	57,942
Regulatory assets	13,749	8,721
Prepaid assets	18,639	30,266
Other current assets	995	1,456
Total current assets	243,465	266,689
Other Property and Investments:		
Investment securities	431,097	463,126
Other investments	38	129
Non-utility property, net	10,426	10,717
Total other property and investments	441,561	473,972
Utility Plant:		
Plant in service, held for future use, and to be abandoned	6,655,734	6,602,015
Less accumulated depreciation and amortization	2,268,349	2,235,068
	4,387,385	4,366,947
Construction work in progress	184,282	182,520
Nuclear fuel, net of accumulated amortization of $47,131 and $41,181	99,381	98,937
Net utility plant	4,671,048	4,648,404
Deferred Charges and Other Assets:		
Regulatory assets	426,177	428,981
Goodwill	51,632	51,632
Operating lease right-of-use assets, net of accumulated amortization	69,022	73,903
Other deferred charges	137,183	116,552
Total deferred charges and other assets	684,014	671,068
	$ 6,040,088	$ 6,060,133

The accompanying notes, as they relate to PNM, are an integral part of these condensed consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2022	December 31, 2021
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	$ 4,700	$ 7,400
Current installments of long-term debt	179,419	179,339
Accounts payable	74,299	107,795
Affiliate payables	10,768	15,203
Customer deposits	5,364	5,095
Accrued interest and taxes	52,011	37,137
Regulatory liabilities	12,885	8,316
Operating lease liabilities	25,826	25,278
Dividends declared	132	132
Transmission interconnection arrangement liabilities	40,666	39,564
Other current liabilities	78,269	70,643
Total current liabilities	484,339	495,902
Long-term Debt, net of Unamortized Premiums, Discounts, and Debt Issuance Costs	1,702,214	1,701,771
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	634,592	630,682
Regulatory liabilities	651,495	653,830
Asset retirement obligations	236,098	233,383
Accrued pension liability and postretirement benefit cost	15,448	18,718
Operating lease liabilities	44,377	52,552
Other deferred credits	246,202	246,502
Total deferred credits and liabilities	1,828,212	1,835,667
Total liabilities	4,014,765	4,033,340
Commitments and Contingencies (Note 11)		
Cumulative Preferred Stock		
without mandatory redemption requirements ($100 stated value; 10,000,000 shares authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNM common stockholder's equity:		
Common stock (no par value; 40,000,000 shares authorized; issued and outstanding 39,117,799 shares)	1,547,918	1,547,918
Accumulated other comprehensive income (loss), net of income taxes	(76,580)	(71,936)
Retained earnings	488,188	483,877
Total PNM common stockholder's equity	1,959,526	1,959,859
Non-controlling interest in Valencia	54,268	55,405
Total equity	2,013,794	2,015,264
	$ 6,040,088	$ 6,060,133

The accompanying notes, as they relate to PNM, are an integral part of these condensed consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

	Attributable to PNM					
	Common Stock	AOCI	Retained Earnings	Total PNM Common Stockholder's Equity	Non-controlling Interest in Valencia	Total Equity
	(In thousands)					
Balance at December 31, 2021	$ 1,547,918	$ (71,936)	$ 483,877	$ 1,959,859	$ 55,405	$ 2,015,264
Net earnings	—	—	4,443	4,443	3,095	7,538
Total other comprehensive income (loss)	—	(4,644)	—	(4,644)	—	(4,644)
Dividends declared on preferred stock	—	—	(132)	(132)	—	(132)
Valencia's transactions with its owner	—	—	—	—	(4,232)	(4,232)
Balance at March 31, 2022	$ 1,547,918	$ (76,580)	$ 488,188	$ 1,959,526	$ 54,268	$ 2,013,794
Balance at December 31, 2020	$ 1,494,918	$ (78,511)	$ 388,336	$ 1,804,743	$ 59,009	$ 1,863,752
Net earnings	—	—	18,668	18,668	3,494	22,162
Total other comprehensive income (loss)	—	(3,623)	—	(3,623)	—	(3,623)
Dividends declared on preferred stock	—	—	(132)	(132)	—	(132)
Valencia's transactions with its owner	—	—	—	—	(5,243)	(5,243)
Balance at March 31, 2021	$ 1,494,918	$ (82,134)	$ 406,872	$ 1,819,656	$ 57,260	$ 1,876,916

The accompanying notes, as they relate to PNM, are an integral part of these condensed consolidated financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended March 31,	
	2022	**2021**
	(In thousands)	
Electric Operating Revenues:		
Contracts with customers	$ 108,849	$ 95,379
Alternative revenue programs	(3,440)	(1,885)
Total electric operating revenues	105,409	93,494
Operating Expenses:		
Cost of energy	29,600	26,510
Administrative and general	12,013	12,230
Depreciation and amortization	23,642	22,190
Transmission and distribution costs	6,855	6,658
Taxes other than income taxes	9,057	8,881
Total operating expenses	81,167	76,469
Operating income	24,242	17,025
Other Income and Deductions:		
Interest income	1,182	—
Other income	1,052	1,386
Other (deductions)	(115)	(324)
Net other income and deductions	2,119	1,062
Interest Charges	9,150	8,475
Earnings before Income Taxes	17,211	9,612
Income Taxes	2,151	877
Net Earnings	$ 15,060	$ 8,735

The accompanying notes, as they relate to TNMP, are an integral part of these condensed consolidated financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2022	**2021**
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 15,060	$ 8,735
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	23,856	22,428
Deferred income tax (benefit)	(345)	(1,471)
Allowance for equity funds used during construction and other, net	(374)	(477)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(1,297)	(286)
Materials and supplies	(547)	(36)
Other current assets	1,670	1,231
Other assets	(1,329)	1,322
Accounts payable	(3,848)	(3,182)
Accrued interest and taxes	(12,485)	(9,911)
Other current liabilities	(599)	(373)
Other liabilities	(802)	(1,310)
Net cash flows from operating activities	18,960	16,670
Cash Flows From Investing Activities:		
Utility plant additions	(100,556)	(76,149)
Net cash flows used in investing activities	(100,556)	(76,149)
Cash Flows From Financing Activities:		
Revolving credit facilities borrowings, net	74,600	43,100
Short-term borrowings – affiliate, net	700	—
Transmission interconnection arrangements	6,400	1,650
Debt issuance costs and other, net	(104)	(71)
Net cash flows from financing activities	81,596	44,679
Change in Cash and Cash Equivalents	—	(14,800)
Cash and Cash Equivalents at Beginning of Period	—	14,800
Cash and Cash Equivalents at End of Period	$ —	$ —
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	$ 10,020	$ 9,229
Income taxes (refunded), net	$ (346)	$ —
Supplemental schedule of noncash investing activities:		
Decrease in accrued plant additions	$ 1,237	$ 13,465

The accompanying notes, as they relate to TNMP, are an integral part of these condensed consolidated financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2022	December 31, 2021
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ —	$ —
Accounts receivable	28,686	25,141
Unbilled revenues	10,729	12,977
Other receivables	4,439	4,108
Materials and supplies	7,666	7,119
Regulatory assets	4,848	6,064
Other current assets	1,301	1,989
Total current assets	57,669	57,398
Other Property and Investments:		
Other investments	136	136
Non-utility property, net	12,793	13,499
Total other property and investments	12,929	13,635
Utility Plant:		
Plant in service and plant held for future use	2,505,711	2,475,859
Less accumulated depreciation and amortization	574,255	563,004
	1,931,456	1,912,855
Construction work in progress	122,220	53,401
Net utility plant	2,053,676	1,966,256
Deferred Charges and Other Assets:		
Regulatory assets	85,462	85,277
Goodwill	226,665	226,665
Operating lease right-of-use assets, net of accumulated amortization	4,782	5,264
Other deferred charges	8,898	10,277
Total deferred charges and other assets	325,807	327,483
	$ 2,450,081	$ 2,364,772

The accompanying notes, as they relate to TNMP, are an integral part of these condensed consolidated financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2022	December 31, 2021
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	$ 75,000	$ 400
Short-term debt – affiliate	700	—
Accounts payable	38,004	43,089
Affiliate payables	3,574	6,568
Accrued interest and taxes	27,520	40,005
Operating lease liabilities	1,853	1,882
Transmission interconnection arrangement liabilities	2,000	—
Other current liabilities	6,639	4,968
Total current liabilities	155,290	96,912
Long-term Debt, net of Unamortized Premiums, Discounts, and Debt Issuance Costs	918,025	918,050
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	159,291	157,248
Regulatory liabilities	194,206	187,563
Asset retirement obligations	779	763
Accrued pension liability and postretirement benefit cost	324	339
Operating lease liabilities	2,713	3,155
Other deferred credits	62,836	59,185
Total deferred credits and other liabilities	420,149	408,253
Total liabilities	1,493,464	1,423,215
Commitments and Contingencies (Note 11)		
Common Stockholder's Equity:		
Common stock ($10 par value; 12,000,000 shares authorized; issued and outstanding 6,358 shares)	64	64
Paid-in-capital	737,166	737,166
Retained earnings	219,387	204,327
Total common stockholder's equity	956,617	941,557
	$ 2,450,081	$ 2,364,772

The accompanying notes, as they relate to TNMP, are an integral part of these condensed consolidated financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDER'S EQUITY
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Total Common Stockholder's Equity
			(In thousands)	
Balance at December 31, 2021	$ 64	$ 737,166	$ 204,327	$ 941,557
Net earnings	—	—	15,060	15,060
Balance at March 31, 2022	$ 64	$ 737,166	$ 219,387	$ 956,617
Balance at December 31, 2020	$ 64	$ 685,166	$ 140,448	$ 825,678
Net earnings	—	—	8,735	8,735
Balance at March 31, 2021	$ 64	$ 685,166	$ 149,183	$ 834,413

The accompanying notes, as they relate to TNMP, are an integral part of these condensed consolidated financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Significant Accounting Policies and Responsibility for Financial Statements

Financial Statement Preparation

In the opinion of management, the accompanying unaudited interim Condensed Consolidated Financial Statements reflect all normal and recurring accruals and adjustments that are necessary to present fairly the consolidated financial position at March 31, 2022 and December 31, 2021, and the consolidated results of operations, comprehensive income, and cash flows for the three months ended March 31, 2022 and 2021. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could ultimately differ from those estimated. Weather causes the Company's results of operations to be seasonal in nature and the results of operations presented in the accompanying Condensed Consolidated Financial Statements are not necessarily representative of operations for an entire year.

The Notes to Condensed Consolidated Financial Statements include disclosures for PNMR, PNM, and TNMP. This report uses the term "Company" when discussing matters of common applicability to PNMR, PNM, and TNMP. Discussions regarding only PNMR, PNM, or TNMP are so indicated. Certain amounts in the 2021 Condensed Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2022 financial statement presentation.

These Condensed Consolidated Financial Statements are unaudited. Certain information and note disclosures normally included in the annual audited Consolidated Financial Statements have been condensed or omitted, as permitted under the applicable rules and regulations. Readers of these financial statements should refer to PNMR's, PNM's, and TNMP's audited Consolidated Financial Statements and Notes thereto that are included in their respective 2021 Annual Reports on Form 10-K.

GAAP defines subsequent events as events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. Based on their nature, magnitude, and timing, certain subsequent events may be required to be reflected at the balance sheet date and/or required to be disclosed in the financial statements. The Company has evaluated subsequent events accordingly.

Principles of Consolidation

The Condensed Consolidated Financial Statements of each of PNMR, PNM, and TNMP include their accounts and those of subsidiaries in which that entity owns a majority voting interest. PNM also consolidates Valencia. See Note 6. PNM owns undivided interests in several jointly-owned power plants and records its pro-rata share of the assets, liabilities, and expenses for those plants. The agreements for the jointly-owned plants provide that if an owner were to default on its payment obligations, the non-defaulting owners would be responsible for their proportionate share of the obligations of the defaulting owner. In exchange, the non-defaulting owners would be entitled to their proportionate share of the generating capacity of the defaulting owner. There have been no such payment defaults under any of the agreements for the jointly-owned plants.

PNMR Services Company expenses, which represent costs that are primarily driven by corporate level activities, are charged to the business segments. These services are billed at cost and are reflected as general and administrative expenses in the business segments. Other significant intercompany transactions between PNMR, PNM, and TNMP include interest and income tax sharing payments, as well as equity transactions, and interconnection billings. See Note 15. All intercompany transactions and balances have been eliminated.

Dividends on Common Stock

Dividends on PNMR's common stock are declared by the Board. The timing of the declaration of dividends is dependent on the timing of meetings and other actions of the Board. The Board declared dividends on common stock of $0.3475 per share in February 2022 and $0.3275 per share in March 2021, which are reflected as "Dividends Declared per Common Share" on the PNMR Condensed Consolidated Statements of Earnings.

PNMR did not make any cash equity contributions to PNM or TNMP in the three months ended March 31, 2022 and 2021. Neither PNM nor TNMP declared or paid any cash dividends to PNMR in the three months ended March 31, 2022 and 2021.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(2) Segment Information

The following segment presentation is based on the methodology that management uses for making operating decisions and assessing performance of its various business activities. A reconciliation of the segment presentation to the GAAP financial statements is provided.

PNM

PNM includes the retail electric utility operations of PNM that are subject to traditional rate regulation by the NMPRC. PNM provides integrated electricity services that include the generation, transmission, and distribution of electricity for retail electric customers in New Mexico. PNM also includes the generation and sale of electricity into the wholesale market, as well as providing transmission services to third parties. The sale of electricity includes the asset optimization of PNM's jurisdictional capacity, as well as the capacity excluded from retail rates. FERC has jurisdiction over wholesale power and transmission rates.

TNMP

TNMP is an electric utility providing services in Texas under the TECA. TNMP's operations are subject to traditional rate regulation by the PUCT. TNMP provides transmission and distribution services at regulated rates to various REPs that, in turn, provide retail electric service to consumers within TNMP's service area. TNMP also provides transmission services at regulated rates to other utilities that interconnect with TNMP's facilities.

Corporate and Other

The Corporate and Other segment includes PNMR holding company activities, primarily related to corporate level debt and PNMR Services Company. The activities of PNMR Development and the equity method investment in NMRD are also included in Corporate and Other. Eliminations of intercompany transactions are reflected in the Corporate and Other segment.

The following tables present summarized financial information for PNMR by segment. PNM and TNMP each operate in only one segment. Therefore, tabular segment information is not presented for PNM and TNMP.

PNMR SEGMENT INFORMATION

	PNM	TNMP	Corporate and Other	PNMR Consolidated
		(In thousands)		
Three Months Ended March 31, 2022				
Electric operating revenues	$ 338,709	$ 105,409	$ —	$ 444,118
Cost of energy	138,814	29,600	—	168,414
Utility margin	199,895	75,809	—	275,704
Other operating expenses	109,089	27,925	(5,142)	131,872
Depreciation and amortization	45,790	23,642	6,332	75,764
Operating income (loss)	45,016	24,242	(1,190)	68,068
Interest income	3,133	1,182	(23)	4,292
Other income (deductions)	(25,216)	937	(205)	(24,484)
Interest charges	(14,572)	(9,150)	(2,498)	(26,220)
Segment earnings (loss) before income taxes	8,361	17,211	(3,916)	21,656
Income taxes (benefit)	823	2,151	(536)	2,438
Segment earnings (loss)	7,538	15,060	(3,380)	19,218
Valencia non-controlling interest	(3,095)	—	—	(3,095)
Subsidiary preferred stock dividends	(132)	—	—	(132)
Segment earnings (loss) attributable to PNMR	$ 4,311	$ 15,060	$ (3,380)	$ 15,991
At March 31, 2022:				
Total Assets	$ 6,040,088	$ 2,450,081	$ 237,517	$ 8,727,686
Goodwill	$ 51,632	$ 226,665	$ —	$ 278,297

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	PNM	TNMP	Corporate and Other	PNMR Consolidated
		(In thousands)		
Three Months Ended March 31, 2021				
Electric operating revenues	$ 271,213	$ 93,494	$ —	$ 364,707
Cost of energy	88,886	26,510	—	115,396
Utility margin	182,327	66,984	—	249,311
Other operating expenses	107,328	27,769	1,174	136,271
Depreciation and amortization	41,949	22,190	5,735	69,874
Operating income (loss)	33,050	17,025	(6,909)	43,166
Interest income	3,595	—	(36)	3,559
Other income (deductions)	1,244	1,062	(376)	1,930
Interest charges	(12,893)	(8,475)	(4,516)	(25,884)
Segment earnings (loss) before income taxes	24,996	9,612	(11,837)	22,771
Income taxes (benefit)	2,834	877	(2,145)	1,566
Segment earnings (loss)	22,162	8,735	(9,692)	21,205
Valencia non-controlling interest	(3,494)	—	—	(3,494)
Subsidiary preferred stock dividends	(132)	—	—	(132)
Segment earnings (loss) attributable to PNMR	$ 18,536	$ 8,735	$ (9,692)	$ 17,579
At March 31, 2021:				
Total Assets	$ 5,561,146	$ 2,163,250	$ 218,913	$ 7,943,309
Goodwill	$ 51,632	$ 226,665	$ —	$ 278,297

The Company defines utility margin as electric operating revenues less cost of energy. Cost of energy consists primarily of fuel and purchase power costs for PNM and costs charged by third-party transmission providers for TNMP. The Company believes that utility margin provides a more meaningful basis for evaluating operations than electric operating revenues since substantially all such costs are offset in revenues as fuel and purchase power costs are passed through to customers under PNM's FPPAC and third-party transmission costs are passed on to customers through TNMP's transmission cost recovery factor. Utility margin is not a financial measure required to be presented and is considered a non-GAAP measure.

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(3) Accumulated Other Comprehensive Income (Loss)

Information regarding accumulated other comprehensive income (loss) for the three months ended March 31, 2022 and 2021 is as follows:

	Accumulated Other Comprehensive Income (Loss)				
	PNM			Corporate and Other	PNMR Consolidated
	Unrealized Gains on Available-for-Sale Debt Securities	Pension Liability Adjustment	Total	Fair Value Adjustment for Cash Flow Hedges	Total
			(In thousands)		
Balance at December 31, 2021	$ 11,715	$ (83,651)	$ (71,936)	$ —	$ (71,936)
Amounts reclassified from AOCI (pre-tax)	(1,477)	1,776	299	—	299
Income tax impact of amounts reclassified	375	(451)	(76)	—	(76)
Other OCI changes (pre-tax)	(6,524)	—	(6,524)	—	(6,524)
Income tax impact of other OCI changes	1,657	—	1,657	—	1,657
Net after-tax change	(5,969)	1,325	(4,644)	—	(4,644)
Balance at March 31, 2022	$ 5,746	$ (82,326)	$ (76,580)	$ —	$ (76,580)
Balance at December 31, 2020	$ 20,403	$ (98,914)	$ (78,511)	$ (672)	$ (79,183)
Amounts reclassified from AOCI (pre-tax)	(3,618)	2,087	(1,531)	(624)	(2,155)
Income tax impact of amounts reclassified	919	(530)	389	158	547
Other OCI changes (pre-tax)	(3,326)	—	(3,326)	1,247	(2,079)
Income tax impact of other OCI changes	845	—	845	(317)	528
Net after-tax change	(5,180)	1,557	(3,623)	464	(3,159)
Balance at March 31, 2021	$ 15,223	$ (97,357)	$ (82,134)	$ (208)	$ (82,342)

The Condensed Consolidated Statements of Earnings include pre-tax amounts reclassified from AOCI related to Unrealized Gains on Available-for-Sale Debt Securities in gains (losses) on investment securities, related to Pension Liability Adjustment in other (deductions), and related to Fair Value Adjustment for Cash Flow Hedges in interest charges. The income tax impacts of all amounts reclassified from AOCI are included in income taxes in the Condensed Consolidated Statements of Earnings.

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(4) Earnings Per Share

Dual presentation of basic and diluted earnings per share is presented in the Condensed Consolidated Statements of Earnings of PNMR. Information regarding the computation of earnings per share is as follows:

	Three Months Ended March 31,	
	2022	2021
	(In thousands, except per share amounts)	
Net Earnings Attributable to PNMR	$ 15,991	$ 17,579
Average Number of Common Shares:		
Outstanding during period	85,835	85,835
Vested awards of restricted stock	256	196
Average Shares – Basic	86,091	86,031
Dilutive Effect of Common Stock Equivalents:		
Restricted stock	80	24
Average Shares – Diluted	86,171	86,055
Net Earnings Per Share of Common Stock:		
Basic	$ 0.19	$ 0.20
Diluted	$ 0.19	$ 0.20

(5) Electric Operating Revenues

PNMR is an investor-owned holding company with two regulated utilities providing electricity and electric services in New Mexico and Texas. PNMR's electric utilities are PNM and TNMP.

Additional information concerning electric operating revenue is contained in Note 4 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consists primarily of trade receivables from customers. In the normal course of business, credit is extended to customers on a short-term basis. The Company estimates the allowance for credit losses on trade receivables based on historical experience and estimated default rates. Accounts receivable balances are reviewed monthly, adjustments to the allowance for credit losses are made as necessary and amounts that are deemed uncollectible are written off.

As a result of the economic conditions resulting from the COVID-19 pandemic, PNM updated its allowance for accounts receivable balances and recorded incremental credit losses of $(0.9) million and $1.6 million in the three months ended March 31, 2022 and 2021. The NMPRC issued an order authorizing all public utilities to create a regulatory asset to defer incremental costs related to COVID-19, including increases in uncollectible accounts. See discussion regarding regulatory treatment in Note 12.

In addition to the allowance for credit losses on trade receivables, the Company has evaluated other receivables for potential credit related losses. These balances include potential exposures for other non-retail utility services. In the three months ended March 31, 2022 and 2021, there were no estimated credit losses related to these transactions.

In February 2021, Texas experienced a severe winter storm delivering the coldest temperatures in 100 years for many parts of the state. As a result, the ERCOT market was not able to deliver sufficient generation load to the grid resulting in significant, statewide outages as ERCOT directed transmission operators to curtail thousands of firm load megawatts. TNMP complied with ERCOT directives to curtail delivery of electricity in its service territory and did not experience significant outages on its system outside of the ERCOT directed curtailments. During the weather event, generators experienced an extreme spike in market driven fuel prices and in turn charged REPs excessive market driven power prices which eventually get passed to end users on their electricity bill. Given the uncertainty of the collectability of end users' bills by REPs, ERCOT also

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increased the collateral required by REPs in order to do business within ERCOT's Balancing Authority. TNMP deferred bad debt expense (credit losses) from defaulting REPs to a regulatory asset which totaled $0.8 million at both March 31, 2022 and December 31, 2021 and will seek recovery in a general rate case.

Disaggregation of Revenues

A disaggregation of revenues from contracts with customers by the type of customer is presented in the table below. The table also reflects alternative revenue program revenues ("ARP") and other revenues.

	PNM	TNMP	PNMR Consolidated
Three Months Ended March 31, 2022		(In thousands)	
Electric Operating Revenues:			
Contracts with customers:			
Retail electric revenue			
Residential	$ 112,574	$ 39,368	$ 151,942
Commercial	88,004	33,103	121,107
Industrial	23,132	8,390	31,522
Public authority	4,426	1,526	5,952
Economy energy service	8,940	—	8,940
Transmission	34,526	25,529	60,055
Miscellaneous	4,042	933	4,975
Total revenues from contracts with customers	275,644	108,849	384,493
Alternative revenue programs	(2,065)	(3,440)	(5,505)
Other electric operating revenues [1]	65,130	—	65,130
Total Electric Operating Revenues	$ 338,709	$ 105,409	$ 444,118

[1] Increase in 2022 is primarily the result of participation in the EIM beginning in April 2021.

	PNM	TNMP	PNMR Consolidated
Three Months Ended March 31, 2021		(In thousands)	
Electric Operating Revenues:			
Contracts with customers:			
Retail electric revenue			
Residential	$ 114,669	$ 35,094	$ 149,763
Commercial	81,934	29,429	111,363
Industrial	18,900	7,293	26,193
Public authority	4,587	1,482	6,069
Economy energy service	10,581	—	10,581
Transmission	17,503	21,121	38,624
Miscellaneous	3,032	960	3,992
Total revenues from contracts with customers	251,206	95,379	346,585
Alternative revenue programs	976	(1,885)	(909)
Other electric operating revenues	19,031	—	19,031
Total Electric Operating Revenues	$ 271,213	$ 93,494	$ 364,707

Contract Balances

Performance obligations related to contracts with customers are typically satisfied when the energy is delivered and the customer or end-user utilizes the energy. Accounts receivable from customers represent amounts billed, including amounts under ARPs. For PNM, accounts receivable reflected on the Condensed Consolidated Balance Sheets, net of allowance for credit losses, includes $77.7 million at March 31, 2022 and $86.8 million at December 31, 2021 resulting from contracts with customers. All of TNMP's accounts receivable results from contracts with customers.

Contract assets are an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance). Upon the completion of the Western Spirit Line, PNM entered into a TSA with Pattern Wind under an incremental tariff rate approved by FERC. The terms of the agreement provide for a financing component that benefits the customer. As such, the revenue that PNM recognizes will be in excess of the consideration received at the beginning of the service term resulting in a contract asset. The balance of the contract asset as of March 31, 2022 is $3.4 million and $0.6 million as of December 31, 2021. This contract asset is presented in Other deferred charges on the Condensed Consolidated Balance Sheet.

Contract liabilities arise when consideration is received in advance from a customer before satisfying the performance obligations. Therefore, revenue is deferred and not recognized until the obligation is satisfied. Under its OATT, PNM accepts upfront consideration for capacity reservations requested by transmission customers, which requires PNM to defer the customer's transmission capacity rights for a specific period of time. PNM recognizes the revenue of these capacity reservations over the period it defers the customer's capacity rights. Other utilities pay PNM and TNMP in advance for the joint-use of their utility poles. These revenues are recognized over the period of time specified in the joint-use contract, typically for one calendar year. Deferred revenues on these arrangements are recorded as contract liabilities. PNMR's, PNM's, and TNMP's contract liabilities and related revenues are insignificant for all periods presented. The Company has no other arrangements with remaining performance obligations to which a portion of the transaction price would be required to be allocated.

(6) Variable Interest Entities

How an enterprise evaluates and accounts for its involvement with variable interest entities, focuses primarily on whether the enterprise has the power to direct the activities that most significantly impact the economic performance of a variable interest entity ("VIE"). This evaluation requires continual reassessment of the primary beneficiary of a VIE. Additional information concerning PNM's VIEs is contained in Note 10 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

Valencia

PNM has a PPA to purchase all of the electric capacity and energy from Valencia, a 155 MW natural gas-fired power plant near Belen, New Mexico, through May 2028. A third party built, owns, and operates the facility while PNM is the sole purchaser of the electricity generated. PNM is obligated to pay fixed operation and maintenance and capacity charges in addition to variable operation and maintenance charges under this PPA. For the three months ended March 31, 2022 and 2021, PNM paid $4.8 million and $4.9 million for fixed charges and $0.1 million and $0.2 million for variable charges. PNM does not have any other financial obligations related to Valencia. The assets of Valencia can only be used to satisfy its obligations and creditors of Valencia do not have any recourse against PNM's assets. During the term of the PPA, PNM has the option, under certain conditions, to purchase and own up to 50% of the plant or the VIE. The PPA specifies that the purchase price would be the greater of 50% of book value reduced by related indebtedness or 50% of fair market value.

PNM sources fuel for the plant, controls when the facility operates through its dispatch, and receives the entire output of the plant, which factors directly and significantly impact the economic performance of Valencia. Therefore, PNM has concluded that the third-party entity that owns Valencia is a VIE and that PNM is the primary beneficiary of the entity since PNM has the power to direct the activities that most significantly impact the economic performance of Valencia and will absorb the majority of the variability in the cash flows of the plant. As the primary beneficiary, PNM consolidates Valencia in its financial statements. Accordingly, the assets, liabilities, operating expenses, and cash flows of Valencia are included in the Condensed Consolidated Financial Statements of PNM although PNM has no legal ownership interest or voting control of the VIE. The assets and liabilities of Valencia set forth below are immaterial to PNM and, therefore, not shown separately on the Condensed Consolidated Balance Sheets. The owner's equity and net income of Valencia are considered attributable to non-controlling interest.

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Summarized financial information for Valencia is as follows:

	Results of Operations	
	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Operating revenues	$ 4,932	$ 5,127
Operating expenses	1,837	1,633
Earnings attributable to non-controlling interest	$ 3,095	$ 3,494

	Financial Position	
	March 31, 2022	December 31, 2021
	(In thousands)	
Current assets	$ 3,206	$ 3,042
Net property, plant, and equipment	52,198	52,908
Total assets	55,404	55,950
Current liabilities	1,136	545
Owners' equity – non-controlling interest	$ 54,268	$ 55,405

Westmoreland San Juan Mining, LLC

As discussed in the subheading Coal Supply in Note 11, PNM purchases coal for SJGS under the SJGS CSA. On October 9, 2018, Westmoreland filed a Current Report on Form 8-K with the SEC announcing it had filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code. On March 15, 2019, Westmoreland emerged from Chapter 11 bankruptcy as a privately held company owned and operated by a group of its former creditors. Under the reorganization, the assets of SJCC were sold to Westmoreland San Juan Mining, LLC ("WSJ LLC"), a subsidiary of Westmoreland Mining Holdings, LLC. As successor entity to SJCC, WSJ LLC assumed all rights and obligations of SJCC including obligations to PNM under the SJGS CSA and to PNMR under letter of credit support agreements.

PNMR issued $30.3 million in letters of credit to facilitate the issuance of reclamation bonds required in order for SJCC to mine coal to be supplied to SJGS. As discussed above, WSJ LLC assumed the rights and obligations of SJCC, including obligations to PNMR for the letters of credit. The letters of credit support results in PNMR having a variable interest in WSJ LLC since PNMR is subject to possible loss in the event performance by PNMR is required under the letters of credit support. PNMR considers the possibility of loss under the letters of credit support to be remote since the purpose of posting the bonds is to provide assurance that WSJ LLC performs the required reclamation of the mine site in accordance with applicable regulations and all reclamation costs are reimbursable under the SJGS CSA. Also, much of the mine reclamation activities will not be performed until after the expiration of the SJGS CSA. In addition, each of the SJGS participants has established and actively fund trusts to meet future reclamation obligations.

WSJ LLC is considered a VIE. PNMR's analysis of its arrangements with WSJ LLC concluded that WSJ LLC has the ability to direct its mining operations, which is the factor that most significantly impacts the economic performance of WSJ LLC. Other than PNM being able to ensure that coal is supplied in adequate quantities and of sufficient quality to provide the fuel necessary to operate SJGS in a normal manner, the mining operations are solely under the control of WSJ LLC, including developing mining plans, hiring of personnel, and incurring operating and maintenance expenses. Neither PNMR nor PNM has any ability to direct or influence the mining operation. PNM's involvement through the SJGS CSA is a protective right rather than a participating right and WSJ LLC has the power to direct the activities that most significantly impact the economic performance of WSJ LLC. The SJGS CSA requires WSJ LLC to deliver coal required to fuel SJGS in exchange for payment of a set price per ton, which is escalated over time for inflation. If WSJ LLC is able to mine more efficiently than anticipated, its economic performance will be improved. Conversely, if WSJ LLC cannot mine as efficiently as anticipated, its economic performance will be negatively impacted. Accordingly, PNMR believes WSJ LLC is the primary beneficiary and, therefore, WSJ LLC is not consolidated by either PNMR or PNM. The amounts outstanding under the letters of credit support constitute PNMR's maximum exposure to loss from the VIE at March 31, 2022.

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(7) Fair Value of Derivative and Other Financial Instruments

Additional information concerning energy related derivative contracts and other financial instruments is contained in Note 9 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is based on current market quotes as available and is supplemented by modeling techniques and assumptions made by the Company to the extent quoted market prices or volatilities are not available. External pricing input availability varies based on commodity location, market liquidity, and term of the agreement. Valuations of derivative assets and liabilities take into account nonperformance risk, including the effect of counterparties' and the Company's credit risk. The Company regularly assesses the validity and availability of pricing data for its derivative transactions. Although the Company uses its best judgment in estimating the fair value of these instruments, there are inherent limitations in any estimation technique.

Energy Related Derivative Contracts

Overview

The primary objective for the use of commodity derivative instruments, including energy contracts, options, swaps, and futures, is to manage price risk associated with forecasted purchases of energy and fuel used to generate electricity, as well as managing anticipated generation capacity in excess of forecasted demand from existing customers. PNM's energy related derivative contracts manage commodity risk. PNM is required to meet the demand and energy needs of its customers. PNM is exposed to market risk for the needs of its customers not covered under the FPPAC.

In 2021, PNM entered into three agreements to purchase power from third parties at a fixed price in order to ensure that customer demand during the 2022 summer peak load period is met. Two of the agreements, the purchase of 85 MW from June through September 2022 and the purchase of 40 MW for the full year of 2022, are not considered derivatives because there are no notional amounts due to the unit-contingent nature of the agreements. The third agreement for the purchase of 150 MW firm power in June and September 2022 meets the definition of an economic hedge described below and has been accounted for accordingly.

Beginning January 1, 2018, PNM is exposed to market risk for its 65 MW interest in SJGS Unit 4, which is held as merchant plant as ordered by the NMPRC. PNM has entered into agreements to sell power from 36 MW of that capacity to a third party at a fixed price for the period January 1, 2018 through May 31, 2022, subject to certain conditions. Under these agreements, PNM is obligated to deliver 36 MW of power only when SJGS Unit 4 is operating. These agreements are not considered derivatives because there is no notional amount due to the unit-contingent nature of the transactions.

PNM and Tri-State have a hazard sharing agreement that expires in May 2022. Under this agreement, each party sells the other party 100 MW of capacity and energy from a designated generation resource on a unit contingent basis, subject to certain performance guarantees. Both the purchases and sales are made at the same market index price. This agreement serves to reduce the magnitude of each party's single largest generating hazard and assists in enhancing the reliability and efficiency of their respective operations. PNM passes the sales and purchases through to customers under PNM's FPPAC.

PNM's operations are managed primarily through a net asset-backed strategy, whereby PNM's aggregate net open forward contract position is covered by its forecasted excess generation capabilities or market purchases. PNM could be exposed to market risk if its generation capabilities were to be disrupted or if its load requirements were to be greater than anticipated. If all or a portion of load requirements were required to be covered as a result of such unexpected situations, commitments would have to be met through market purchases. TNMP does not enter into energy related derivative contracts.

Commodity Risk

Marketing and procurement of energy often involve market risks associated with managing energy commodities and establishing positions in the energy markets, primarily on a short-term basis. PNM routinely enters into various derivative instruments such as forward contracts, option agreements, and price basis swap agreements to economically hedge price and volume risk on power commitments and fuel requirements and to minimize the effect of market fluctuations. PNM monitors the market risk of its commodity contracts in accordance with approved risk and credit policies.

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Unusually cold weather in February 2021 resulted in higher than expected natural gas and purchased power costs. PNM mitigated the impacts from the cold weather by securing gas supplies in advance, engaging in market purchases when lower prices were available, and adjusting plant operation of its gas units to minimize reliance on higher-priced gas supplies. PNM estimates the impact of the cold weather conditions in the first quarter of 2021 resulted in approximately $20 million of additional natural gas costs and approximately $8 million in additional purchased power costs. These fuel increases were passed through to customers under the FPPAC.

Accounting for Derivatives

Under derivative accounting and related rules for energy contracts, PNM accounts for its various instruments for the purchase and sale of energy, which meet the definition of a derivative, based on PNM's intent. During the three months ended March 31, 2022 and the year ended December 31, 2021, PNM was not hedging its exposure to the variability in future cash flows from commodity derivatives through designated cash flows hedges. The derivative contracts recorded at fair value that do not qualify or are not designated for cash flow hedge accounting are classified as economic hedges. Economic hedges are defined as derivative instruments, including long-term power agreements, used to economically hedge generation assets, purchased power and fuel costs, and customer load requirements. Changes in the fair value of economic hedges are reflected in results of operations and are classified between operating revenues and cost of energy according to the intent of the hedge. PNM also uses such instruments under an NMPRC approved hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC. Changes in the fair value of instruments covered by its FPPAC are recorded as regulatory assets and liabilities. PNM has no trading transactions.

Commodity Derivatives

PNM's commodity derivative instruments that are recorded at fair value, all of which are accounted for as economic hedges and considered Level 2 fair value measurements, are presented in the following line items on the Condensed Consolidated Balance Sheets:

	Economic Hedges	
	March 31, 2022	December 31, 2021
	(In thousands)	
Other current assets	$ 183	$ 684
Other deferred charges	—	—
	183	684
Other current liabilities	(3,852)	(2,275)
Other deferred credits	—	—
	(3,852)	(2,275)
Net	$ (3,669)	$ (1,591)

Certain of PNM's commodity derivative instruments in the above table are subject to master netting agreements whereby assets and liabilities could be offset in the settlement process. PNM does not offset fair value and cash collateral for derivative instruments under master netting arrangements and the above table reflects the gross amounts of fair value assets and liabilities for commodity derivatives. Included in the table above are equal amounts of current assets and current liabilities aggregating $0.2 million at March 31, 2022 and $0.5 million at December 31, 2021, resulting from PNM's hazard sharing arrangements with Tri-State. The hazard sharing arrangements are net-settled upon delivery.

As discussed above, PNM has a NMPRC-approved hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC. The table above includes zero and $0.2 million in current assets and $3.7 million and $1.8 million of current liabilities related to this plan at March 31, 2022 and December 31, 2021.

At March 31, 2022 and December 31, 2021, PNM had no amounts recognized for the legal right to reclaim cash collateral. However, at both March 31, 2022 and December 31, 2021, amounts posted as cash collateral under margin arrangements were $0.5 million, which is included in other current assets on the Condensed Consolidated Balance Sheets. At both March 31, 2022 and December 31, 2021, obligations to return cash collateral were $0.9 million, which is included in other current liabilities on the Condensed Consolidated Balance Sheets.

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The effects of mark-to-market commodity derivative instruments on PNM's revenues and cost of energy during the three months ended March 31, 2022 and 2021 were less than $0.1 million. Commodity derivatives had no impact on OCI for any of the periods presented.

PNM's net buy (sell) volume positions for energy were 122,400 MWh at both March 31, 2022 and December 31, 2021. PNM had no open gas commodity volume positions at March 31, 2022 or December 31, 2021.

PNM has contingent requirements to provide collateral under commodity contracts having an objectively determinable collateral provision that are in net liability positions and are not fully collateralized with cash. In connection with managing its commodity risks, PNM enters into master agreements with certain counterparties. If PNM is in a net liability position under an agreement, some agreements provide that the counterparties can request collateral if PNM's credit rating is downgraded; other agreements provide that the counterparty may request collateral to provide it with "adequate assurance" that PNM will perform; and others have no provision for collateral. At March 31, 2022 and December 31, 2021, PNM had no such contracts in a net liability position.

Non-Derivative Financial Instruments

The carrying amounts reflected on the Condensed Consolidated Balance Sheets approximate fair value for cash, receivables, and payables due to the short period of maturity. Investment securities are carried at fair value. Investment securities consist of PNM assets held in the NDT for its share of decommissioning costs of PVNGS and trusts for PNM's share of final reclamation costs related to the coal mines serving SJGS and Four Corners. See Note 11. At March 31, 2022 and December 31, 2021, the fair value of investment securities included $364.1 million and $394.5 million for the NDT and $67.0 million and $68.6 million for the mine reclamation trusts.

PNM records a realized loss as an impairment for any available-for-sale debt security that has a fair value that is less than its carrying value. At March 31, 2022 and December 31, 2021, PNM had no available-for-sale debt securities for which carrying value exceeds fair value and there are no impairments considered to be "other than temporary" that are included in AOCI and not recognized in earnings. All gains and losses resulting from sales and changes in the fair value of equity securities are recognized immediately in earnings. Gains and losses recognized on the Condensed Consolidated Statements of Earnings related to investment securities in the NDT and reclamation trusts are presented in the following table:

	Three Months Ended March 31,	
	2022	**2021**
	(In thousands)	
Equity securities:		
Net gains from equity securities sold	$ 5,006	$ 2,022
Net (losses) from equity securities still held	(22,035)	(3,166)
Total net (losses) on equity securities	(17,029)	(1,144)
Available-for-sale debt securities:		
Net gains (losses) on debt securities	(9,544)	2,112
Net gains (losses) on investment securities	$ (26,573)	$ 968

The proceeds and gross realized gains and losses on the disposition of securities held in the NDT and coal mine reclamation trusts are shown in the following table. Realized gains and losses are determined by specific identification of costs of securities sold. Gross realized losses shown below exclude the (increase)/decrease in realized impairment losses of $(8.9) million and $1.1 million for the three months ended March 31, 2022 and 2021.

	Three Months Ended March 31,	
	2022	**2021**
	(In thousands)	
Proceeds from sales	$ 125,246	$ 123,596
Gross realized gains	$ 10,178	$ 8,692
Gross realized (losses)	$ (5,840)	$ (3,443)

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At March 31, 2022, the available-for-sale debt securities held by PNM, had the following final maturities:

	Fair Value
	(In thousands)
Within 1 year	$ 32,919
After 1 year through 5 years	70,710
After 5 years through 10 years	87,507
After 10 years through 15 years	16,377
After 15 years through 20 years	12,815
After 20 years	34,865
	$ 255,193

Fair Value Disclosures

The Company determines the fair values of its derivative and other financial instruments based on the hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

For investment securities, Level 2 and Level 3 fair values are provided by fund managers utilizing a pricing service. For Level 2 fair values, the pricing provider predominantly uses the market approach using bid side market values based upon a hierarchy of information for specific securities or securities with similar characteristics. Fair values of Level 2 investments in mutual funds are equal to net asset value. For commodity derivatives, Level 2 fair values are determined based on market observable inputs, which are validated using multiple broker quotes, including forward price, volatility, and interest rate curves to establish expectations of future prices. Credit valuation adjustments are made for estimated credit losses based on the overall exposure to each counterparty. For the Company's long-term debt, Level 2 fair values are provided by an external pricing service. The pricing service primarily utilizes quoted prices for similar debt in active markets when determining fair value. The valuation of Level 3 investments, when applicable, requires significant judgment by the pricing provider due to the absence of quoted market values, changes in market conditions, and the long-term nature of the assets. The Company has no Level 3 investments as of March 31, 2022 and December 31, 2021. Management of the Company independently verifies the information provided by pricing services.

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Items recorded at fair value by PNM on the Condensed Consolidated Balance Sheets are presented below by level of the fair value hierarchy along with gross unrealized gains on investments in available-for-sale debt securities:

		GAAP Fair Value Hierarchy		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unrealized Gains
		(In thousands)		
March 31, 2022				
Cash and cash equivalents	$ 13,935	$ 13,935	$ —	
Equity securities:				
Corporate stocks, common	84,240	84,240	—	
Corporate stocks, preferred	8,253	3,349	4,904	
Mutual funds and other	69,476	69,476	—	
Available-for-sale debt securities:				
U.S. government	56,695	53,720	2,975	$ 283
International government	13,004	—	13,004	832
Municipals	43,828	—	43,828	227
Corporate and other	141,666	—	141,666	6,398
	$ 431,097	$ 224,720	$ 206,377	$ 7,740

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unrealized Gains
		(In thousands)		
December 31, 2021				
Cash and cash equivalents	$ 7,895	$ 7,895	$ —	
Equity securities:				
Corporate stocks, common	97,626	97,626	—	
Corporate stocks, preferred	9,114	3,775	5,339	
Mutual funds and other	75,285	75,241	44	
Available-for-sale debt securities:				
U.S. government	43,128	13,204	29,924	$ 214
International government	16,001	—	16,001	1,508
Municipals	47,050	—	47,050	1,807
Corporate and other	167,027	—	167,027	12,212
	$ 463,126	$ 197,741	$ 265,385	$ 15,741

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The carrying amounts and fair values of long-term debt, all of which are considered Level 2 fair value measurements and are not recorded at fair value on the Condensed Consolidated Balance Sheets, are presented below:

	Carrying Amount	Fair Value
March 31, 2022	(In thousands)	
PNMR	$ 3,799,460	$ 3,708,586
PNM	$ 1,881,633	$ 1,785,939
TNMP	$ 918,025	$ 922,647
December 31, 2021		
PNMR	$ 3,698,919	$ 3,915,010
PNM	$ 1,881,110	$ 1,975,987
TNMP	$ 918,050	$ 1,039,023

The carrying amount and fair value of the Company's other investments presented on the Condensed Consolidated Balance Sheets are not material and not shown in the above table.

(8) Stock-Based Compensation

PNMR has various stock-based compensation programs, which provide restricted stock awards under the Performance Equity Plan ("PEP"). Although certain PNM and TNMP employees participate in the PNMR plans, PNM and TNMP do not have separate employee stock-based compensation plans. Certain restricted stock awards are subject to achieving performance or market targets. Other awards of restricted stock are only subject to time vesting requirements. Restricted stock expected to be awarded under the PEP for performance periods ending after 2023, no longer have market targets. Additional information concerning stock-based compensation under the PEP is contained in Note 12 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

Restricted stock under the PEP refers to awards of stock subject to vesting, performance, or market conditions rather than to shares with contractual post-vesting restrictions. Generally, the awards vest ratably over three years from the grant date of the award. However, awards with performance or market conditions vest upon satisfaction of those conditions. In addition, plan provisions provide that upon retirement, participants become 100% vested in certain stock awards. The vesting period for awards of restricted stock to non-employee members of the Board is one-year.

The stock-based compensation expense related to restricted stock awards without performance or market conditions to participants that are retirement eligible on the grant date is recognized immediately at the grant date and is not amortized. Compensation expense for other such awards is amortized over the shorter of the requisite vesting period or the period until the participant becomes retirement eligible. Compensation expense for performance-based shares is recognized ratably over the performance period as required service is provided and is adjusted periodically to reflect the level of achievement expected to be attained. Compensation expense related to market-based shares is recognized ratably over the measurement period, regardless of the actual level of achievement, provided the employees meet their service requirements. At March 31, 2022, PNMR had unrecognized expense related to stock awards of $6.8 million, which is expected to be recognized over an average of 2.0 years.

The grant date fair value for restricted stock and stock awards with internal Company performance targets is determined based on the market price of PNMR common stock on the date of the agreements reduced by the present value of future dividends that will not be received prior to vesting. The grant date fair value is applied to the total number of shares that are anticipated to vest, although the number of performance shares that ultimately vest cannot be determined until after the performance periods end. The grant date fair value of stock awards with market targets were determined using Monte Carlo simulation models, which provide grant date fair values that include an expectation of the number of shares to vest at the end of the measurement period.

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The following table summarizes the weighted-average assumptions used to determine the awards grant date fair value:

	Three Months Ended March 31,	
Restricted Shares and Performance Based Shares	**2022**	**2021**
Expected quarterly dividends per share	$ 0.3475	$ 0.3275
Risk-free interest rate	1.46 %	0.32 %
Market-Based Shares		
Dividend yield	— %	2.76 %
Expected volatility	— %	33.69 %
Risk-free interest rate	— %	0.29 %

The following table summarizes activity in restricted stock awards, including performance-based and market-based shares for the three months ended March 31, 2022:

	Restricted Stock	
	Shares	**Weighted-Average Grant Date Fair Value**
Outstanding at December 31, 2021	167,270	$ 43.71
Granted	171,919	40.66
Released	(152,740)	41.80
Forfeited	(682)	40.27
Outstanding at March 31, 2022	185,767	$ 45.64

PNMR's current stock-based compensation program provides for performance targets through 2024 and market targets through 2023. Included, as granted and released, in the table above are 92,343 previously awarded shares that were earned for the 2019 - 2021 performance measurement period and ratified by the Board in February 2022 (based upon achieving targets at below "maximum" levels). Excluded from the table above are 142,047, 152,414, and 173,051 shares for the three-year performance periods ending in 2022, 2023 and 2024 that will be awarded if all performance and market criteria are achieved at maximum levels and all executives remain eligible.

The following table provides additional information concerning restricted stock activity, including performance-based and market-based shares, and stock options:

	Three Months Ended March 31,	
Restricted Stock	**2022**	**2021**
Weighted-average grant date fair value	$ 40.66	$ 43.68
Total fair value of restricted shares that vested (in thousands)	$ 6,906	$ 8,967

(9) Financing

The Company's financing strategy includes both short-term and long-term borrowings. The Company utilizes short-term revolving credit facilities, as well as cash flows from operations, to provide funds for both construction and operating expenditures. Depending on market and other conditions, the Company will periodically sell long-term debt or enter into term loan arrangements and use the proceeds to reduce borrowings under the revolving credit facilities or refinance other debt. Each of the Company's revolving credit facilities, term loans, and other debt agreements contains a single financial covenant that requires the maintenance of a debt-to-capitalization ratio. For the PNMR agreements this ratio must be maintained at less than or equal to 70%, and for the PNM and TNMP agreements this ratio must be maintained at less than or equal to 65%. The Company's revolving credit facilities, term loans, and other debt agreements generally also contain customary covenants, events of default, cross-default provisions, and change-of-control provisions. PNM must obtain NMPRC approval for any financing transaction having a maturity of more than 18 months. In addition, PNM files its annual informational financing

filing and short-term financing plan with the NMPRC. Additional information concerning financing activities is contained in Note 7 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

Financing Activities

On April 27, 2022, TNMP entered into an agreement (the "TNMP 2022 Bond Purchase Agreement") with institutional investors for the sale of $160.0 million aggregate principal amount of two series of TNMP first mortgage bonds (the "TNMP 2022 Bonds") offered in private placement transactions. TNMP will issue the first series of $65.0 million of the TNMP 2022 Bonds on May 12, 2022, at a 4.13% interest rate, due May 12, 2052 and the second series of $95.0 million of the TNMP 2022 Bonds will be issued on or before July 28, 2022, at a 3.81% interest rate, due July 28, 2032. The proceeds will be used to repay borrowings under the TNMP Revolving Credit Facility and for other corporate purposes. The TNMP 2022 Bonds are subject to continuing compliance with the representations, warranties and covenants set forth in the supplemental indenture governing the TNMP 2022 Bonds. The terms of the supplemental indenture governing the TNMP 2022 Bonds include the customary covenants discussed above. In the event of a change of control, TNMP will be required to offer to prepay the TNMP 2022 Bonds at par. However, the definition of change of control in the supplemental indenture governing the TNMP 2022 Bonds will not be triggered by the close of the Merger. TNMP has the right to redeem any or all of the TNMP 2022 Bonds prior to their maturity, subject to payment of a customary make-whole premium.

On May 18, 2021, PNMR entered into a $1.0 billion delayed-draw term loan agreement (the “PNMR 2021 Delayed-Draw Term Loan”), among PNMR, the lenders party thereto, and Wells Fargo Bank, N.A., as administrative agent. In 2021, PNMR drew $900.0 million to repay and terminate existing indebtedness as discussed in Note 7 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K. On January 24, 2022, PNMR drew the remaining $100.0 million available.

On March 9, 2018, PNMR issued $300.0 million aggregate principal amount of 3.25% SUNs (the “PNMR 2018 SUNs”), which matured on March 9, 2021. On December 22, 2020, PNMR entered into the $300.0 million PNMR 2020 Delayed-Draw Term Loan with a January 2022 maturity and drew $80.0 million to refinance existing indebtedness and for other corporate purposes. On March 9, 2021, PNMR utilized the remaining $220.0 million of capacity under the PNMR 2020 Delayed-Draw Term Loan to repay an equivalent amount of the PNMR 2018 SUNs. The remaining $80.0 million repayment of the PNMR 2018 SUNs was funded through borrowings under the PNMR Revolving Credit Facility. The PNMR 2020 Delayed-Draw Term Loan was prepaid without penalty in May 2021 with proceeds from the PNMR 2021 Delayed-Draw Term Loan.

At March 31, 2022, variable interest rates were 1.29% on the PNMR 2021 Delayed-Draw Term Loan that matures in May 2023 and 1.28% on the PNM 2021 Term Loan that matures in December 2022.

Short-term Debt and Liquidity

Currently, the PNMR Revolving Credit Facility has a financing capacity of $300.0 million and the PNM Revolving Credit Facility has a financing capacity of $400.0 million. Both facilities currently expire on October 31, 2023 and contain options to be extended through October 2024, subject to approval by a majority of the lenders. PNM also has the $40.0 million PNM 2017 New Mexico Credit Facility that expires on December 12, 2022. The TNMP Revolving Credit Facility has a financing capacity of $75.0 million secured by $75.0 million aggregate principal amount of TNMP first mortgage bonds. On March 11, 2022, the TNMP Revolving Credit Facility was amended to extend the maturity to September 23, 2024, replace the LIBOR benchmark with SOFR, include two one-year extension options, subject to approval by a majority of the lenders, and incorporate an accordion feature that would allow TNMP to increase the size of the revolver to $100.0 million subject to certain conditions. PNMR Development had a $40.0 million revolving credit facility that was scheduled to expire on January 31, 2022. On May 18, 2021, the PNMR Development Revolving Credit Facility was terminated. Variable interest rates under the PNMR and PNM facilities are based on LIBOR but contain provisions which allow for the replacement of LIBOR with other widely accepted interest rates.

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Short-term debt outstanding consists of:

Short-term Debt	March 31, 2022	December 31, 2021
	(In thousands)	
PNM Revolving Credit Facility	$ 4,700	$ 7,400
TNMP Revolving Credit Facility	75,000	400
PNMR Revolving Credit Facility	6,300	54,900
	$ 86,000	$ 62,700

At March 31, 2022, the weighted average interest rates were 1.70% for the PNM Revolving Credit Facility, 1.25% for the TNMP Revolving Credit Facility, and 1.95% for the PNMR Revolving Credit Facility. There were no borrowings outstanding under the PNM 2017 New Mexico Revolving Credit Facility at March 31, 2022.

In addition to the above borrowings, PNMR, PNM, and TNMP had letters of credit outstanding of $3.4 million, zero, and zero at March 31, 2022 that reduce the available capacity under their respective revolving credit facilities. In addition, PNMR had $30.3 million of letters of credit outstanding under the WFB LOC Facility. The above table excludes intercompany debt. As of March 31, 2022 and December 31, 2021, neither PNM nor PNMR Development had any intercompany borrowings from PNMR. TNMP had $0.7 million and zero in intercompany borrowings from PNMR at March 31, 2022 and December 31, 2021. PNMR had $6.3 million and $6.4 million in intercompany borrowings from PNMR Development at March 31, 2022 and December 31, 2021.

In 2017, PNMR entered into three separate four-year hedging agreements whereby it effectively established fixed interest rates of 1.926%, 1.823%, and 1.629%, plus customary spreads over LIBOR for three separate tranches, each of $50.0 million, of its variable rate debt. On March 23, 2021, the 1.926% fixed interest rate hedge agreement expired according to its terms and the remaining agreements expired on May 23, 2021.

At April 21, 2022, PNMR, PNM, and TNMP had availability of $265.5 million, $400.0 million, and zero under their respective revolving credit facilities, including reductions of availability due to outstanding letters of credit. PNM had $40.0 million of availability under the PNM 2017 New Mexico Credit Facility. Total availability at April 21, 2022, on a consolidated basis, was $705.5 million for PNMR. As of April 21, 2022, PNM and PNMR Development had no borrowings from PNMR under their intercompany loan agreements. However, TNMP had $30.2 million in intercompany borrowings from PNMR. PNMR had $6.3 million in intercompany borrowings from PNMR Development. At April 21, 2022, PNMR, PNM, and TNMP had invested cash of $0.9 million, $8.7 million, and zero.

The Company’s debt arrangements have various maturities and expiration dates. PNM has $104.5 million of PCRBs that must be refinanced or repriced in June 2022 and the PNM 2021 $75.0 million Term Loan matures in December 2022. Additional information on debt maturities is contained in Note 7 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

(10) Pension and Other Postretirement Benefit Plans

PNMR and its subsidiaries maintain qualified defined benefit pension plans, postretirement benefit plans providing medical and dental benefits, and executive retirement programs (collectively, the “PNM Plans” and “TNMP Plans”). PNMR maintains the legal obligation for the benefits owed to participants under these plans. The periodic costs or income of the PNM Plans and TNMP Plans are included in regulated rates to the extent attributable to regulated operations. The Company presents the service cost component of its net periodic benefit costs in administrative and general expenses and the non-service costs components in other income (deductions), net of amounts capitalized or deferred to regulatory assets and liabilities, on the Condensed Consolidated Statements of Earnings. PNM and TNMP receive a regulated return on the amounts funded for pension and OPEB plans in excess of accumulated periodic cost or income to the extent included in retail rates (a “prepaid pension asset”).

Additional information concerning pension and OPEB plans is contained in Note 11 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K. Annual net periodic benefit cost for the plans is actuarially determined using the methods and assumptions set forth in that note and is recognized ratably throughout the year. Differences between TNMP's annual net periodic costs (income) and amounts included in its regulated rates are deferred to regulatory assets or liabilities, for recovery or refund in future rate proceedings.

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PNM Plans

The following table presents the components of the PNM Plans' net periodic benefit cost:

	Three Months Ended March 31,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2022	2021	2022	2021	2022	2021
	(In thousands)					
Components of Net Periodic Benefit Cost						
Service cost	$ —	$ —	$ 2	$ 6	$ —	$ —
Interest cost	4,214	4,036	479	477	90	90
Expected return on plan assets	(7,141)	(7,133)	(1,088)	(1,042)	—	—
Amortization of net loss	3,949	4,541	—	—	82	100
Amortization of prior service cost	—	—	—	—	—	—
Net Periodic Benefit Cost (Income)	$ 1,022	$ 1,444	$ (607)	$ (559)	$ 172	$ 190

PNM did not make any contributions to its pension plan trust in the three months ended March 31, 2022 and 2021 and does not anticipate making any contributions to the pension plan in 2022 through 2026 based on current law, funding requirements, and estimates of portfolio performance. Funding assumptions were developed using a discount rate of 2.9%. Actual amounts to be funded in the future will be dependent on the actuarial assumptions at that time, including the appropriate discount rate. PNM may make additional contributions at its discretion. PNM did not make any cash contributions to the OPEB trust in the three months ended March 31, 2022 and 2021, however, a portion of the disbursements attributable to the OPEB trust are paid by PNM and are therefore considered to be contributions to the OPEB plan. Payments by PNM on behalf of the PNM OPEB plan were $0.9 million for both the three months ended March 31, 2022 and 2021. These payments are expected to total $3.2 million in 2022 and $11.9 million for 2023-2026. Disbursements under the executive retirement program, which are funded by PNM and considered to be contributions to the plan, were $0.4 million in both the three months ended March 31, 2022 and 2021 and are expected to total $1.3 million during 2022 and $4.7 million for 2023-2026.

TNMP Plans

The following table presents the components of the TNMP Plans' net periodic benefit cost:

	Three Months Ended March 31,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2022	2021	2022	2021	2022	2021
	(In thousands)					
Components of Net Periodic Benefit Cost						
Service cost	$ —	$ —	$ 9	$ 11	$ —	$ —
Interest cost	430	435	77	77	3	4
Expected return on plan assets	(618)	(795)	(104)	(102)	—	—
Amortization of net (gain) loss	233	312	(130)	(80)	—	9
Amortization of prior service cost	—	—	—	—	—	—
Net Periodic Benefit Cost (Income)	$ 45	$ (48)	$ (148)	$ (94)	$ 3	$ 13

TNMP did not make any contributions to its pension plan trust in the three months ended March 31, 2022 and 2021 and does not anticipate making any contributions to the pension plan in 2022 through 2026 based on current law, funding requirements, and estimates of portfolio performance. Funding assumptions were developed using a discount rate of 2.9%. Actual amounts to be funded in the future will depend on the actuarial assumptions at that time, including the appropriate discount rate. TNMP may make additional contributions at its discretion. TNMP did not make any contributions to the OPEB trust in the three months ended March 31, 2022 and 2021 and does not expect to make contributions to the OPEB trust during

the period 2022-2026. Disbursements under the executive retirement program, which are funded by TNMP and considered to be contributions to the plan, were zero in the three months ended March 31, 2022 and 2021 and are expected to total $0.1 million during 2022 and $0.3 million in 2023-2026.

(11) Commitments and Contingencies

Overview

There are various claims and lawsuits pending against the Company. In addition, the Company is subject to federal, state, and local environmental laws and regulations and periodically participates in the investigation and remediation of various sites. In addition, the Company periodically enters into financial commitments in connection with its business operations. Also, the Company is involved in various legal and regulatory proceedings in the normal course of its business. See Note 12. It is not possible at this time for the Company to determine fully the effect of all litigation and other legal and regulatory proceedings on its financial position, results of operations, or cash flows.

With respect to some of the items listed below, the Company has determined that a loss is not probable or that, to the extent probable, cannot be reasonably estimated. In some cases, the Company is not able to predict with any degree of certainty the range of possible loss that could be incurred. The Company assesses legal and regulatory matters based on current information and makes judgments concerning their potential outcome, giving due consideration to the nature of the claim, the amount and nature of any damages sought, and the probability of success. Such judgments are made with the understanding that the outcome of any litigation, investigation, or other legal proceeding is inherently uncertain. The Company records liabilities for matters where it is probable a loss has been incurred and the amount of loss is reasonably estimable. The actual outcomes of the items listed below could ultimately differ from the judgments made and the differences could be material. The Company cannot make any assurances that the amount of reserves or potential insurance coverage will be sufficient to cover the cash obligations that might be incurred as a result of litigation or regulatory proceedings. Except as otherwise disclosed, the Company does not expect that any known lawsuits, environmental costs, and commitments will have a material effect on its financial condition, results of operations, or cash flows.

Additional information concerning commitments and contingencies is contained in Note 16 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

Commitments and Contingencies Related to the Environment

Nuclear Spent Fuel and Waste Disposal

Nuclear power plant operators are required to enter into spent fuel disposal contracts with the DOE that require the DOE to accept and dispose of all spent nuclear fuel and other high-level radioactive wastes generated by domestic power reactors. Although the Nuclear Waste Policy Act required the DOE to develop a permanent repository for the storage and disposal of spent nuclear fuel by 1998, the DOE announced that it would not be able to open the repository by 1998 and sought to excuse its performance of these requirements. In November 1997, the DC Circuit issued a decision preventing the DOE from excusing its own delay but refused to order the DOE to begin accepting spent nuclear fuel. Based on this decision and the DOE’s delay, a number of utilities, including APS (on behalf of itself and the other PVNGS owners, including PNM), filed damages actions against the DOE in the Court of Federal Claims. The lawsuits filed by APS alleged that damages were incurred due to DOE’s continuing failure to remove spent nuclear fuel and high-level waste from PVNGS. In August 2014, APS and the DOE entered into a settlement agreement that establishes a process for the payment of claims for costs incurred through December 31, 2019. In July 2020, APS accepted the DOE's extension of the settlement agreement for recovery of costs incurred through December 31, 2022. Under the settlement agreement, APS must submit claims annually for payment of allowable costs. PNM records estimated claims on a quarterly basis. The benefit from the claims is passed through to customers under the FPPAC to the extent applicable to NMPRC regulated operations.

PNM estimates that it will incur approximately $59.6 million (in 2019 dollars) for its share of the costs related to the on-site interim storage of spent nuclear fuel at PVNGS during the term of the operating licenses. PNM accrues these costs as a component of fuel expense as the nuclear fuel is consumed. At March 31, 2022 and December 31, 2021, PNM had a liability for interim storage costs of $12.4 million and $13.0 million, which is included in other deferred credits.

PVNGS has sufficient capacity at its on-site Independent Spent Fuel Storage Installation (“ISFSI”) to store all of the nuclear fuel that will be irradiated during the initial operating license period, which ends in December 2027. Additionally, PVNGS has sufficient capacity at its on-site ISFSI to store a portion of the fuel that will be irradiated during the period of

extended operation, which ends in November 2047. If uncertainties regarding the U.S. government's obligation to accept and store spent fuel are not favorably resolved, APS will evaluate alternative storage solutions that may obviate the need to expand the ISFSI to accommodate all of the fuel that will be irradiated during the period of extended operation.

The Energy Transition Act

In 2019, the Governor signed into New Mexico state law Senate Bill 489, known as the Energy Transition Act ("ETA"). The ETA became effective as of June 14, 2019 and sets a statewide standard that requires investor-owned electric utilities to have specified percentages of their electric-generating portfolios be from renewable and zero-carbon generating resources. The ETA amends the REA and requires utilities operating in New Mexico to have renewable portfolios equal to 40% by 2025, 50% by 2030, 80% by 2040, and 100% zero-carbon energy by 2045. The ETA also amends sections of the REA to allow for the recovery of undepreciated investments and decommissioning costs related to qualifying EGUs that the NMPRC has required be removed from retail jurisdictional rates, provided replacement resources to be included in retail rates have lower or zero-carbon emissions. The ETA requires the NMPRC to review and approve utilities' annual renewable portfolio plans to ensure compliance with the RPS. The ETA also directs the New Mexico Environmental Improvement Board to adopt standards of performance that limit CO_2 emissions to no more than 1,100 lbs. per MWh beginning January 1, 2023 for new or existing coal-fired EGUs with original installed capacities exceeding 300 MW.

The ETA provides for a transition from fossil-fuel generation resources to renewable and other carbon-free resources through certain provisions relating to the abandonment of coal-fired generating facilities. These provisions include the use of energy transition bonds, which are designed to be highly rated bonds that can be issued to finance certain costs of abandoning coal-fired facilities that are retired prior to January 1, 2023 for facilities operated by a "qualifying utility," or prior to January 1, 2032 for facilities that are not operated by a qualifying utility. The amount of energy transition bonds that can be issued to recover abandonment costs is limited to the lesser of $375.0 million or 150% of the undepreciated investment of the facility as of the abandonment date. Proceeds provided by energy transition bonds must be used only for purposes related to providing utility service to customers and to pay energy transition costs (as defined by the ETA). These costs may include plant decommissioning and coal mine reclamation costs provided those costs have not previously been recovered from customers or disallowed by the NMPRC or by a court order. Proceeds from energy transition bonds may also be used to fund severances for employees of the retired facility and related coal mine and to promote economic development, education and job training in areas impacted by the retirement of the coal-fired facilities. Energy transition bonds must be issued under a NMPRC-approved financing order, are secured by "energy transition property," are non-recourse to the issuing utility, and repaid by a non-bypassable charge paid by all customers of the issuing utility. These customer charges are subject to an adjustment mechanism designed to provide for timely and complete payment of principal and interest due under the energy transition bonds.

The ETA also provides that utilities must obtain NMPRC approval of competitively procured replacement resources that shall be evaluated based on their cost, economic development opportunity, ability to provide jobs with comparable pay and benefits to those lost upon retirement of the facility, and that do not exceed emissions thresholds specified in the ETA. In determining whether to approve replacement resources, the NMPRC must give preference to resources with the least environmental impacts, those with higher ratios of capital costs to fuel costs, and those located in the school district of the abandoned facility. The ETA also provides for the procurement of energy storage facilities and gives utilities discretion to maintain, control, and operate these systems to ensure reliable and efficient service.

The ETA will have a significant impact on PNM's future generation portfolio, including PNM's planned retirement of SJGS in 2022 and the planned Four Corners exit in 2024. PNM cannot predict the full impact of the ETA or the outcome of its pending and potential future generating resource abandonment and replacement resource filings with the NMPRC. See additional discussion in Note 12 of PNM's SJGS and Four Corners Abandonment Applications.

The Clean Air Act

Regional Haze

In 1999, EPA developed a regional haze program and regional haze rules under the CAA. The rule directs each of the 50 states to address regional haze. Pursuant to the CAA, states are required to establish goals for improving visibility in national parks and wilderness areas (also known as Class I areas) and to develop long-term strategies for reducing emissions of air pollutants that cause visibility impairment in their own states and for preventing degradation in other states. States must establish a series of interim goals to ensure continued progress by adopting a new SIP every ten years. In the first SIP planning period, states were required to conduct BART determinations for certain covered facilities, including utility boilers, built between 1962 and 1977 that have the potential to emit more than 250 tons per year of visibility impairing pollution. If it was

demonstrated that the emissions from these sources caused or contributed to visibility impairment in any Class I area, BART must have been installed by the beginning of 2018. For all future SIP planning periods, states must evaluate whether additional emissions reduction measures may be needed to continue making reasonable progress toward natural visibility conditions.

In 2017, EPA published revisions to the regional haze rule in the Federal Register. The new rule delayed the due date for the next cycle of SIPs from 2019 to 2021, altered the planning process that states must employ in determining whether to impose "reasonable progress" emission reduction measures, and gave new authority to federal land managers to seek additional emission reduction measures outside of the states' planning process. Finally, the rule made several procedural changes to the regional haze program, including changes to the schedule and process for states to file 5-year progress reports. EPA's new rule was challenged by numerous parties. On January 19, 2018, EPA filed a motion to hold the case in abeyance in light of several letters issued by EPA on January 17, 2018 to grant various petitions for reconsideration of the 2017 rule revisions. EPA's decision to revisit the 2017 rule is not a determination on the merits of the issues raised in the petitions.

On December 20, 2018, EPA released a new guidance document on tracking visibility progress for the second planning period. EPA is allowing states discretion to develop SIPs that may differ from EPA's guidance as long as they are consistent with the CAA and other applicable regulations. On August 20, 2019, EPA finalized the draft guidance that was previously released as a companion to the regional haze rule revisions, and EPA clarified that guidance in a memorandum issued on July 8, 2021. SIPs for the second planning period were due in July 2021, which deadline NMED was unable to meet. NMED is currently preparing its SIP for the second compliance period and has notified PNM that it will not be required to submit a regional haze four-factor analysis for SJGS since PNM will retire its share of SJGS in 2022. On April 7, 2022, EPA announced its intent to make findings by August 31, 2022 of the states that have failed to submit regional haze implementation plans for the second planning period and directed states to file their plans by August 15, 2022 to avoid inclusion in that finding. Despite that announcement, on April 13, 2022, four environmental groups sued EPA in the U.S. District Court for the Northern District of California seeking to compel EPA to issue a finding that 34 states failed to submit regional haze SIPs for the second planning period. NMED's current timeline indicates the proposed SIP will be submitted between July 2022 and January 2023.

Carbon Dioxide Emissions

On August 3, 2015, EPA established standards to limit CO_2 emissions from power plants, including (1) Carbon Pollution Standards for new, modified, and reconstructed power plants; and (2) the Clean Power Plan for existing power plants.

Multiple states, utilities and trade groups filed petitions for review in the DC Circuit to challenge both the Carbon Pollution Standards for new sources and the Clean Power Plan for existing sources in separate cases. Challengers successfully petitioned the US Supreme Court for a stay of the Clean Power Plan. However, before the DC Circuit could issue an opinion regarding either the Carbon Pollution Standards or the Clean Power Plan, the Trump Administration asked that the case be held in abeyance while the rules were re-evaluated, which was granted.

On June 19, 2019, EPA repealed the Clean Power Plan, promulgated the ACE Rule, and revised the implementing regulations for all emission guidelines. EPA set the Best System of Emissions Reduction ("BSER") for existing coal-fired power plants as heat rate efficiency improvements based on a range of "candidate technologies" that can be applied inside the fence-line of an individual facility. On September 17, 2019, the DC Circuit issued an order that granted motions by various petitioners, including industry groups and EPA, to dismiss the cases challenging the Clean Power Plan as moot due to EPA's issuance of the ACE Rule.

The ACE Rule was also challenged, and on January 19, 2021, the DC Circuit issued an opinion in American Lung Association and American Public Health Association v. EPA, et al., finding that EPA misinterpreted the CAA when it determined that the language of Section 111 unambiguously barred consideration of emissions reduction options that were not applied at the source. As a result, the court vacated the ACE Rule and remanded the record back to the EPA for further consideration consistent with the court's opinion. While the DC Circuit rejected the ACE Rule, it did not reinstate the Clean Power Plan. EPA filed a motion seeking a partial stay of the mandate as to the repeal of the Clean Power Plan, to ensure the court's order will not render effective the now out-of-date Clean Power Plan. On February 22, 2021, the U.S. Court of Appeals for the DC Circuit granted EPA's motion, indicating that it would withhold issuance of the mandate with respect to the repeal of the Clean Power Plan until EPA responds to the court's remand in a new rulemaking action. EPA has commenced the rulemaking process under section 111 to establish new emission guidelines for CO_2 emissions from existing power plants. The agency indicates that it plans to publish the draft rule in the summer of 2022 with a final rule in summer of 2023.

Four petitions for writ of certiorari were filed in the US Supreme Court seeking review of the DC Circuit's January opinion vacating the ACE Rule and the repeal of the Clean Power Plan. The petitioners include (1) West Virginia and 18 other

states that had intervened to defend the ACE Rule, (2) North American Coal Corporation, (3) North Dakota (separately from the other states), and (4) Westmoreland Mining Holdings LLC. On October 29, 2021, the US Supreme Court granted the four petitions for writs of certiorari. Oral arguments in the US Supreme Court were held on February 28, 2022. A decision is expected by the end of June 2022.

The litigation over the Carbon Pollution Standards remains held in abeyance but could be reactivated by the parties upon a determination by the court that the Biden Administration is unlikely to finalize the revisions proposed in 2018 and that reconsideration of the rule has concluded.

On January 27, 2021, President Biden signed an extensive Executive Order aimed at addressing climate change concerns domestically and internationally. The order is intended to build on the initial climate-related actions the Biden Administration took on January 20, 2021. It addresses a wide range of issues, including establishing climate change concerns as an essential element of U.S. foreign and security policy, identifying a process to determine the U.S. INDC under the Paris Agreement, and establishing a Special Presidential Envoy for Climate that will sit on the National Security Council. On April 22, 2021, at the Earth Day Summit, as part of the U.S.'s re-entry into the Paris Agreement, President Biden unveiled the goal to cut U.S. emissions by 50% - 52% from 2005 levels by 2030, nearly double the GHG emissions reduction target set by the Obama Administration. The 2030 goal joins President Biden's other climate goals which include a carbon pollution-free power sector by 2035 and a net-zero emissions economy by no later than 2050.

PNM's review of the GHG emission reductions standards that may occur as a result of legislation or regulation under the Biden Administration and in response to the court's ruling on the ACE Rule is ongoing. PNM cannot predict the impact these standards may have on its operations or a range of the potential costs of compliance, if any.

National Ambient Air Quality Standards ("NAAQS")

The CAA requires EPA to set NAAQS for pollutants reasonably anticipated to endanger public health or welfare. EPA has set NAAQS for certain pollutants, including NOx, SO_2, ozone, and particulate matter.

NOx Standard – On April 18, 2018, EPA published the final rule to retain the current primary health-based NOx standards of which NO_2 is the constituent of greatest concern and is the indicator for the primary NAAQS. EPA concluded that the current 1-hour and annual primary NO_2 standards are requisite to protect public health with an adequate margin of safety. The rule became effective on May 18, 2018. PNM maintains compliance with the current NOx NAAQS standards.

SO_2 Standard – On February 25, 2019, EPA announced its final decision to retain, without changes, the primary health-based NAAQS for SO_2. Specifically, EPA will retain the current 1-hour standard for SO_2, which is 75 parts per billion, based on the 3-year average of the 99th percentile of daily maximum 1-hour SO_2 concentrations. PNM maintains compliance with the current SO_2 NAAQS standards.

On March 26, 2021, EPA published in the Federal Register the initial air quality designations for all remaining areas not yet designated under the 2010 SO_2 Primary NAAQS. This is EPA's fourth and final set of actions to designate areas of the U.S. for the 2010 SO_2 NAAQS. All areas of New Mexico have been designated attainment/unclassifiable through four rounds of designations by EPA.

Ozone Standard – On October 1, 2015, EPA finalized the new ozone NAAQS and lowered both the primary and secondary 8-hour standard from 75 to 70 parts per billion. With ozone standards becoming more stringent, fossil-fueled generation units will come under increasing pressure to reduce emissions of NOx and volatile organic compounds since these are the pollutants that form ground-level ozone. On July 13, 2020, EPA proposed to retain the existing ozone NAAQS based on a review of the full body of currently available scientific evidence and exposure/risk information. EPA finalized its decision to retain the ozone NAAQS in a notice published on December 31, 2020 making it immediately effective. The Center for Biological Diversity filed a lawsuit on February 25, 2021, challenging the decision to retain the existing ozone standard. In response to lawsuits brought by states and environmental groups, on October 29, 2021, EPA filed a motion in the DC Circuit indicating it will reconsider the 2020 ozone NAAQS standard. EPA expects to complete this review by the end of 2023.

On November 10, 2015, EPA proposed a rule revising its Exceptional Events Rule, which outlines the requirements for excluding air quality data (including ozone data) from regulatory decisions if the data is affected by events outside an area's control. The proposed rule is important in light of the more stringent ozone NAAQS final rule since western states like New Mexico and Arizona are subject to elevated background ozone transport from natural local sources, such as wildfires and

stratospheric inversions, and transported via winds from distant sources in other regions or countries. EPA finalized the rule on October 3, 2016 and released related guidance in 2018 and 2019 to help implement its new exceptional events policy.

During 2017 and 2018, EPA released rules establishing area designations for ozone. In those rules, San Juan County, New Mexico, where SJGS and Four Corners are located, is designated as attainment/unclassifiable and only a small area in Doña Ana County, New Mexico is designated as marginal non-attainment. Although Afton is located in Doña Ana County, it is not located within the small area designated as non-attainment for the 2015 ozone standard. The rule became effective May 8, 2018.

On November 22, 2019, EPA issued findings that several states, including New Mexico, had failed to submit interstate transport SIPs for the 2015 8-hour ozone NAAQS. In response, in December 2019, NMED published the Public Review Draft of the New Mexico 2013 NAAQS Good Neighbor SIP that demonstrates that there are no significant contributions from New Mexico to downwind problems in meeting the federal ozone standard.

NMED has responsibility for bringing the small area in Doña Ana County designated as marginal/non-attainment for ozone into compliance and will look at all sources of NOx and volatile organic compounds. NMED has submitted the required elements for the Sunland Park Ozone Non-attainment Area SIP. This includes a transportation conformity demonstration, a 2017 baseline emissions inventory and emissions statement, and an amendment to the state's Non-attainment Permitting rules at 20.2.79 New Mexico Administrative Code to conform to EPA's SIP Requirements Rule for 2015 Q3 NAAQS (i.e., "implementation rule").

The SIP elements had staggered deadlines and were done in three submissions: (1) the transportation conformity demonstration was completed by the El Paso Metropolitan Planning Organization on behalf of New Mexico in 2019, which is responsible for transportation planning in that area, and the submission received concurrence from EPA and the Federal Highway Administration; (2) the emissions inventory and statement SIP was submitted to EPA in September 2020; and (3) the Non-attainment New Source Review SIP was submitted to EPA on August 10, 2021.

PNM does not believe there will be material impacts to its facilities because of NMED’s non-attainment designation of the small area within Doña Ana County. Until EPA approves attainment designations for the Navajo Nation and releases a proposal to implement the revised ozone NAAQS, PNM is unable to predict what impact the adoption of these standards may have on Four Corners. With respect to EPA's reconsideration of the 2020 decision to retain the 2015 ozone standards, PNM cannot predict the outcome of this matter.

PM Standard – On January 30, 2020, EPA published in the Federal Register a notice announcing the availability of a final Policy Assessment for the Review of the NAAQS for Particulate Matter (the "Final PA"). The final assessment was prepared as part of the review of the primary and secondary PM NAAQS. In the assessment, EPA recommended lowering the primary annual PM 2.5 standard to between 8 µg/m3 and 10 µg/m3. However, on April 30, 2020, EPA published a proposed rule to retain the current standards for PM due to uncertainties in the data relied upon in the Final PA. EPA accepted comments on the proposed rule through June 29, 2020. On December 7, 2020, EPA announced it will retain, without revision, the existing primary (health-based) and secondary (welfare-based) NAAQS for PM, and EPA published a notice of that final action on December 18, 2020, making it immediately effective. On January 14, 2021, several states and New York City filed a petition for review in the DC Circuit, challenging EPA’s final rule retaining the current primary and secondary PM NAAQS. On February 9, 2021, a similar lawsuit was filed by the Center for Biological Diversity in the DC Circuit. On June 10, 2021, EPA announced that it will reconsider the previous administration’s December 2020 decision to retain the current primary and secondary PM NAAQS and on October 8, 2021, EPA announced the release of a new draft policy assessment (the "Draft PA"). Like the Final PA, the Draft PA states that available scientific evidence and technical information indicate that the current standards may not be adequate to protect public health and welfare, as required by the Clean Air Act. EPA anticipates issuing a proposed rule in summer 2022 and a final rule in spring 2023. PNM maintains compliance with the current PM NAAQS standards and cannot predict the impacts of the outcome of future rulemaking.

Cooling Water Intake Structures

In 2014, EPA issued a rule establishing national standards for certain cooling water intake structures at existing power plants and other facilities under the Clean Water Act to protect fish and other aquatic organisms by minimizing impingement mortality (the capture of aquatic wildlife on intake structures or against screens) and entrainment mortality (the capture of fish or shellfish in water flow entering and passing through intake structures).

To minimize impingement mortality, the rule provides operators of facilities, such as SJGS and Four Corners, seven options for meeting Best Technology Available ("BTA") standards for reducing impingement. SJGS has a closed-cycle recirculating cooling system, which is a listed BTA and may also qualify for the "*de minimis* rate of impingement" based on the design of the intake structure. The permitting authority must establish the BTA for entrainment on a site-specific basis, taking into consideration an array of factors, including endangered species and social costs and benefits. Affected sources must submit source water baseline characterization data to the permitting authority to assist in the determination. Compliance deadlines under the rule are tied to permit renewal and will be subject to a schedule of compliance established by the permitting authority.

The rule is not clear as to how it applies and what the compliance timelines are for facilities like SJGS that have a cooling water intake structure and only a multi-sector general stormwater permit. However, EPA has indicated that it is contemplating a December 31, 2023 compliance deadline. PNM is working with EPA regarding this issue and does not expect material changes as a result of any requirements that may be imposed upon SJGS, particularly given the planned retirement of SJGS in 2022.

On May 23, 2018, several environmental groups sued EPA Region IX in the U.S. Court of Appeals for the Ninth Circuit Court over EPA's failure to timely reissue the Four Corners NPDES permit. The petitioners asked the court to issue a *writ of mandamus* compelling EPA Region IX to take final action on the pending NPDES permit by a reasonable date. EPA subsequently reissued the NPDES permit on June 12, 2018. The permit did not contain conditions related to the cooling water intake structure rule, as EPA determined that the facility has achieved BTA for both impingement and entrainment by operating a closed-cycle recirculation system. On July 16, 2018, several environmental groups filed a petition for review with EPA's Environmental Appeals Board ("EAB") concerning the reissued permit. The environmental groups alleged that the permit was reissued in contravention of several requirements under the Clean Water Act and did not contain required provisions concerning certain revised ELG, existing-source regulations governing cooling-water intake structures, and effluent limits for surface seepage and subsurface discharges from coal-ash disposal facilities. On December 19, 2018, EPA withdrew the Four Corners NPDES permit in order to examine issues raised by the environmental groups. Withdrawal of the permit moots the appeal pending before the EAB. EAB thereafter dismissed the environmental groups' appeal. EPA issued an updated NPDES permit on September 30, 2019. The permit was once again appealed to the EAB and was stayed before the effective date. Oral argument was heard on September 3, 2020. The EAB issued an order denying the petition for review on September 30, 2020. The denial was based on the EAB's determination that the petitioners had failed to demonstrate that review of the permit was warranted on any of the grounds presented in the petition. Thereafter, the Regional Administrator of the EPA signed a Notice of Final Permit Decision, and the NPDES permit was issued on November 9, 2020. The permit became effective December 1, 2020 and will expire on November 30, 2025. On January 22, 2021, the environmental groups filed a petition for review of the EAB's decision with the U.S. Court of Appeals for the Ninth Circuit. The September 2019 permit remains in effect pending this appeal. On March 21, 2022, EPA provided notice in the Federal Register of a proposed settlement agreement with the environmental groups. Under the proposed settlement, the parties would seek to stay the associated case for at least 15 months during which a third-party consultant would spend 12 months sampling discharges from Four Corners and EPA would spend three months completing an analysis. Comments on the proposed settlement were due by April 20, 2022. PNM cannot predict whether the parties will ultimately sign the settlement agreement or whether the analysis to be conducted under the settlement agreement will result in changes to the NPDES permit that will have a material impact on PNM's financial position, results of operations, or cash flows.

Effluent Limitation Guidelines

On June 7, 2013, EPA published proposed revised wastewater ELG establishing technology-based wastewater discharge limitations for fossil fuel-fired electric power plants. EPA signed the final Steam Electric ELG rule on September 30, 2015. The final rule, which became effective on January 4, 2016, phased in the new, more stringent requirements in the form of effluent limits for arsenic, mercury, selenium, and nitrogen for wastewater discharged from wet scrubber systems and zero discharge of pollutants in ash transport water that must be incorporated into plants' NPDES permits. The 2015 rule required each plant to comply between 2018 and 2023 depending on when it needs a new or revised NPDES permit.

The Steam Electric ELG rule was challenged in the U.S. Court of Appeals for the Fifth Circuit by numerous parties. On April 12, 2017, EPA signed a notice indicating its intent to reconsider portions of the rule, and on August 22, 2017, the Fifth Circuit issued an order severing the issues under reconsideration and holding the case in abeyance as to those issues. However, the court allowed challenges to other portions of the rule to proceed. On April 12, 2019, the Fifth Circuit granted those challenges and issued an opinion vacating several portions of the rule, specifically those related to legacy wastewater and leachate, for which the court deemed the standards selected by EPA arbitrary and capricious.

On September 18, 2017, EPA published a final rule for postponement of certain compliance dates. The rule postponed the earliest date on which compliance with the ELG for these waste streams would be required from November 1, 2018 until November 1, 2020. On November 22, 2019, EPA published a proposed rule revising the original ELG while maintaining the compliance dates. Comments were due January 21, 2020. On October 13, 2020, EPA published in the Federal Register the final Steam Electric ELG and standards for the Steam Electric Power Generating Point Source Category, revising the final 2015 guidelines for both flue gas desulfurization wastewater and bottom ash transport water. The rule will require compliance with new limits as soon as possible on or after October 13, 2021, but no later than December 31, 2025.

On August 3, 2021, EPA published notice that it will undertake a supplemental rulemaking to revise the ELG after completing its review of the 2020 Reconsideration Rule. As part of this process, EPA will determine whether more stringent limitations and standards are appropriate. EPA intends to publish a proposed rule in the fall of 2022.

Because SJGS is zero discharge for wastewater and is not required to hold a NPDES permit, it is expected that minimal to no requirements will be imposed. Reeves Station discharges cooling tower blowdown to a publicly owned treatment plant and holds an NPDES permit. It is expected that minimal to no requirements will be imposed at Reeves Station.

See "Cooling Water Intake Structures" above for additional discussion of Four Corners' current NPDES permit. Four Corners may be required to change equipment and operating practices affecting boilers and ash handling systems, as well as change its waste disposal techniques during the next NPDES permit renewal in 2023. PNM is unable to predict the outcome of these matters or a range of the potential costs of compliance.

Santa Fe Generating Station

PNM and NMED are parties to agreements under which PNM has installed a remediation system to treat water from a City of Santa Fe municipal supply well and an extraction well to address gasoline contamination in the groundwater at the site of PNM’s former Santa Fe Generating Station and service center. A 2008 NMED site inspection report states that neither the source nor extent of contamination at the site has been determined and that the source may not be the former Santa Fe Generating Station. During 2013 and 2014, PNM and NMED collected additional samples that showed elevated concentrations of nitrate and volatile organic compounds in some of the monitoring wells at the site. In addition, one monitoring well contained free-phase hydrocarbon products. PNM collected a sample of the product for “fingerprint” analysis. The results of this analysis indicated the product was a mixture of older and newer fuels. The presence of newer fuels in the sample suggests the hydrocarbon product likely originated from off-site sources. In December 2015, PNM and NMED entered into a memorandum of understanding to address changing groundwater conditions at the site under which PNM agreed to continue hydrocarbon investigation under the supervision of NMED. Qualified costs are eligible for payment through the New Mexico Corrective Action Fund (“CAF”), which is administered by the NMED Petroleum Storage Tank Bureau. In March 2019, PNM received notice from NMED that an abatement plan for the site is required to address concentrations of previously identified compounds, unrelated to those discussed above, found in the groundwater. NMED approved PNM’s abatement plan proposal, which covers field work and reporting.

Field work related to the investigation under both the CAF and abatement plan requirements was completed in October 2019. Activities and findings associated with the field work were presented in two separate reports and released to stakeholders in early 2020. Subsequent field work was completed in July 2020 and two reports were released supporting PNM’s contention that off-site sources have impacted, and are continuing to impact, the local groundwater in the vicinity of the former Santa Fe Generating Station.

PNM submitted work plans to NMED in January 2021 for review and approval. In December 2021, NMED approved both workplans and work is underway. These activities are expected to be completed by the end of 2022.

The City of Santa Fe has stopped operating its well at the site, which is needed for PNM’s groundwater remediation system to operate. As a result, PNM has stopped performing remediation activities at the site. However, PNM’s monitoring and other abatement activities at the site are ongoing and will continue until the groundwater meets applicable federal and state standards or until the NMED determines remediation is not required, whichever is earlier. PNM is not able to assess the duration of this project or estimate the impact on its obligations if PNM is required to resume groundwater remediation activities at the site. PNM is unable to predict the outcome of these matters.

Coal Combustion Residuals Waste Disposal

CCRs consisting of fly ash, bottom ash, and gypsum generated from coal combustion and emission control equipment at SJGS are currently disposed of in the surface mine pits adjacent to the plant. SJGS does not operate any CCR impoundments or landfills. The NMMMD currently regulates mine reclamation activities at the San Juan mine, including placement of CCRs in the surface mine pits, with federal oversight by the OSM. APS disposes of CCRs in ponds and dry storage areas at Four Corners. Ash management at Four Corners is regulated by EPA and the New Mexico State Engineer's Office.

EPA's final coal ash rule, which became effective on October 19, 2015, included a non-hazardous waste determination for coal ash and sets minimum criteria for existing and new CCR landfills and surface impoundments. On December 16, 2016, the Water Infrastructure Improvements for the Nation Act (the "WIIN Act") was signed into law to address critical water infrastructure needs in the U.S. and contains a number of provisions related to the CCR rules. Among other things, the WIIN Act allows, but does not require, states to develop and submit CCR permit programs for EPA approval, provides flexibility for states to incorporate EPA's final rule for CCRs or develop other criteria that are at least as protective as EPA's final rule, and requires EPA to approve state permit programs within 180 days of submission by the state. Because states are not required to implement their own CCR permit programs, EPA will implement the permit program in states that choose not to implement a program, subject to Congressional funding. Until permit programs are in effect, EPA has authority to directly enforce the CCR rule. For facilities located within the boundaries of Native American reservations, such as the Navajo Nation where Four Corners is located, EPA is required to develop a federal permit program regardless of appropriated funds.

On July 30, 2018, EPA published a rule that constitutes "Phase One, Part One" of its ongoing reconsideration and revision of the April 17, 2015 CCR rule. The final Phase One, Part One rule includes two types of revisions. The first revision extended the deadline to allow EGUs with unlined impoundments or that fail to meet the uppermost aquifer requirement to continue to receive coal ash until October 31, 2020. This deadline was again extended by subsequent amendments. The rule also authorized a "Participating State Director" or EPA to approve suspension of groundwater monitoring requirements and to issue certifications related to the location restrictions, design criteria, groundwater monitoring, remedy selection and implementation. The rule also modified groundwater protection standards for certain constituents, which include cobalt, molybdenum, lithium, and lead without a maximum contamination level.

On August 14, 2019, EPA published a second round of revisions, which are commonly referred to as the "Phase Two" revisions. Phase Two proposed revisions to reporting and accessibility to public information, the "CCR piles" and "beneficial use" definitions and the requirements for management of CCR piles. EPA has reopened and extended the Phase Two comment period several times. Most recently, on March 12, 2021, EPA reopened the comment period on its prior notice that announced the availability of new information and data pertaining to the Phase Two proposed rule. EPA extended the comment period for an additional 60 days, until May 11, 2021. EPA has not yet finalized provisions in Phase Two related to beneficial use of CCR and CCR piles. This activity is on EPA's long-term agenda, which means EPA has no plans to address these issues in the next 12 months.

Since promulgating its Phase Two proposal, EPA has finalized two other rules addressing various CCR rule provisions. On December 2, 2019, EPA promulgated its proposed Holistic Approach to Closure Part A ("Part A"), which proposed a new deadline of August 31, 2020, for companies to initiate closure of unlined CCR impoundments. In accordance with the DC Circuit Court of Appeals' vacatur of portions of the CCR Rule, Part A also proposed changing the classification of compacted soil-lined or clay-lined surface impoundments from "lined" to "unlined". In addition, Part A delineated a process for owners/operators to submit requests for alternative closure deadlines based on lack of alternate disposal capacity. EPA issued the final Part A on August 28, 2020, which became effective on September 28, 2020. This rule finalized the classification of soil-lined and clay-lined surface impoundments as unlined, thus, triggering closure or retrofit requirements for those impoundments. The final Part A also gave operators of unlined impoundments until April 11, 2021 to cease receipt of waste at these units and initiate closure.

On March 3, 2020, EPA issued the proposed Holistic Approach to Closure Part B ("Part B"), which delineated the process for owners/operators to submit alternate liner demonstrations for clay-lined surface impoundments that could otherwise meet applicable requirements. Part B also proposed regulations addressing beneficial use for closure of surface impoundments. On November 12, 2020, EPA issued the final Part B rule, which became effective December 14, 2020. This rule did not include beneficial use of CCR for closure, which EPA explains will be addressed in subsequent rulemaking actions. EPA intends to issue several other rulemakings covering legacy ponds and finalizing parts of previously proposed rules. These proposed rules and final rules are expected in 2022.

On February 20, 2020, EPA published a proposed rule establishing a federal permitting program for the handling of CCR within the boundaries of Native American reservations and in states without their own federally authorized state programs. Permits for units within the boundaries of Native American reservations would be due 18 months after the effective date of the rule. The final rule is expected in October 2022. EPA is coordinating with the affected permits for the three facilities with CCR disposal units located on Native American lands. PNM cannot predict the outcome of EPA's rule making activity or the outcome of any related litigation, and whether or how such a ruling would affect operations at Four Corners.

The CCR rule does not cover mine placement of coal ash. OSM is expected to publish a proposed rule covering mine placement in the future and will likely be influenced by EPA's rule and the determination by EPA that CCRs are non-hazardous. PNM cannot predict the outcome of OSM's proposed rulemaking regarding CCR regulation, including mine placement of CCRs, or whether OSM's actions will have a material impact on PNM's operations, financial position, or cash flows. Based upon the requirements of the final Part A CCR rule, PNM conducted a CCR assessment at SJGS and made minor modifications at the plant to ensure that there are no facilities that would be considered impoundments or landfills under the rule. PNM would seek recovery from its retail customers of all CCR costs for jurisdictional assets that are ultimately incurred.

Utilities that own or operate CCR disposal units, such as those at Four Corners, as indicated above, were required to collect sufficient groundwater sampling data to initiate a detection monitoring program. Four Corners completed the analysis for its CCR disposal units, which identified several units that will need corrective action or will need to cease operations and initiate closure by April 11, 2021. As part of this assessment, Four Corners will continue to gather additional groundwater data and perform remedial evaluations. At this time, PNM does not anticipate its share of the cost to complete these corrective actions to close the CCR disposal units, or to gather and perform remedial evaluations on groundwater at Four Corners, will have a significant impact on its operations, financial position, or cash flows.

Other Commitments and Contingencies

Coal Supply

SJGS

The coal requirements for SJGS are supplied by WSJ LLC. In addition to coal delivered to meet the current needs of SJGS, PNM has prepaid the current San Juan mine owner and operator, WSJ LLC, for certain coal mined but not yet delivered to the plant site. At March 31, 2022 and December 31, 2021, prepayments for coal, which are included in prepaid assets, amounted to $10.0 million and $20.4 million. Additional information concerning the coal supply for SJGS is contained in Note 16 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

In conjunction with the activities undertaken to comply with the CAA for SJGS, PNM and the other owners of SJGS evaluated alternatives for the supply of coal to SJGS. On July 1, 2015, PNM and Westmoreland entered into a new coal supply agreement (the "SJGS CSA"), pursuant to which Westmoreland, through its indirectly wholly-owned subsidiary SJCC, agreed to supply all of the coal requirements of SJGS through June 30, 2022. PNM and Westmoreland also entered into agreements under which CCR disposal and mine reclamation services for SJGS would be provided. As discussed in Note 6, WSJ LLC assumed the rights and obligations of SJCC under the SJGS CSA and the agreements for CCR disposal and mine reclamation services.

Pricing under the SJGS CSA is primarily fixed, with adjustments to reflect changes in general inflation and takes into account that WSJ LLC has been paid for coal mined but not delivered. Substantially all of PNM's coal costs are passed through the FPPAC. In November 2018, PNM provided notice to Westmoreland that PNM does not intend to extend the term of the SJGS CSA or to negotiate a new coal supply agreement for SJGS, which would have resulted in the current agreement expiring on its own terms on June 30, 2022. On February 17, 2022, PNM and WSJ LLC entered into an amendment to extend the SJGS CSA through September 30, 2022, subject to FERC's acceptance of amendments to the San Juan Project Participation Agreement. The CSA amendment provides for a fixed price increase of $5.00 per ton, beginning April 1, 2022, which would pass through the FPPAC. FERC accepted the amendments to the participation agreement on March 24, 2022. See additional discussion of PNM's SJGS Abandonment Application in Note 12.

WSJ LLC notified PNM in July 2021 that it had encountered unfavorable geologic conditions that were impeding longwall progress in the San Juan Mine. On August 17, 2021, WSJ LLC issued a formal notice of non-normal conditions due to WSJ LLC's inability to maintain a reserve of coal at required levels. WSJ LLC also notified PNM that these geologic complications constituted a force majeure event that was preventing WSJ LLC from satisfying its obligation to maintain required coal inventory levels. Geologic conditions had reportedly improved, and on December 9, 2021, WSJ LLC gave formal notice that they were terminating the potential force majeure conditions. Subsequently, on April 14, 2022, WSJ LLC again

notified PNM that they had encountered similar geologic conditions and once again issued formal notice of a force majeure event. PNM does not know whether reduced levels of coal inventory may continue until normal conditions recur in the longwall panel or whether the period of non-normal conditions will impact full load operations through the remainder of the CSA and PNM's projected system reserve margin for the 2022 summer peak. See additional discussion of PNM's SJGS Abandonment Application in Note 12.

The SJGS Restructuring Agreement sets forth terms under which PNM acquired the coal inventory, including coal mined but not delivered, of the exiting SJGS participants as of January 1, 2016, and supplied coal to the SJGS exiting participants for the period from January 1, 2016 through December 31, 2017, and is supplying coal to the SJGS remaining participants over the term of the SJGS CSA. Coal costs under the SJGS CSA are significantly less than under the previous arrangement with SJCC. Since substantially all of PNM's coal costs are passed through the FPPAC, the benefit of the reduced costs is passed through to PNM's customers.

In connection with certain mining permits relating to the operation of the San Juan mine, the San Juan mine owner was required to post reclamation bonds of $118.7 million with the NMMMD. In order to facilitate the posting of reclamation bonds by sureties on behalf of the San Juan mine owner, PNMR entered into the WFB LOC Facility under which letters of credit aggregating $30.3 million have been issued. As discussed in Note 6, on March 15, 2019, the assets owned by SJCC were sold to WSJ LLC, a subsidiary of Westmoreland Mining Holdings, LLC. Under the sale agreement, WSJ LLC assumed the rights and obligations of SJCC including obligations to PNMR under the outstanding letters of credit.

Four Corners

APS purchases all of Four Corners' coal requirements from NTEC, an entity owned by the Navajo Nation, under the Four Corners CSA that expires in 2031. The coal comes from reserves located within the Navajo Nation. The contract provides for pricing adjustments over its term based on economic indices. PNM's share of the coal costs is being recovered through the FPPAC. In connection with the exit of Four Corners, PNM would make payments totaling $75.0 million to NTEC for relief from its obligations under the coal supply agreements for Four Corners after December 31, 2024. PNM is not proposing to recover the $75.0 million from ratepayers and, if approved, would not be recovered through the FPPAC. See Note 12 for additional information on PNM's Four Corners Abandonment Application. See additional discussion of the Four Corners CSA in Note 17 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

NTEC contracted with Bisti Fuels Company, LLC, a subsidiary of The North American Coal Corporation, for management and operation of the mine. Under the CSA, NTEC has the right, after a specified period, to request approval from the Four Corners owners to replace Bisti Fuels Company as mine manager with NTEC's internal resources and perform all or some mine management functions. APS granted approval on behalf of the owners on June 16, 2021, subject to certain credit assurance requirements. On June 17, 2021, NTEC notified The North American Coal Corporation that the contract mining agreement between Bisti Fuels Company and NTEC is terminated effective September 30, 2021. NTEC assumed direct operations at Navajo Mine on October 1, 2021.

Coal Mine Reclamation

As indicated under Coal Combustion Residuals Waste Disposal above, SJGS currently disposes of CCRs in the surface mine pits adjacent to the plant and Four Corners disposes of CCRs in ponds and dry storage areas. As discussed in Note 16 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K, in conjunction with the proposed shutdown of SJGS Units 2 and 3 and to comply with the BART requirements of the CAA, periodic updates to the coal mine reclamation study were requested by the SJGS participants. These updates have included adjustments to reflect the December 2017 shutdown of SJGS Units 2 and 3, the terms of the reclamation services agreement with WSJ LLC, and changes to reflect the requirements of the 2015 San Juan mine permit plan.

In late 2020, a mine reclamation cost study was completed for the mine that serves SJGS and in December 2020, PNM remeasured its liability, which resulted in an increase in the overall reclamation costs of $3.6 million, due primarily to higher inflationary factors. As a result, PNM recorded a less than $0.1 million decrease in the liability at December 31, 2020 related to the underground mine and a decrease to the regulatory assets on the Condensed Consolidated Balance Sheets and recorded a $3.6 million increase in the liability associated with the surface mine as regulatory disallowances and restructuring costs on the Condensed Consolidated Statements of Earnings. PNM's estimate of the costs necessary to reclaim the mine that serves SJGS is subject to many assumptions, including the timing of reclamation, generally accepted practices at the time reclamation activities occur, and then current inflation and discount rates. PNM cannot predict the ultimate cost to reclaim the mine that

serves SJGS and would seek to recover all costs related to reclaiming the underground mine from its customers but could be exposed to additional loss related to surface mine reclamation.

A coal mine reclamation study for the mine that serves Four Corners was issued in 2019. The study reflected operation of the mine through 2031, the term of the Four Corners CSA. The study resulted in a net increase in PNM's share of the coal mine reclamation obligation of $0.8 million, which was primarily driven by lower overhead costs offset by an increase driven by a reduction in the discount rate used by PNM to measure the liability during the year ended December 31, 2019. As discussed in Note 12, PNM remains responsible for its share of costs associated with mine reclamation under the Four Corners Purchase and Sale Agreement with NTEC. NTEC and PNM will complete a reclamation study in 2024 providing the final mine reclamation cost estimate on the date of ownership transfer. PNM will make its final reclamation payment to NTEC based on the reclamation study in 2024 and will have no further obligations regarding the mine reclamation after 2024. PNM determined that events and circumstances regarding Four Corners, including the Four Corners Purchase and Sale Agreement with NTEC and the Four Corners Abandonment Application and subsequent appeal of the NMPRC decision, indicated that it is more likely than not that PNM's share of Four Corners coal mine reclamation obligation would be settled in 2024, rather than 2031. As of December 31, 2020, PNM remeasured its Four Corners coal mine reclamation liability and recorded a decrease to the liability of $2.5 million on the Condensed Consolidated Balance Sheet and a decrease to regulatory disallowances and restructuring costs on the Condensed Consolidated Statement of Earnings.

Based on the most recent estimates, PNM's remaining payments as of March 31, 2022, for mine reclamation, in future dollars, are estimated to be $72.9 million for the surface mines at both SJGS and Four Corners and $34.9 million for the underground mine at SJGS. At March 31, 2022 and December 31, 2021, liabilities, in current dollars, of $66.6 million and $67.4 million for surface mine reclamation and $28.3 million and $27.9 million for underground mine reclamation were recorded in other deferred credits.

Under the terms of the SJGS CSA, PNM and the other SJGS owners are obligated to compensate WSJ LLC for all reclamation costs associated with the supply of coal from the San Juan mine. The SJGS owners entered into a reclamation trust funds agreement to provide funding to compensate WSJ LLC for post-term reclamation obligations. As discussed in Note 16 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K, as part of the restructuring of SJGS ownership, the SJGS owners negotiated the terms of an amended agreement to fund post-term reclamation obligations under the CSA. The trust funds agreement requires each owner to enter into an individual trust agreement with a financial institution as trustee, create an irrevocable reclamation trust, and periodically deposit funds into the reclamation trust for the owner's share of the mine reclamation obligation. Deposits, which are based on funding curves, must be made on an annual basis. As part of the restructuring of SJGS ownership discussed above, the SJGS participants agreed to adjusted interim trust funding levels. PNM funded $5.2 million in 2021 and, based on PNM's reclamation trust fund balance at March 31, 2022, the current funding curves indicate PNM's required contributions to its reclamation trust fund would be $7.0 million in 2022 and zero in each of 2023 and 2024.

Under the Four Corners CSA, PNM is required to fund its share of estimated final reclamation costs in annual installments into an irrevocable escrow account solely dedicated to the final reclamation cost of the surface mine at Four Corners. PNM contributed $2.2 million in 2021, and anticipates providing additional funding of $2.1 million in each of the years from 2022 through 2024. As discussed above, under the terms of the Four Corners Purchase and Sale Agreement with NTEC, PNM will make its final reclamation payment to NTEC based on the reclamation study in 2024 and will have no further obligations regarding the mine reclamation.

PNM recovers from retail customers reclamation costs associated with the underground mine. However, the NMPRC has capped the amount that can be collected from retail customers for final reclamation of the surface mines at $100.0 million for both SJGS and Four Corners. If future estimates increase the liability for surface mine reclamation, the excess would be expensed at that time. The impacts of changes in New Mexico state law as a result of the enactment of the ETA and regulatory determinations made by the NMPRC may also affect PNM's financial position, results of operations, and cash flows. See additional discussion regarding PNM's SJGS and Four Corners Abandonment Applications in Note 12. PNM is currently unable to determine the outcome of these matters or the range of possible impacts.

San Juan County Decommissioning Ordinance

On November 9, 2021, the San Juan County Commission approved the Coal-Fired Electricity Generating Facility Demolition and Remediation Ordinance ("Ordinance 121"), requiring the full demolition of SJGS upon its complete and permanent closure. Ordinance 121 requires the SJGS owners to submit a proposed demolition and remediation plan no later than three months after SJGS is retired. In connection with restructuring of the SJGS ownership on December 31, 2017, PNM

and the other SJGS owners entered into the San Juan Decommissioning and Trust Funds Agreement, which requires PNM to fund its ownership share of final decommissioning costs into an irrevocable trust. Under the agreement, PNM is required to make an initial funding of $14.7 million by December 31, 2022. The amount and timing of additional trust funding is subject to revised decommissioning cost studies, a decision by the current owners to permanently retire SJGS and agreement among the SJGS owners. PNM has posted a surety bond in the amount of $46.0 million in connection with certain environmental decommissioning obligations and must maintain the bond or other financial assurance until those obligations are satisfied. The surety bond only represents a liability if PNM fails to deliver on its contractual liability. For information regarding the impact of Ordinance 121 on PNM's SJGS decommissioning ARO see Note 15 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

PVNGS Liability and Insurance Matters

Public liability for incidents at nuclear power plants is governed by the Price-Anderson Nuclear Industries Indemnity Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both commercial sources and an industry-wide retrospective payment plan. In accordance with this act, the PVNGS participants are insured against public liability exposure for a nuclear incident up to $13.5 billion per occurrence. PVNGS maintains the maximum available nuclear liability insurance in the amount of $450 million, which is provided by American Nuclear Insurers. The remaining $13.1 billion is provided through a mandatory industry-wide retrospective assessment program. If losses at any nuclear power plant covered by the program exceed the accumulated funds, PNM could be assessed retrospective premium adjustments. Based on PNM's 10.2% interest in each of the three PVNGS units, PNM's maximum potential retrospective premium assessment per incident for all three units is $42.1 million, with a maximum annual payment limitation of $6.2 million, to be adjusted periodically for inflation.

The PVNGS participants maintain insurance for damage to, and decontamination of, property at PVNGS in the aggregate amount of $2.8 billion, a substantial portion of which must first be applied to stabilization and decontamination. These coverages are provided by Nuclear Electric Insurance Limited ("NEIL"). The primary policy offered by NEIL contains a sublimit of $2.25 billion for non-nuclear property damage. If NEIL's losses in any policy year exceed accumulated funds, PNM is subject to retrospective premium adjustments of $5.4 million for each retrospective premium assessment declared by NEIL's Board of Directors due to losses. The insurance coverages discussed in this and the previous paragraph are subject to certain policy conditions, sublimits, and exclusions.

Navajo Nation Allottee Matters

In September 2012, 43 landowners filed a notice of appeal with the Bureau of Indian Affairs ("BIA") appealing a March 2011 decision of the BIA Regional Director regarding renewal of a right-of-way for a PNM transmission line. The landowners claim to be allottees, members of the Navajo Nation, who pursuant to the Dawes Act of 1887, were allotted ownership in land carved out of the Navajo Nation and allege that PNM is a rights-of-way grantee with rights-of-way across the allotted lands and are either in trespass or have paid insufficient fees for the grant of rights-of-way or both. The allottees generally allege that they were not paid fair market value for the right-of-way, that they were denied the opportunity to make a showing as to their view of fair market value, and thus denied due process. The allottees filed a motion to dismiss their appeal with prejudice, which was granted in April 2014. Subsequent to the dismissal, PNM received a letter from counsel on behalf of what appears to be a subset of the 43 landowner allottees involved in the appeal, notifying PNM that the specified allottees were revoking their consents for renewal of right of way on six specific allotments. On January 22, 2015, PNM received a letter from the BIA Regional Director identifying ten allotments with rights-of-way renewals that were previously contested. The letter indicated that the renewals were not approved by the BIA because the previous consent obtained by PNM was later revoked, prior to BIA approval, by the majority owners of the allotments. It is the BIA Regional Director's position that PNM must re-obtain consent from these landowners. On July 13, 2015, PNM filed a condemnation action in the NM District Court regarding the approximately 15.49 acres of land at issue. On September 18, 2015, the allottees filed a separate complaint against PNM for federal trespass. On December 1, 2015, the court ruled that PNM could not condemn two of the five allotments at issue based on the Navajo Nation's fractional interest in the land. PNM filed a motion for reconsideration of this ruling, which was denied. On March 31, 2016, the Tenth Circuit granted PNM's petition to appeal the December 1, 2015 ruling. Both matters have been consolidated. Oral argument before the Tenth Circuit was heard on January 17, 2017. On May 26, 2017, the Tenth Circuit affirmed the district court. On July 8, 2017, PNM filed a Motion for Reconsideration *en banc* with the Tenth Circuit, which was denied. The NM District Court stayed the case based on the Navajo Nation's acquisition of interests in two additional allotments and the unresolved ownership of the fifth allotment due to the owner's death. On November 20, 2017, PNM filed its petition for *writ of certiorari* with the US Supreme Court, which was denied. The underlying litigation continues in the NM District Court. On March 27, 2019, several individual allottees filed a motion for partial summary judgment on the issue of trespass. The Court held a hearing on the motion on June 18, 2019 and took the

motion under advisement. PNM, the allottees and the United States have agreed to a framework for settlement. The parties are preparing the settlement agreement and the stipulated court order. PNM cannot predict the outcome of these matters.

Texas Winter Storm

In mid-February 2021, Texas experienced a severe winter storm delivering the coldest temperatures in 100 years for many parts of the state. As a result, the ERCOT market was not able to deliver sufficient generation load to the grid resulting in significant, statewide outages as ERCOT directed transmission operators to curtail thousands of firm load megawatts. TNMP complied with ERCOT directives to curtail the delivery of electricity in its service territory and did not experience significant outages on its system outside of the ERCOT directed curtailments. Various regulatory and governmental entities are conducting, or have announced they may conduct, inquiries, investigations and other reviews of the Texas winter storm event. Entities that have announced that they plan to conduct or are conducting such inquiries, investigations and other reviews include FERC, NERC, Texas Reliability Entity Inc., ERCOT, the Texas Legislature, the Texas Attorney General, the PUCT, and the Galveston County District Attorney. Further, lawsuits have been filed against various market participants relating to the power outages resulting from the Texas winter storm, including TNMP. As a utility operating during the Texas winter storm event, there is a risk TNMP could be named in additional lawsuits in the future. TNMP intends to vigorously defend itself against any claims raised. TNMP deferred bad debt expense from defaulting REPs to a regulatory asset which totaled $0.8 million at both March 31, 2022 and December 31, 2021, and will seek recovery in a general rate case. At this time, the Company does not expect significant financial impacts related to this event, however, it cannot predict the outcome of such matters or the impact on the ERCOT market.

(12) Regulatory and Rate Matters

The Company is involved in various regulatory matters, some of which contain contingencies that are subject to the same uncertainties as those described in Note 11. Additional information concerning regulatory and rate matters is contained in Note 17 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

PNMR

Merger Regulatory Proceedings

On October 20, 2020, PNMR, Avangrid and Merger Sub entered into the Merger Agreement pursuant to which Merger Sub will merge with and into PNMR, with PNMR surviving the Merger as a wholly-owned subsidiary of Avangrid. Among other conditions, consummation of the Merger is subject to receipt of all required regulatory approvals. Five federal agencies and the PUCT have completed their reviews and approved the Merger, leaving the NMPRC as the only remaining approval necessary for the Merger. The original application before the NMPRC was filed in November 2020. For additional information on the Merger regulatory proceedings see Note 17.

PNM

Renewable Energy Portfolio Standard

As discussed in Note 11, the ETA, enacted on June 14, 2019, amends the REA including removal of diversity requirements and certain customer caps and exemptions relating to the application of the RPS under the REA. The REA provides for streamlined proceedings for approval of utilities' renewable energy procurement plans, assures that utilities recover costs incurred consistent with approved procurement plans, and requires the NMPRC to establish a RCT for the procurement of renewable resources to prevent excessive costs being added to rates. The ETA sets a RCT of $60 per MWh using an average annual levelized resource cost basis. PNM makes renewable procurements consistent with the NMPRC approved plans and recovers certain renewable procurement costs from customers through the renewable energy rider billed on a KWh basis.

Included in PNM's approved procurement plans are the following renewable energy resources:

- 158 MW of PNM-owned solar-PV facilities
- A PPA through 2044 for the output of New Mexico Wind, having a current aggregate capacity of 200 MW, and a PPA through 2035 for the output of Red Mesa Wind, having an aggregate capacity of 102 MW
- A PPA through 2040 for 140 MW of output from La Joya Wind II
- A PPA through 2042 for the output of the Lightning Dock Geothermal facility with a current capacity of 11 MW

- Solar distributed generation, aggregating 211.8 MW at March 31, 2022, owned by customers or third parties from whom PNM purchases any net excess output and RECs

The NMPRC has authorized PNM to recover certain renewable procurement costs through a rate rider billed on a per KWh basis. In its 2022 renewable energy procurement plan, which became effective on January 1, 2022, PNM proposed to collect $66.9 million for the year. PNM recorded revenues from the rider of $14.5 million and $15.9 million in the three months ended March 31, 2022 and 2021.

Under the renewable rider, if PNM's earned rate of return on jurisdictional equity in a calendar year, adjusted for items not representative of normal operations, exceeds the NMPRC-approved rate by 0.5%, PNM is required to refund the excess to customers during May through December of the following year. PNM did not exceed such limitation in 2021. The NMPRC currently has an open inquiry docket into the continued use of renewable riders by New Mexico utilities. PNM is unable to predict the outcome of the NMPRC's inquiry.

Energy Efficiency and Load Management

Program Costs and Incentives/Disincentives

The New Mexico Efficient Use of Energy Act ("EUEA") requires public utilities to achieve specified levels of energy savings and to obtain NMPRC approval to implement energy efficiency and load management programs. The EUEA requires the NMPRC to remove utility disincentives to implementing energy efficiency and load management programs and to provide incentives for such programs. The NMPRC has adopted a rule to implement this Act. PNM's costs to implement approved programs and incentives are recovered through a rate rider. During the 2019 New Mexico legislative session, the EUEA was amended to, among other things, include a decoupling mechanism for disincentives, preclude a reduction to a utility's ROE based on approval of disincentive or incentive mechanisms, establish energy savings targets for the period 2021 through 2025, and require that annual program funding be 3% to 5% of an electric utility's annual customer bills excluding gross receipt taxes, franchise and right-of-way access fees, provided that a customer's annual cost not exceed seventy-five thousand dollars.

On April 15, 2021, PNM filed its 2020 Energy Efficiency Annual Report which reconciles the actual 2020 profit incentive collections with the profit incentive authorized by the NMPRC resulting in an additional $0.8 million incentive collected during the remainder of 2021. The additional incentive was authorized for 2020 because annual energy savings for the year exceeded 87 GWh, and was the maximum level of profit incentive allowed under the approved mechanism. PNM began collecting the additional incentive effective May 27, 2021. On April 15, 2022, PNM filed an Advice Notice which reconciles the actual 2021 energy efficiency profit incentive collections with the profit incentive authorized by the NMPRC resulting in an additional $0.3 million incentive to be collected through the energy efficiency rider during the remainder of 2022. The additional incentive was authorized for 2021 because annual energy savings for the year exceeded 94 GWh. PNM will begin collecting the incentive effective May 31, 2022, unless suspended by the NMPRC.

On April 15, 2020, PNM filed an application for energy efficiency and load management programs to be offered in 2021, 2022, and 2023. The proposed program portfolio consists of twelve programs with a total annual budget of $31.4 million in 2021, $31.0 million in 2022, and $29.6 million in 2023. The application also sought approval of an annual base incentive of 7.1% of the portfolio budget if PNM were to achieve energy savings of at least 80 GWh in a year. The proposed incentive, as modified in rebuttal testimony, would increase if PNM is able to achieve savings greater than 94 GWh in a year. On September 17, 2020, the hearing examiner in the case issued a recommended decision recommending that PNM's proposed energy efficiency and load management program be approved. On October 28, 2020, the NMPRC issued an order adopting the recommended decision in its entirety.

2020 Decoupling Petition

As discussed above, the legislature amended the EUEA to, among other things, include a decoupling mechanism for disincentives. On May 28, 2020, PNM filed a petition for approval of a rate adjustment mechanism that would decouple the rates of its residential and small power rate classes. Decoupling is a rate design principle that severs the link between the recovery of fixed costs of the utility through volumetric charges. PNM proposed to record the difference between the annual revenue per customer derived from the cost of service approved in the NM 2015 Rate Case and the annual revenue per customer actually recovered from the rate classes beginning on January 1, 2021. If approved, PNM would collect the difference from customers if the revenue per customer from the NM 2015 Rate Case exceeds the actual revenue recovered, or return the difference to customers if the actual revenue per customer recovered exceeds the revenue per customer from the NM 2015 Rate Case. On July 13, 2020, NEE, ABCWUA, the City of Albuquerque, and Bernalillo County filed motions to dismiss the petition

on the grounds that approving PNM's proposed rate adjustment mechanism outside of a general rate case would result in retroactive ratemaking and piecemeal ratemaking. The motions to dismiss also allege that PNM's proposed rate adjustment mechanism is inconsistent with the EUEA. Responses to the motions to dismiss were filed on August 7, 2020. On September 16, 2020, ABCWUA, Bernalillo County, CCAE, the City of Albuquerque, NEE, NMAG, NMPRC Staff ("Staff"), and WRA filed testimony. CCAE and WRA supported PNM's petition, but recommended that the rate adjustment mechanism not take effect until new rates are approved in PNM's next general rate case. The other parties filing testimony opposed PNM's petition. On October 2, 2020, PNM requested an order to vacate the public hearing, scheduled to begin October 13, 2020, and staying the proceeding until the NMPRC decides whether to entertain a petition to issue a declaratory order resolving the issues raised in the motions to dismiss. On October 7, 2020, the hearing examiner approved PNM's request to stay the proceeding and vacate the public hearing and required PNM to file a petition for declaratory order by October 30, 2020. On October 30, 2020, PNM filed a petition for declaratory order asking the NMPRC to issue an order finding that full revenue decoupling is authorized by the EUEA. On November 4, 2020, ABCWUA and Bernalillo County jointly filed a competing petition asking the NMPRC to issue a declaratory order on the EUEA's requirements related to disincentives. On November 24, 2020, the NMAG requested that the NMPRC deny both petitions for declaratory orders and instead address disincentives under the EUEA in a rulemaking. On March 17, 2021, the NMPRC issued an order granting the petitions for declaratory order, commencing a declaratory order proceeding to address the petitions, denying the NMAG's request to initiate a rulemaking, and appointing a hearing examiner to preside over the declaratory order proceeding. Initial briefs were filed on June 7, 2021 and response briefs were filed on June 28, 2021. Oral arguments were made on July 15, 2021.

On January 14, 2022, the hearing examiner issued a recommended decision recommending the NMPRC find that the EUEA does not mandate the NMPRC to authorize or approve a full decoupling mechanism, defining full decoupling as limited to energy efficiency and load management measures and programs. The recommended decision also states that a utility may request approval of a rate adjustment mechanism to remove regulatory disincentives to energy efficiency and load management measures and programs through a stand-alone petition, as part of the utility's triennial energy efficiency application or a general rate case and that PNM is not otherwise precluded from petitioning for a rate adjustment mechanism prior to its next general rate case. Finally, the recommended decision stated that the EUEA does not permit the NMPRC to reduce a utility's ROE based on approval of a disincentive removal mechanism founded on removing regulatory disincentives to energy efficiency and load management measures and programs. The recommended decision does not specifically prohibit a downward adjustment to a utility's capital structure, based on approval of a disincentive removal mechanism. On April 27, 2022, the NMPRC issued an order adopting the recommended decision in its entirety. PNM cannot predict the outcome of this matter.

Integrated Resource Plans

NMPRC rules require that investor-owned utilities file an IRP every three years. The IRP is required to cover a 20-year planning period and contain an action plan covering the first four years of that period.

2020 IRP

NMPRC rules required PNM to file its 2020 IRP in July 2020. On March 16, 2020, PNM filed a motion to extend the deadline to file its 2020 IRP to six months after the NMPRC issues a final order approving a replacement resource portfolio and closes the docket in the bifurcated SJGS Abandonment Application and replacement resource proceedings. On April 8, 2020, the NMPRC approved PNM's motion to extend the deadline to file its 2020 IRP as requested. On January 29, 2021, PNM filed its 2020 IRP addressing the 20-year planning period, from 2020 through 2040. The plan focuses on a carbon-free electricity portfolio by 2040 that would eliminate coal at the end of 2024. This includes replacing the power from San Juan with a mix of approved carbon-free resources and the plan to exit Four Corners at the end of 2024. The plan highlights the need for additional investments in a diverse set of resources, including renewables to supply carbon-free power, energy storage to balance supply and demand, and efficiency and other demand-side resources to mitigate load growth. On May 24, 2021, the hearing examiner issued a procedural schedule and required PNM, upon request, to provide modeling data and assumptions to parties within two weeks. Additionally, PNM was required upon request, to run modeling or provide reasonable access to PNM virtual machines at PNM's expense. The alternative modeling deadline concluded on August 30, 2021 and Staff's recommendation was filed on November 12, 2021. The recommendation found that PNM has met the requirements of the IRP rule, but not the requirements of the NM 2016 Rate Case. On April 6, 2022, the NMPRC issued an order requiring PNM to update its 2020 IRP and to identify material events, including the SJGS extension and replacement resource delays, and the related impact to its plan. On April 27, 2022, PNM responded to the NMPRC order, as required. PNM cannot predict the outcome of this matter.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Abandonment Applications made under the ETA

As discussed in Note 11, the ETA sets a statewide standard that requires investor-owned electric utilities to have specified percentages of their electric-generating portfolios be from renewable and zero-carbon generating resources. The ETA also provides for a transition from fossil-fuel generation resources to renewable and other carbon-free resources through certain provisions relating to the abandonment of coal-fired generating facilities. These provisions include the use of energy transition bonds, which are designed to be highly rated bonds that can be issued to finance certain costs of abandoning coal-fired facilities that are retired prior to January 1, 2023, for facilities operated by a "qualifying utility," or prior to January 1, 2032, for facilities that are not operated by the qualifying utility.

SJGS Abandonment Application

On July 1, 2019, PNM filed a Consolidated Application for the Abandonment and Replacement of SJGS and Related Securitized Financing Pursuant to the ETA (the "SJGS Abandonment Application"). The SJGS Abandonment Application sought NMPRC approval to retire PNM's share of SJGS after the existing coal supply and participation agreements end in June 2022, for approval of replacement resources, and for the issuance of energy transition bonds. PNM's application proposed several replacement resource scenarios. The SJGS Abandonment Application also included a request to issue approximately $361 million of energy transition bonds (the "Securitized Bonds"). PNM's request for the issuance of Securitized Bonds included approximately $283 million of forecasted undepreciated investments in SJGS at June 30, 2022, an estimated $28.6 million for plant decommissioning and coal mine reclamation costs, approximately $9.6 million in upfront financing costs, and approximately $20.0 million for job training and severance costs for affected employees. Proceeds from the Securitization Bonds would also be used to fund approximately $19.8 million for economic development in the four corners area.

On July 10, 2019, the NMPRC issued an order requiring the SJGS Abandonment Application be considered in two proceedings: one addressing SJGS abandonment and related financing, and the other addressing replacement resources. The NMPRC indicated that PNM's July 1, 2019 filing is responsive to the January 30, 2019 order. Hearings on the abandonment and securitized financing proceedings were held in December 2019 and hearings on replacement resources were held in January 2020.

On February 21, 2020, the hearing examiners issued two recommended decisions recommending approval of PNM's proposed abandonment of SJGS, subject to approval of replacement resources, and approval of PNM's proposed financing order to issue Securitized Bonds. The hearing examiners recommended that PNM be authorized to abandon SJGS by June 30, 2022, and to record regulatory assets for certain other abandonment costs that are not specifically addressed under the provisions of the ETA to preserve its ability to recover the costs in a future general rate case. The hearing examiners recommended that this authority only extend to the deferral of the costs and it not be an approval of any ratemaking treatment. The hearing examiners also recommended PNM be authorized to issue Securitized Bonds of up to $361 million and establish a rate rider to collect non-bypassable customer charges for repayment of the bonds and be subject to bi-annual adjustments (the "Energy Transition Charge"). The hearing examiners recommended an interim rate rider adjustment upon the start date of the Energy Transition Charge to provide immediate credits to customers for the full value of PNM's revenue requirement related to SJGS until those reductions are reflected in base rates. In addition, the hearing examiners recommended PNM be granted authority to establish regulatory assets to recover costs that PNM will pay prior to the issuance of the Securitized Bonds, including costs associated with the bond issuances as well as for severances, job training, economic development, and workforce training. On April 1, 2020, the NMPRC unanimously approved the hearing examiners' recommended decisions regarding the abandonment of SJGS and the related securitized financing under the ETA.

On April 10, 2020, CFRE and NEE filed a notice of appeal with the NM Supreme Court of the NMPRC's approval of PNM's request to issue securitized financing under the ETA. The NM Supreme Court granted motions to intervene filed by PNM, WRA, CCAE, and the Sierra Club. On May 8, 2020, CFRE and NEE filed a joint statement of issues with the NM Supreme Court which asserted that the NMPRC improperly applied the ETA and that the ETA violates the New Mexico Constitution. On August 17, 2020, the appellants filed a Brief in Chief and on October 5, 2020, PNM, WRA, CCAE, and Sierra Club filed Answer Briefs. On January 10, 2022, the NM Supreme Court issued its decision rejecting CFRE's and NEE's constitutional challenges to the ETA and affirmed the NMPRC final order.

In March 2020, PNMR and PNM recorded obligations of $9.4 million and $8.1 million for estimated severances, $8.9 million for obligations to fund severances and other costs of WSJ LLC employees, and to fund $19.8 million to state agencies for economic development and workforce training upon the issuance of the Securitized Bonds. The total amount recorded for these estimates of $36.9 million and $36.0 million is reflected in other current liabilities and as a corresponding deferred regulatory asset on PNMR's and PNM's Condensed Consolidated Balance Sheets at December 31, 2021. In the three

months ended March 31, 2022, PNM paid $8.9 million for obligations to fund severances and other costs of WSJ LLC employees. PNM revised its estimates in the first quarter reflecting other current liabilities of $27.7 million and $26.8 million and deferred regulatory assets of $36.8 million and $35.9 million on PNMR's and PNM's Condensed Consolidated Balance Sheets at March 31, 2022. These estimates may continue to be adjusted in future periods as the Company refines its expectations.

On June 24, 2020, the hearing examiners issued a recommended decision on PNM's request for approval of replacement resources that addressed the entire portfolio of replacement resources, which superseded a previous partial recommended decision issued on March 27, 2020. The hearing examiners concluded that the ultimate selection of a portfolio of replacement resources involves policy considerations that are the province of the NMPRC and stated that they did not intend to make that decision for the NMPRC. On July 29, 2020, the NMPRC issued an order approving resource selection criteria identified in the ETA that would include PPAs for 650 MW of solar and 300 MW of battery storage. The order also granted in part PNM’s request for an extension of time for PNM to file the application to implement the replacement resource portfolio. PNM had 60 days from the date of the order to file an application in a separate docket seeking approval of the proposed final executed contracts, for any replacement resources not in evidence that had been approved by the NMPRC.

On September 28, 2020, PNM filed its application for approval of the final executed contracts for the replacement resources. In addition, PNM provided updated cost estimates of $8.1 million for the SJGS replacement resources, based on the NMPRC authorization to create regulatory assets granted in the abandonment order, which it plans to seek recovery of in a future general rate case. On November 13, 2020, the hearing examiner issued a recommended decision recommending approval of a 200 MW solar PPA combined with a 100 MW battery storage agreement and the 100 MW solar PPA combined with a 30 MW battery storage agreement. On December 2, 2020, the NMPRC issued an order adopting the recommended decision in its entirety.

Throughout 2021 and continuing into 2022, PNM provided notices of delays and status updates to the NMPRC for the approved SJGS replacement resource projects. All four project developers have notified PNM that completion of the projects will be delayed and no longer available for the 2022 summer peak and some may also not be available for the 2023 summer peak. The delays in the SJGS replacement resources, coupled with the abandonment of SJGS Units 1 and 4 present a risk that PNM will not have sufficient operational resources to meet the 2022 summer peak demand and reliably serve its customers unless PNM is able to place additional generation resources in service. In the second half of 2021, PNM entered into three agreements to purchase power from third parties to minimize potential impacts to customers; the purchase of 85 MW, unit contingent from Four Corners for June through September of 2022; the purchase of 150 MW, firm power in June and September 2022; and the purchase of 40 MW, unit contingent from PVNGS Unit 3 for the full year of 2022. After considering these additional contracts, PNM projected a system reserve margin ranging from 0.9% to (3.4%) during the 2022 summer peak. As a result, on February 17, 2022, PNM filed a Notice and Request for Modification to or Variance from Abandonment Date for SJGS Unit 4 with the NMPRC. The filing provided notice that PNM had obtained agreement from the SJGS owners and WSJ LLC to extend operation of SJGS Unit 4 until September 30, 2022. SJGS Unit 4 will provide 327 MW of capacity and improve PNM’s projected system reserve margin to a range from 17.4% to 9.8%. On February 23, 2022, the NMPRC issued an order finding that PNM did not require NMPRC approval to extend operation of SJGS Unit 4 for an additional three-month period. The NMPRC’s order states that issues regarding the prudence or reasonableness of the decisions made, actions taken by PNM, and recoverability of costs related to the continued operation of SJGS Unit 4, including fuel costs collected through PNM’s FPPAC, shall be subject to review in a future proceeding. On February 25, 2022, the amended San Juan Project Participation Agreement was filed with FERC. On March 18, 2022, PNM filed its Compliance Notice updating its January 26, 2022 Compliance Notice indicating that 65 MW of SJGS Unit 4 owned as a deregulated merchant resource will be available to PNM retail operations on a system contingent basis, which increases PNM's projected system reserve margin to a range from 20.7% to 12.5% during the 2022 summer peak. On March 24, 2022, FERC accepted the amended SJGS participation agreement. Given the non-normal geological condition impeding longwall progress in the San Juan Mine, PNM does not know whether reduced levels of coal inventory may continue to impact full load operations through the remainder of the CSA and the projected system reserve margin for the 2022 summer peak. See Note 11.

On February 28, 2022, WRA and CCAE filed a Joint Motion for Order to Show Cause and Enforce Financing Order and Supporting Brief, which requests that the NMPRC order PNM to show cause why its rates should not be reduced at the time SJGS is abandoned, and to otherwise enforce the NMPRC’s April 1, 2020 final order. On March 14, 2022, PNM filed its response to the Joint Motion to Show Cause refuting the movants' claims that the ETA and April 1, 2020 Financing Order require energy transition bonds be issued at the time of abandonment and that rates be reduced upon abandonment as not being legally supportable. The movants filed joint replies on March 24, 2022. In response, on March 30, 2022, the NMPRC issued an Order appointing hearing examiners to conduct a hearing, if necessary, and to issue a recommended decision to address the

issues raised by the motion. The Order also states that the hearing examiners should endeavor to issue a recommended decision with sufficient time for consideration of exceptions and for the NMPRC to be able to take action prior to June 30, 2022. The hearing examiners issued a procedural order which required PNM to file testimony on April 20, 2022 and scheduled a hearing to begin on May 23, 2022. PNM cannot predict the outcome of this matter.

Additional information concerning the SJGS Abandonment Application is contained in Note 17 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

Four Corners Abandonment Application

On November 1, 2020, PNM entered into the Four Corners Purchase and Sale Agreement with NTEC, pursuant to which PNM will sell its 13% ownership interest (other than certain transmission assets) in Four Corners to NTEC. The sale is contingent upon NMPRC approval and expected to close by the end of 2024. In connection with the sale, PNM would make payments of $75.0 million to NTEC for relief from its obligations under the coal supply agreement for Four Corners after December 31, 2024. Pursuant to the Four Corners Purchase and Sale Agreement, PNM will retain its current plant decommissioning and coal mine reclamation obligations. PNM made an initial payment to NTEC of $15.0 million in November 2020, subject to refund with interest upon termination of the Four Corners Purchase and Sale Agreement prior to closing. Under the terms of the Four Corners Purchase and Sale Agreement, upon receipt of the NMPRC approval, PNM would make a final payment of $60.0 million. The initial $15.0 million payment was recorded in other deferred charges on the Condensed Consolidated Balance Sheet as of March 31, 2022 and December 31, 2021.

On January 8, 2021, PNM filed the Four Corners Abandonment Application, which sought NMPRC approval to exit PNM’s share of Four Corners as of December 31, 2024, and issuance of approximately $300 million of energy transition bonds as provided by the ETA. PNM’s request for the issuance of Securitized Bonds included approximately $272 million of forecasted undepreciated investments in Four Corners at December 31, 2024, an estimated $4.6 million for plant decommissioning costs, an estimated $7.3 million in upfront financing costs, and an estimated $16.5 million in economic development. PNM intends to submit a separate application for NMPRC approval of a replacement resource portfolio following NMPRC action on this application.

On March 15, 2021, PNM filed an amended application and supplemental testimony for the approval of the abandonment and transfer of Four Corners and issuance of a financing order pursuant to the ETA and a motion to withdraw the January 8, 2021 Four Corners Application. The amended application and supplemental testimony provided additional information to support PNM's request to abandon its interest in Four Corners and transfer that interest to NTEC, and also provided additional detail explaining how the proposed sale and abandonment provides a net public benefit.

A hearing began August 31, 2021, briefs were filed October 1, 2021 and response briefs were filed October 13, 2021. On November 12, 2021, the hearing examiner issued a recommended decision recommending approval of the Four Corners Abandonment Application and the corresponding request for issuance of securitized financing. On December 15, 2021, the NMPRC issued a final order rejecting the hearing examiners recommended decision and denying approval of the Four Corners Abandonment Application and the corresponding request for issuance of securitized financing. In its order, the NMPRC concluded that PNM needed to conduct a review of the actual replacement resource portfolio and determined that the record was insufficient to determine the prudence of PNM’s investments in Four Corners. On December 22, 2021, PNM filed a Notice of Appeal with the NM Supreme Court of the NMPRC decision to deny the application. On January 21, 2022, PNM filed a statement of issues outlining the arguments for appeal asserting, among other things, that the NMPRC misinterpreted and improperly applied the ETA in concluding that the NMPRC needed to review the actual replacement resource portfolio before authorizing abandonment and that the NMPRC improperly deferred the issue of prudence with respect to certain of PNM’s investments in Four Corners, where other parties were given the opportunity to present evidence and failed to demonstrate PNM was imprudent in its decisions. On March 24, 2022, PNM filed its Brief in Chief and answer briefs are due from the NMPRC on May 9, 2022.

GAAP requires a loss be recognized when it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. As of March 31, 2022, PNM evaluated the NMPRC order in the Four Corners Abandonment Application and determined it was reasonably possible that PNM would be successful in recovery of its undepreciated investment in a future proceeding. Therefore, no loss has been recorded.

The financial impact of an early exit of Four Corners and the NMPRC approval process are influenced by many factors outside of PNM’s control, including the overall political and economic conditions of New Mexico. See additional discussion of the ETA in Note 11. PNM cannot predict the outcome of these matters.

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PVNGS Leased Interest Abandonment Application

On April 2, 2021, PNM filed an application with the NMPRC requesting approval for the decertification and abandonment of 114 MW of leased PVNGS capacity, sale and transfer of related assets, and approval to procure new resources ("PVNGS Leased Interest Abandonment Application"). As discussed in Note 13, PNM currently controls leased capacity in PVNGS Unit 1 and Unit 2 under five separate leases ("Leased Interest") that were approved and certificated by the predecessor agency to the NMPRC in the 1980s. Four of the five leases for 104 MW of Leased Interest terminate on January 15, 2023, while the remaining lease for 10 MW of Leased Interest terminates on January 15, 2024. Associated with the Leased Interest are certain PNM-owned assets and nuclear fuel that are necessary for the ongoing operation and maintenance of the Leased Interest and integration of the Leased Interest generation to the transmission network. PNM has determined that there will be net benefits to its customers to return the Leased Interest to the lessors in conformity with the leases, sell and transfer the related PNM-owned assets, and to replace the Leased Interest with new resources. In the application PNM requested NMPRC authorization to decertify and abandon its Leased Interest and to create regulatory assets for the associated remaining undepreciated investments with consideration of cost recovery of the undepreciated investments in a future rate case. PNM also sought NMPRC approval to sell and transfer the PNM-owned assets and nuclear fuel supply associated with the Leased Interest to SRP, which will be acquiring the Leased Interest from the lessors upon termination of the existing leases. In addition, PNM sought NMPRC approval for a 150 MW solar PPA combined with a 40 MW battery storage agreement, and a stand-alone 100 MW battery storage agreement to replace the Leased Interest. To ensure system reliability and load needs are met in 2023, when a majority of the leases expire, PNM also requested NMPRC approval for a 300 MW solar PPA combined with a 150 MW battery storage agreement. PNM's application sought a six-month regulatory time frame.

On April 21, 2021, the NMPRC issued an order assigning a hearing examiner and stated PNM's request to abandon the Leased Interest does not have any statutory or rule time limitation and the six-month limit in which the NMPRC must issue an order regarding the request for approvals of the solar PPAs and battery storage agreements does not begin until after the NMPRC acts on the abandonment request. The NMPRC's April 21, 2021 order also stated that issues reserved to a separate proceeding in the NM 2015 Rate Case regarding the decision to permanently disallow recovery of certain future decommissioning costs related to PVNGS Units 1 and 2 shall be addressed in this case and PNM shall file testimony addressing the issue. On June 14, 2021 and June 25, 2021, PNM filed supplemental testimony responding to questions provided by the hearing examiner. On June 28, 2021, NEE and CCAE jointly filed a motion to dismiss a portion of the application claiming that since PNM's request to abandon the Leased Interest was filed after PNM had already provided irrevocable notice it would not acquire the Leased Interest, abandonment is no longer required. On July 28, 2021, the hearing examiner issued a recommended decision on NEE's and CCAE's joint motion to dismiss, recommending dismissal of PNM's requests for approval to abandon and decertify the Leased Interest; dismissal of PNM's request for approval to sell and transfer the related assets; and dismissal of PNM's request to create regulatory assets for the associated remaining undepreciated investments, but did not preclude PNM seeking recovery of the costs in a general rate case in which the test year period includes the time period in which PNM incurs such costs. The hearing examiner's recommended decision further provides that PNM's request for replacement and system reliability resources and the decision to permanently disallow recovery of certain future decommissioning costs related to PVNGS Units 1 and 2 should remain within the scope of this case.

On August 25, 2021, the NMPRC issued an order granting portions of the July 28, 2021 recommended decision that were not contested related to dismissal of PNM's request for approval to abandon and decertify the Leased Interest and dismissal of PNM's request for approval to sell and transfer the related assets. In addition, the order bifurcated the issue of approval for the two PPAs and three battery storage agreements into a separate docket so it may proceed expeditiously. On September 8, 2021 the NMPRC issued an order on the remaining issues in the recommended decision. The order found that PNM's request for a regulatory asset to record costs associated with obtaining an abandonment order should be dismissed. However, the requests for regulatory assets associated with the remaining undepreciated investments should be addressed at an evidentiary hearing. On September 20, 2021, ABCWUA, Bernalillo County, NEE and the NMAG filed a joint motion to reconsider the September 8, 2021 NMPRC order. Also, on September 20, 2021, PNM filed a motion for rehearing of the September 8, 2021 order stating that certain requirements of the order would lead to compromising PNM's First Amendment rights. On October 6, 2021, the NMPRC issued an order granting the motions for reconsideration and vacated the September 8, 2021 order, without specifically addressing issues raised in the motions.

The hearing on the two PPAs and three battery storage agreements was held on November 12 and 15, 2021 and December 3, 2021 and post-hearing briefing was completed on January 18, 2022. On February 14, 2022, the hearing examiner issued a recommended decision recommending the NMPRC approve the 150 MW solar PPA combined with a 40 MW battery storage agreement, the stand-alone 100 MW battery storage agreement, and the 300 MW solar PPA combined with a 150 MW battery storage agreement. On February 16, 2022, the NMPRC adopted an order approving the recommended decision. On

April 15, 2022, PNM made a compliance filing with the NMPRC in which it updated the NMPRC on the status of the PPAs and the battery storage agreements listed above. It has been determined that the projects will not be in commercial operation in time for the 2023 summer peak. PNM is conferring with project developers and is unable to predict the outcome of this matter.

In addition to approval by the NMPRC, PNM and SRP received NRC approval for the transfer of the associated possessory licenses at the end of the term of each of the respective leases. PNM cannot predict the outcome of this matter.

COVID-19 Regulatory Matters

In March 2020, PNM and other utilities voluntarily implemented a temporary suspension of disconnections and late payment fees for non-payment of utility bills in response to the impacts of COVID-19. On March 18, 2020, the NMPRC conducted an emergency open meeting for the purpose of adopting emergency amendments to its rules governing service to residential customers. The NMPRC's emergency order was applicable during the duration of the Governor of New Mexico's emergency executive order and allowed for the closure of payment centers, prohibited the discontinuance of a residential customer's service for non-payment, and suspended the expiration of medical certificates for certain customers. On April 27, 2020, PNM, El Paso Electric Company, New Mexico Gas Company, and Southwestern Public Service Company filed a joint motion with the NMPRC requesting authorization to track costs resulting from each utility's response to the COVID-19 outbreak. The utilities proposed these incremental costs and uncollected customer accounts receivable resulting from COVID-19 during the period March 11, 2020 through December 31, 2020, be recorded as a regulatory asset. On June 24, 2020, the NMPRC issued an order authorizing all public utilities regulated by the NMPRC to create a regulatory asset to defer incremental costs related to COVID-19, including increases to bad debt expense incurred during the period beginning March 11, 2020 through the termination of the Governor of New Mexico's emergency executive order. The NMPRC order requires public utilities creating regulatory assets to pursue all federal, state, or other subsidies available, to record a regulatory liability for all offsetting cost savings resulting from the COVID-19 pandemic, and allows PNM to request recovery in future ratemaking proceedings. As a result, PNM had deferred costs related to COVID-19 of $6.8 million and $6.9 million in regulatory assets on the Condensed Consolidated Balance Sheet at March 31, 2022 and December 31, 2021. In addition, PNM has costs savings related to COVID-19 of $0.9 million in regulatory liabilities on the Condensed Consolidated Balance Sheet at both March 31, 2022 and December 31, 2021. Although PNM still intends to seek recovery for the increase in bad debt expense resulting from COVID-19 through a regulatory asset in a future general rate case proceeding, it no longer intends to seek recovery of other incremental costs related to the pandemic.

On February 3, 2021, the NMPRC issued an order finding that the temporary mandatory moratorium on disconnections of residential utility customers would be in effect from the date of the order for 100 days, which ended May 14, 2021. At the end of the moratorium, the 90-day transition period began, which continued the temporary moratorium on disconnections to provide the utilities additional time to assist residential customers with arrearages to enter into installment agreements. On July 14, 2021, the NMPRC issued an order clarifying previous orders that the mandatory requirements of the NMPRC's previous order prohibiting residential disconnects should be voluntarily complied with by investor-owned utilities until August 12, 2021. PNM began disconnections at the end of the transition period.

Transportation Electrification Program

On December 18, 2020, in compliance with New Mexico Statute, PNM filed its PNM 2022-2023 TEP for approval with the NMPRC. PNM's requested TEP included a budget of approximately $8.4 million with flexibility of 25%. As proposed, up to 25% of the program budget will be dedicated to low and moderate income customers and is based on a model with no company ownership of charging facilities. PNM's proposed TEP provides incentives through rebates to both residential and non-residential customers towards the purchase of chargers and/or behind-the-meter infrastructure. PNM's TEP includes a request for a modified rate to add an electric vehicle pilot with a time-of-use option, a new non-residential electric vehicle time-of-use rate pilot without demand charges and implementation of a new rider to collect the actual costs of the TEP. PNM's application requested NMPRC approval by the end of August 2021 and authority to file a new TEP by the end of June 2023. On August 30, 2021, the hearing examiner issued a recommended decision approving, among other things, PNM's budget flexibility proposal, PNM's proposed pilot time-of-use rate and PNM's TEP Rider. On November 10, 2021, the NMPRC issued a final order approving PNM's TEP.

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The Community Solar Act

On June 18, 2021, Senate Bill 84, known as the Community Solar Act, became effective. The Community Solar Act establishes a program that allows for the development of community solar facilities and provides customers of a qualifying utility with the option of accessing solar energy produced by a community solar facility in accordance with the Community Solar Act. The NMPRC is charged with administering the Community Solar Act program, establishing a total maximum capacity of 200 MW community solar (applicable until November 2024) facilities and allocating proportionally to the New Mexico electric investor-owned utilities and participating cooperatives. As required under the Community Solar Act, the NMPRC opened a docket on May 12, 2021 to adopt rules to establish a community solar program no later than April 1, 2022. On June 15, 2021, the NMPRC issued an order which required utilities provide a notice to all future applicants and to any likely applicants that, until the effective date of the NMPRC's rules in this area the NMPRC's existing interconnection rules and manual remain in place until amended or replaced by the NMPRC, and further, that a place in a utility's applicant queue for interconnection does not and will not provide any advantage for selection as a community solar project. PNM has provided the required notices. On October 27, 2021, the NMPRC adopted an order issuing a NOPR starting the formal process for adoption of rules pursuant to the Community Solar Act. On March 30, 2022, the NMPRC issued an Order that adopted a rule on the administration of the Community Solar Act program. The rule requires utilities to file proposed community solar tariffs with the NMPRC within 60 days from the publication of the rule.

San Juan Generating Station Unit 1 Outage

On June 30, 2021, a cooling tower used for SJGS Unit 1 failed resulting in a unit outage. SJGS Unit 1 was brought back online on July 25, 2021. PNM anticipates the damages to the facility will be reimbursed under an existing property insurance policy that covers SJGS, subject to a deductible of $2.0 million. PNM’s share of the deductible is $1.0 million, reflecting PNM’s 50% ownership interest in SJGS Unit 1. On July 14, 2021, the NMPRC issued an order opening a formal docket and inquiry into the cooling tower incident. PNM has responded to a number of NMPRC questions in the inquiry, including questions about the cause of the cooling tower failure, cost and progress of the cleanup and remediation, whether customers experienced loss of service, how PNM provided power during the outage, safety practices and procedures at SJGS, and the history of inspections on the cooling towers. PNM cannot predict the outcome of this matter.

Formula Transmission Rates

PNM charges wholesale electric transmission service customers using a formula rate mechanism pursuant to which wholesale transmission service rates are calculated annually in accordance with an approved formula. The formula reflects a ROE of 10% and includes updating cost of service components, including investment in plant and operating expenses, based on information contained in PNM’s annual financial report filed with FERC, as well as including projected large transmission capital projects to be placed into service in the following year. The projections included are subject to true-up in the following year formula rate. Certain items, including changes to return on equity and depreciation rates, require a separate filing to be made with FERC before being included in the formula rate.

On April 21, 2022, FERC instituted a show cause proceeding under Section 206 of the Federal Power Act to investigate the justness and reasonableness of PNM's transmission formula rate protocols. The Order directs PNM, within 60 days to revise its formula rate protocols to provide interested parties the information necessary to understand and evaluate the implementation of the formula rate for both the correctness of inputs and calculations, and the reasonableness and prudence of the costs to be recovered in the formula rate or show cause why it should not be required to do so. PNM is unable to predict the outcome of this matter.

Unexecuted Transmission Service Agreements (TSAs) with Leeward Renewable Energy

On March 12, 2021, PNM filed four unexecuted TSAs with FERC totaling 145 MW with Leeward. The unexecuted TSAs provide long-term firm, point-to-point transmission service on PNM’s transmission system. The unexecuted TSAs are based on the pro-forma transmission service agreements with certain non-conforming provisions under Attachment A of PNM’s OATT and include PNM’s OATT rate. PNM is filing the unexecuted TSAs at the request of Leeward because the parties have been unable to reach an agreement on the terms and conditions for transmission service. In particular, Leeward believes the rate under the unexecuted TSAs should be an incremental rate while PNM believes the appropriate rate is its OATT rate.

On April 2, 2021, Leeward and Pattern Wind separately protested PNM’s March 12, 2021 filing of four unexecuted TSAs with Leeward. The parties are requesting that FERC direct PNM to apply the same rate to the unexecuted TSAs as the incremental rate assessed to the Western Spirit transmission facilities, inclusive of Leeward’s network upgrades and requested

service, or, in the alternative, initiate hearing and settlement judge procedures to address the unjust and unreasonable application of the FERC's "higher of" policy. On April 19, 2021, PNM filed a motion for leave to answer and contested the arguments made by Leeward and Pattern Wind. In its response, PNM stated that it disagrees with the parties' pricing scheme because doing so would not recognize all the transmission facilities necessary to provide Leeward service, does not hold PNM's other transmission customers harmless, and is inconsistent with FERC pricing policy and precedent. PNM further explained that the proposal to include its FERC approved embedded rate in the unexecuted TSAs is just and reasonable and should be accepted by FERC. On May 11, 2021, FERC issued an order accepting PNM's four unexecuted TSAs. In the order, FERC stated that it agreed with PNM's pricing scheme and agreed that PNM's proposal to use the OATT rate will ensure that the benefit of Leeward's addition to the system will be spread among other existing system users, rather than simply transferred to Pattern Wind. On June 10, 2021, Pattern Wind and Leeward both filed a request for rehearing of the FERC Order. On September 10, 2021, Leeward filed a petition in the United States District Court for the District of Columbia for review of FERC's order accepting PNM's four unexecuted TSAs. On November 15, 2021, FERC issued an order denying the rehearing. On December 3, 2021, Leeward filed an Unopposed Motion for Voluntary Dismissal with the United States District Court for the District of Columbia of its petition for review, which was granted on March 22, 2022. This matter is now concluded.

FERC Compliance

PNM is conducting a comprehensive internal review of its filings with FERC regarding the potential timely filing of certain agreements that contained deviations from PNM's standard form of service agreement in its OATT and assessing any applicable FERC waivers or refund requirements. Upon completion of the comprehensive review, PNM identified service agreements containing provisions that do not conform to the standard form of agreement on file with FERC. On March 18 and March 21, 2022, PNM filed applications with FERC requesting acceptance of certain agreements as well as rejection of other non-conforming service agreements and further requesting that FERC not assess time-value refunds on the accepted agreements. No parties commented or intervened on PNM's application and FERC action must be taken by May 17 and May 20, 2022. PNM is unable to predict the outcome of this matter.

TNMP

Transmission Cost of Service Rates

TNMP can update its TCOS rates twice per year to reflect changes in its invested capital although updates are not allowed while a general rate case is in process. Updated rates reflect the addition and retirement of transmission facilities, including appropriate depreciation, federal income tax and other associated taxes, and the approved rate of return on such facilities. The following sets forth TNMP's recent interim transmission cost rate increases:

Effective Date	Approved Increase in Rate Base	Annual Increase in Revenue
	(In millions)	
March 12, 2021	$ 112.6	$ 14.1
September 20, 2021	$ 41.2	$ 6.3
March 25, 2022	$ 95.6	$ 14.2

Periodic Distribution Rate Adjustment

PUCT rules permit interim rate adjustments to reflect changes in investments in distribution assets. Distribution utilities may file for a periodic rate adjustment between April 1 and April 8 of each year as long as the electric utility is not earning more than its authorized rate of return using weather-normalized data. Utilities are limited to four periodic interim distribution rate adjustments between general rate cases.

On April 5, 2021, TNMP filed its 2021 DCOS that requested an increase in TNMP annual distribution revenue requirement of $14.0 million based on an increase in rate base of $104.5 million. On July 1, 2021, TNMP reached a unanimous settlement agreement with parties that would authorize TNMP to collect an increase in annual distribution revenues of $13.5 million beginning in September 2021. The ALJ issued an order on July 9, 2021 approving interim rates effective September 1, 2021 that the PUCT approved on September 23, 2021. On April 5, 2022, TNMP filed its 2022 DCOS that requested an increase in TNMP annual distribution revenue requirement of $9.7 million based on an increase in rate base of $100.7 million.

Energy Efficiency

TNMP recovers the costs of its energy efficiency programs through an energy efficiency cost recovery factor ("EECRF"), which includes projected program costs, under and over collected costs from prior years, rate case expenses, and performance bonuses (if programs exceed mandated savings goals). TNMP's 2020 EECRF filing requested recovery of $5.9 million, including a performance bonus of $1.0 million, and became effective on March 1, 2021. TNMP's 2021 EECRF filing requested recovery of $7.2 million, including a performance bonus of $2.3 million, and became effective March 1, 2022.

COVID-19 Electricity Relief Program

On March 26, 2020, the PUCT issued an order establishing an electricity relief program for electric utilities, REPs, and customers impacted by COVID-19. The program allowed providers to implement a rider to collect unpaid residential retail customer bills and to ensure these customers continued to have electric service. In addition, the program provided transmission and distribution providers access to zero-interest loans from ERCOT. Collectively, ERCOT's loans could not exceed $15 million. The program had a term of six months unless extended by the PUCT. In a separate order, the PUCT authorized electric utilities to establish a regulatory asset for costs related to COVID-19. These costs included but were not limited to costs related to unpaid accounts.

TNMP filed its rider on March 30, 2020. The rider was effective immediately and established a charge of $0.33 per MWh in accordance with the PUCT's order. Final collections under the rider exceeded unpaid residential retail customer bills and were presented net as a regulatory liability of $0.1 million on the Condensed Consolidated Balance Sheet as of December 31, 2020. In 2021, TNMP refunded the net regulatory liability through its transmission cost recovery factor. Other COVID-19 related costs of $0.2 million and zero were recorded as a regulatory asset on the Condensed Consolidated Balance Sheet as of March 31, 2022 and December 31, 2021.

On August 27, 2020, the PUCT issued an order determining that new enrollments in the program should end on August 31, 2020 and benefits under the program should end on September 30, 2020 to allow eligible customers a minimum of one month of benefits from the program. All requests for reimbursement were made by November 30, 2020. On December 4, 2020, TNMP filed to end collections under the tariff. Final collections under the rider were made on December 11, 2020. On January 14, 2021, TNMP made a final compliance filing for the electricity relief program.

AMS Reconciliation

On July 14, 2021, TNMP filed a request with the PUCT to consider and approve its final reconciliation of the costs spent on the deployment of AMS from April 1, 2018 through December 31, 2018 of $9.0 million and approve appropriate carrying charges until full collection. On September 13, 2021, the PUCT Staff filed a recommendation for approval of TNMP's application for substantially all costs from April 1, 2018 through December 31, 2018. On February 10, 2022, the PUCT approved substantially all costs included in TNMP's AMS reconciliation application. TNMP will seek recovery of these costs and associated carrying charges in a future general rate proceeding.

(13) Lease Commitments

The Company leases office buildings, vehicles, and other equipment. In addition, PNM leases interests in PVNGS Units 1 and 2 and certain rights-of-way agreements are classified as leases. All of the Company's leases with terms in excess of one year are recorded on the balance sheet by recording a present value lease liability and a corresponding right-of-use asset. Operating lease expense is recognized within operating expenses according to the use of the asset on a straight-line basis. Financing lease costs, which are comprised primarily of fleet and office equipment leases commencing after January 1, 2019, are recognized by amortizing the right-of-use asset on a straight-line basis and by recording interest expense on the lease liability. Financing lease right-of-use assets amortization is reflected in depreciation and amortization and interest on financing lease liabilities is reflected as interest charges on the Company's Condensed Consolidated Statements of Earnings.

See additional discussion of the Company's leasing activities in Note 8 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

PVNGS

PNM leases interests in Units 1 and 2 of PVNGS. The PVNGS leases were entered into in 1985 and 1986 and initially were scheduled to expire on January 15, 2015 for the four Unit 1 leases and January 15, 2016 for the four Unit 2 leases. Following procedures set forth in the PVNGS leases, PNM notified four of the lessors under the Unit 1 leases and one lessor under the Unit 2 lease that it would elect to renew those leases on the expiration date of the original leases. The four Unit 1 leases now expire on January 15, 2023 and the one Unit 2 lease now expires on January 15, 2024. The annual lease payments during the renewal periods aggregate $16.5 million for PVNGS Unit 1 and $1.6 million for Unit 2.

The terms of each of the extended leases do not provide for additional renewal options beyond their currently scheduled expiration dates. PNM had the option to purchase the assets underlying each of the extended leases at their fair market value or to return the lease interests to the lessors on the expiration dates. On June 11, 2020, PNM provided notice to the lessors and the NMPRC of its intent to return the assets underlying both the PVNGS Unit 1 and Unit 2 leases upon their expiration in January 2023 and 2024. Although PNM elected to return the assets underlying the extended leases, PNM retains certain obligations related to PVNGS, including costs to decommission the facility. PNM is depreciating its capital improvements related to the extended leases using NMPRC approved rates through the end of the NRC license period for each unit, which expire in June 2045 for Unit 1 and in June 2046 for Unit 2.

On April 5, 2021, PNM and SRP entered into an Asset Purchase and Sale Agreement, pursuant to which PNM agreed to sell to SRP certain PNM-owned assets and nuclear fuel necessary to the ongoing operation and maintenance of leased capacity in PVNGS Unit 1 and Unit 2, which SRP has agreed to acquire from the lessors upon termination of the existing leases. The proposed transaction between PNM and SRP is subject to receipt by PNM of approval by the NMPRC and PNM and SRP require NRC approval for the transfer of the associated possessory licenses at the end of the term of each of the respective leases. If the proposed transaction is not consummated, PNM may be required to retain all or a portion of its currently leased capacity in PVNGS or be exposed to other claims for damages by the lessors. PNM will seek to recover its undepreciated investments, as well as any other obligations related to PVNGS from NM retail customers. See PVNGS Leased Interest Abandonment Application discussion in Note 12.

PNM is exposed to loss under the PVNGS lease arrangements upon the occurrence of certain events that PNM does not consider reasonably likely to occur. Under certain circumstances (for example, the NRC issuing specified violation orders with respect to PVNGS or the occurrence of specified nuclear events), PNM would be required to make specified payments to the lessors and take title to the Leased Interests. If such an event had occurred as of March 31, 2022, amounts due to the lessors under the circumstances described above would be up to $145.0 million, payable on July 15, 2022 in addition to the scheduled lease payments due on that date.

Land Easements and Rights-of-Ways

Many of PNM's electric transmission and distribution facilities are located on lands that require the grant of rights-of-way from governmental entities, Native American tribes, or private parties. PNM has completed several renewals of rights-of-way, the largest of which is a renewal with the Navajo Nation. PNM is obligated to pay the Navajo Nation annual payments of $6.0 million, subject to adjustment each year based on the Consumer Price Index, through 2029. PNM's April 2022 payment for the amount due under the Navajo Nation right-of-way lease was $7.8 million, which included amounts due under the Consumer Price Index adjustment. Changes in the Consumer Price Index subsequent to January 1, 2019 are considered variable lease payments.

PNM has other prepaid rights-of-way agreements that are not accounted for as leases or recognized as a component of plant in service. PNM reflects the unamortized balance of these prepayments in other deferred charges on the Condensed Consolidated Balance Sheets and recognizes amortization expense associated with these agreements in the Condensed Consolidated Statement of Earnings over their term. As of March 31, 2022 and December 31, 2021, the unamortized balance of these rights-of-ways was $52.6 million and $53.4 million. PNM recognized amortization expense associated with these agreements of $1.0 million and $0.9 million in the three months ended March 31, 2022 and 2021.

Fleet Vehicles and Equipment

Fleet vehicle and equipment leases commencing on or after January 1, 2019 are classified as financing leases. Fleet vehicle and equipment leases existing as of December 31, 2018 are classified as operating leases. The Company's fleet vehicle and equipment lease agreements include non-lease components for insignificant administrative and other costs that are billed

over the life of the agreement. At March 31, 2022, residual value guarantees on fleet vehicle and equipment leases are $0.9 million, $1.4 million, and $2.3 million for PNM, TNMP, and PNMR Consolidated.

Information related to the Company's operating leases recorded on the Condensed Consolidated Balance Sheets is presented below:

	March 31, 2022			December 31, 2021		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
	(In thousands)					
Operating leases:						
Operating lease assets, net of amortization	$ 69,022	$ 4,782	$ 74,126	$ 73,903	$ 5,264	$ 79,511
Current portion of operating lease liabilities	25,826	1,853	27,722	25,278	1,882	27,218
Long-term portion of operating lease liabilities	44,377	2,713	47,369	52,552	3,155	55,993

As discussed above, the Company classifies its fleet vehicle and equipment leases and its office equipment leases commencing on or after January 1, 2019 as financing leases. Information related to the Company's financing leases recorded on the Condensed Consolidated Balance Sheets is presented below:

	March 31, 2022			December 31, 2021		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
	(In thousands)					
Financing leases:						
Non-utility property	$ 15,613	$ 16,232	$ 32,188	$ 15,171	$ 16,181	$ 31,695
Accumulated depreciation	(5,282)	(5,679)	(11,171)	(4,550)	(4,923)	(9,660)
Non-utility property, net	10,331	10,553	21,017	10,621	11,258	22,035
Other current liabilities	2,818	2,975	5,881	2,731	2,994	5,813
Other deferred credits	7,373	7,586	15,008	7,732	8,273	16,075

Information concerning the weighted average remaining lease terms and the weighted average discount rates used to determine the Company's lease liabilities as of March 31, 2022 is presented below:

	PNM	TNMP	PNMR Consolidated
Weighted average remaining lease term (years):			
Operating leases	6.23	2.75	6.02
Financing leases	4.10	3.93	4.00
Weighted average discount rate:			
Operating leases	4.03 %	4.00 %	4.02 %
Financing leases	2.62 %	2.71 %	2.66 %

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Information for the components of lease expense is as follows:

	Three Months Ended March 31, 2022		
	PNM	TNMP	PNMR Consolidated
	(In thousands)		
Operating lease cost:	$ 6,683	$ 528	$ 7,237
Amounts capitalized	(185)	(469)	(654)
Total operating lease expense	6,498	59	6,583
Financing lease cost:			
Amortization of right-of-use assets	732	757	1,511
Interest on lease liabilities	68	73	141
Amounts capitalized	(497)	(717)	(1,213)
Total financing lease expense	303	113	439
Variable lease expense	106	—	106
Short-term lease expense [1]	1,132	—	1,169
Total lease expense for the period	$ 8,039	$ 172	$ 8,297

[1] Includes expense of $1.1 million for the three months ended March 31, 2022 for rental of temporary cooling towers associated with the SJGS Unit 1 outage. These amounts are offset with insurance reimbursements of $1.1 million for the three months ended March 31, 2022. For additional information on the SJGS Unit 1 outage see Note 12.

	Three Months Ended March 31, 2021		
	PNM	TNMP	PNMR Consolidated
	(In thousands)		
Operating lease cost:	$ 6,735	$ 653	$ 7,429
Amounts capitalized	(226)	(559)	(785)
Total operating lease expense	6,509	94	6,644
Financing lease cost:			
Amortization of right-of-use assets	532	613	1,167
Interest on lease liabilities	62	76	139
Amounts capitalized	(368)	(625)	(993)
Total financing lease expense	226	64	313
Variable lease expense	63	—	63
Short-term lease expense	124	2	132
Total lease expense for the period	$ 6,922	$ 160	$ 7,152

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Supplemental cash flow information related to the Company's leases is as follows:

	Three Months Ended March 31, 2022			Three Months Ended March 31, 2021		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
	(In thousands)					
Cash paid for amounts included in the measurement of lease liabilities:						
Operating cash flows from operating leases	$ 9,244	$ 49	$ 9,318	$ 9,246	$ 97	$ 9,401
Operating cash flows from financing leases	22	8	31	21	8	30
Finance cash flows from financing leases	260	104	386	186	71	278
Non-cash information related to right-of-use assets obtained in exchange for lease obligations:						
Operating leases	$ 1,079	$ —	$ 1,079	$ —	$ 317	$ 317
Financing leases	441	51	492	758	387	1,164

Capitalized lease costs are reflected as investing activities on the Company's Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2022 and 2021.

Future expected lease payments are shown below:

	As of March 31, 2022					
	PNM		TNMP		PNMR Consolidated	
	Financing	Operating	Financing	Operating	Financing	Operating
	(In thousands)					
Remainder of 2022	$ 2,293	$ 16,918	$ 2,435	$ 1,496	$ 4,797	$ 18,630
2023	2,952	17,778	3,028	1,546	6,035	19,558
2024	2,267	7,953	2,557	943	4,838	8,958
2025	1,450	6,992	1,648	770	3,100	7,802
2026	1,048	6,928	844	76	1,892	7,042
Later years	801	22,132	613	—	1,414	22,315
Total minimum lease payments	10,811	78,701	11,125	4,831	22,076	84,305
Less: Imputed interest	620	8,498	564	265	1,187	9,214
Lease liabilities as of March 31, 2022	$ 10,191	$ 70,203	$ 10,561	$ 4,566	$ 20,889	$ 75,091

The above table includes $11.6 million, $13.7 million, and $25.3 million for PNM, TNMP, and PNMR at March 31, 2022 for expected future payments on fleet vehicle and equipment leases that could be avoided if the leased assets were returned and the lessor is able to recover estimated market value for the equipment from third parties.

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(14) Income Taxes

In December 2017, comprehensive changes in United States federal income taxes were enacted through legislation commonly known as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act made many significant modifications to the tax laws, including reducing the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The Tax Act also eliminated federal bonus depreciation for utilities, limited interest deductibility for non-utility businesses and limited the deductibility of officer compensation. During 2020, the IRS issued final regulations related to certain officer compensation and, in January 2021, issued final regulations on interest deductibility that provide a 10% "de minimis" exception that allows entities with predominantly regulated activities to fully deduct interest expenses. In addition, in 2020, the IRS finalized regulations interpreting Tax Act amendments to depreciation provisions of the IRC that allowed the Company to claim a bonus depreciation deduction on certain construction projects placed in service subsequent to the third quarter of 2017. See additional discussion of the impacts of the Tax Act in Note 18 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K. On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was enacted. Among other things, the CARES Act includes tax provisions that generally loosen restrictions on NOL utilization and business interest deductions, and accelerate refunds of previously generated alternative minimum tax credits. In addition, the CARES Act includes a temporary provision allowing businesses to defer payments to the government for some payroll taxes. In 2020, the Company applied for $5.2 million of accelerated refunds of previously generated alternative minimum tax ("AMT") credits and deferred $7.0 million of payments for certain payroll taxes. The Company received the $5.2 million refund of prior AMT credits in June 2021 and paid $3.5 million of payroll taxes in December 2021. The CARES Act provisions related to NOL utilization and business interest deductions are not applicable for the Company.

Beginning February 2018, PNM's NM 2016 Rate Case reflects the reduction in the federal corporate income tax rate, including amortization of excess deferred federal and state income taxes. In accordance with the order in that case, PNM is returning the protected portion of excess deferred federal income taxes to customers over the average remaining life of plant in service as of December 31, 2017, and the unprotected portion of excess deferred federal income taxes to customers over a period of approximately twenty-three years. Excess deferred state income taxes were returned to customers over a three-year period, which concluded in the first quarter of 2021. The approved settlement in the TNMP 2018 Rate Case includes a reduction in customer rates to reflect the impacts of the Tax Act beginning on January 1, 2019. PNMR, PNM, and TNMP will amortize federal excess deferred income taxes of $23.6 million, $14.4 million, and $9.2 million in 2022. See additional discussion of PNM's NM 2016 Rate Case and TNMP's 2018 Rate Case in Note 17 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

The Company makes an estimate of its anticipated effective tax rate for the year as of the end of each quarterly period within its fiscal year. In interim periods, income tax expense is calculated by applying the anticipated annual effective tax rate to year-to-date earnings before income taxes. Certain unusual or infrequently occurring items, including excess tax benefits or tax deficiencies related to stock awards and taxes on Merger-related costs are excluded from the estimated annual effective tax rate calculation. At March 31, 2022, PNMR, PNM, and TNMP estimated their effective income tax rates for the year ended December 31, 2022 would be 13.12%, 14.50%, and 12.37%. The primary difference between the statutory income tax rates and the effective tax rates is the effect of the reduction in income tax expense resulting from the amortization of excess deferred federal income taxes.

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(15) Related Party Transactions

PNMR, PNM, TNMP, and NMRD are considered related parties, as is PNMR Services Company, a wholly-owned subsidiary of PNMR that provides corporate services to PNMR and its subsidiaries in accordance with shared services agreements. These services are billed at cost on a monthly basis to the business units. In addition, PNMR provides construction and operations and maintenance services to NMRD, a 50% owned subsidiary of PNMR Development. PNM purchases renewable energy from certain NMRD-owned facilities at a fixed price per MWh of energy produced. PNM also provides interconnection services to PNMR Development and NMRD. See Note 16 for additional discussion of NMRD.

The table below summarizes the nature and amount of related party transactions of PNMR, PNM, TNMP, and NMRD:

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Services billings:		
PNMR to PNM	$ 27,693	$ 26,225
PNMR to TNMP	10,304	10,365
PNM to TNMP	93	118
TNMP to PNMR	35	12
PNMR to NMRD	64	55
Renewable energy purchases:		
PNM from NMRD	2,621	2,585
Interconnection and facility study billings:		
PNM to NMRD	—	—
PNM to PNMR	—	—
NMRD to PNM	—	1,276
Interest billings:		
PNMR to PNM	7	—
PNM to PNMR	23	36
PNMR to TNMP	45	—
Income tax sharing payments:		
PNMR to PNM	—	—
TNMP to PNMR	—	—

(16) Equity Method Investment

As discussed in Note 1 of the Company's 2021 Annual Reports on Form 10-K, PNMR Development and AEP OnSite Partners created NMRD in September 2017 to pursue the acquisition, development, and ownership of renewable energy generation projects, primarily in the state of New Mexico. As of March 31, 2022, NMRD's renewable energy capacity in operation was 135.1 MW. PNMR Development and AEP OnSite Partners each have a 50% ownership interest in NMRD. The investment in NMRD is accounted for using the equity method of accounting because PNMR's ownership interest results in significant influence, but not control, over NMRD and its operations.

In the three months ended March 31, 2022 and 2021, neither PNMR Development nor AEP OnSite Partners made any cash contributions to NMRD for its construction activities. In February 2021, NMRD paid both PNMR Development and AEP OnSite Partners a dividend of $3.0 million. PNMR Development's cumulative equity in earnings of NMRD as of March 31, 2021 was $2.4 million and is presented as cash flows from operating activities on the Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2021. The portion of the dividend in excess of PNMR Development's cumulative equity in earnings of NMRD amounting to $0.6 million is presented as cash flows from investing activities.

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PNMR presents its share of net earnings from NMRD in other income on the Condensed Consolidated Statements of Earnings. Summarized financial information for NMRD is as follows:

	Results of Operations	
	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Operating revenues	$ 2,796	$ 2,750
Operating expenses	2,404	2,522
Net earnings	$ 392	$ 228

	Financial Position	
	March 31, 2022	December 31, 2021
	(In thousands)	
Current assets	$ 5,827	$ 10,729
Net property, plant, and equipment	164,733	166,495
Non-current assets	9,653	2,289
Total assets	180,213	179,513
Current liabilities	1,148	824
Non-current liabilities	377	373
Owners' equity	$ 178,688	$ 178,316

(17) Merger

On October 20, 2020, PNMR, Avangrid and Merger Sub entered into the Merger Agreement pursuant to which Merger Sub will merge with and into PNMR, with PNMR surviving the Merger as a wholly-owned subsidiary of Avangrid. Pursuant to the Merger Agreement, each issued and outstanding share of PNMR common stock at the Effective Time will be converted into the right to receive $50.30 in cash.

The proposed Merger has been unanimously approved by the Boards of Directors of PNMR, Avangrid and Merger Sub and approved by PNMR shareholders at the Special Meeting of Shareholders held on February 12, 2021.

The Merger Agreement provided that it may be terminated by each of PNMR and Avangrid under certain circumstances, including if the Effective Time shall not have occurred by the January 20, 2022 End Date; however, either PNMR or Avangrid could extend the End Date to April 20, 2022 if all conditions to closing have been satisfied other than the obtaining of all required regulatory approvals. As discussed below, on December 8, 2021, the NMPRC issued an order rejecting the stipulation agreement relating to the Merger. In light of the NMPRC ruling, on January 3, 2022, PNMR, Avangrid and Merger Sub entered into an Amendment to the Merger Agreement pursuant to which PNMR and Avangrid agreed to extend the End Date to April 20, 2023.

The Merger is subject to certain regulatory approvals, including from the NMPRC. The Joint Applicants (PNMR and Avangrid) to the NMPRC application and a number of intervening parties had entered into an amended stipulation and agreement in the Joint Application for approval of Merger pending before the NMPRC. An evidentiary hearing was held in August 2021. On November 1, 2021, a Certification of Stipulation was issued by the hearing examiner, which recommended against approval of the amended stipulation. On December 8, 2021, the NMPRC issued an order adopting the Certification of Stipulation, rejecting the amended stipulation reached by the parties. On January 3, 2022, PNMR and Avangrid filed a notice of appeal with the NM Supreme Court. On February 2, 2022, PNMR and Avangrid filed a statement of issues outlining the argument for appeal. On April 7, 2022, PNMR and Avangrid filed their Brief in Chief with the NM Supreme Court. Answer briefs are due from the NMPRC on June 13, 2022, and response briefs are due July 6, 2022.

With respect to other regulatory proceedings related to the Merger, in 2021 PNMR received clearances for the Merger from the FTC under the HSR Act, CFIUS, the FCC, FERC, the PUCT, and the NRC. As a result of the delay in closing of the

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Merger due to the need to obtain NMPRC approval, PNMR and Avangrid were required to make a new filing under the HSR Act and request extensions of approvals previously received from the FCC and NRC. On February 9, 2022, the request for extension was filed with the NRC. On February 24, 2022, the requests for a 180-day extension were granted by the FCC. PNMR and Avangrid expect to make a new filing under the HSR Act later in 2022. No additional approvals are required from CFIUS, FERC or the PUCT.

Consummation of the Merger remains subject to the satisfaction or waiver of certain customary closing conditions, including, without limitation, the absence of any material adverse effect on PNMR, the receipt of required regulatory approval from the NMPRC, and the agreements relating to the divestiture of Four Corners being in full force and effect and all applicable regulatory filings associated therewith being made. The agreement relating to the divestiture of Four Corners has been entered into and is in full effect and related filings have been made with the NMPRC.

The Merger Agreement provides for certain customary termination rights. The Merger Agreement further provides that, upon termination of the Merger Agreement under certain specified circumstances (including if Avangrid terminates the Merger Agreement due to a change in recommendation of the Board or if PNMR terminates the Merger Agreement to accept a superior proposal (as defined in the Merger Agreement) and in either case prior to PNMR's shareholder having approved the Merger), PNMR will be required to pay Avangrid a termination fee of $130.0 million. In addition, the Merger Agreement provides that (i) if the Merger Agreement is terminated by either party due to a failure of a regulatory closing condition and such failure is the result of Avangrid’s breach of its regulatory covenants or (ii) Avangrid fails to effect the closing when all closing conditions have been satisfied and it is otherwise obligated to do so under the Merger Agreement, then, in either such case, upon termination of the Merger Agreement, Avangrid will be required to pay PNMR a termination fee of $184.0 million as the sole and exclusive remedy. Upon the termination of the Merger Agreement under certain specified circumstances involving a breach of the Merger Agreement, either PNMR or Avangrid will be required to reimburse the other party’s reasonable and documented out-of-pocket fees and expenses up to $10.0 million (which amount will be credited toward, and offset against, the payment of any applicable termination fee).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations for PNMR is presented on a combined basis, including certain information applicable to PNM and TNMP. The MD&A for PNM and TNMP is presented as permitted by Form 10-Q General Instruction H(2). This report uses the term "Company" when discussing matters of common applicability to PNMR, PNM, and TNMP. A reference to a "Note" in this Item 2 refers to the accompanying Notes to Condensed Consolidated Financial Statements (Unaudited) included in Item 1, unless otherwise specified. Certain of the tables below may not appear visually accurate due to rounding.

MD&A FOR PNMR

EXECUTIVE SUMMARY

Overview and Strategy

PNMR is a holding company with two regulated utilities serving approximately 809,000 residential, commercial, and industrial customers and end-users of electricity in New Mexico and Texas. PNMR's electric utilities are PNM and TNMP. PNMR strives to create a clean and bright energy future for customers, communities, and shareholders. PNMR's strategy and decision-making are focused on safely providing reliable, affordable, and environmentally responsible power built on a foundation of Environmental, Social and Governance (ESG) principles.

Recent Developments

Merger

On October 20, 2020, PNMR, Avangrid and Merger Sub entered into the Merger Agreement pursuant to which Merger Sub will merge with and into PNMR, with PNMR surviving the Merger as a wholly-owned subsidiary of Avangrid. Pursuant to the Merger Agreement, each issued and outstanding share of PNMR common stock at the Effective Time will be converted into the right to receive $50.30 in cash. The proposed Merger has been unanimously approved by the Boards of Directors of PNMR, Avangrid and Merger Sub and approved by PNMR shareholders at the Special Meeting of Shareholders held on February 12, 2021.

The Merger Agreement provided that it may be terminated by each of PNMR and Avangrid under certain circumstances, including if the Effective Time shall not have occurred by the January 20, 2022 End Date; however, either PNMR or Avangrid could extend the End Date to April 20, 2022 if all conditions to closing have been satisfied other than the obtaining of all required regulatory approvals. As discussed below, on December 8, 2021, the NMPRC issued an order rejecting the stipulation agreement relating to the Merger. In light of the NMPRC ruling, on January 3, 2022, PNMR, Avangrid and Merger Sub entered into an Amendment to the Merger Agreement pursuant to which PNMR and Avangrid agreed to extend the End Date to April 20, 2023.

The Merger is subject to certain regulatory approvals, including from the NMPRC. The Joint Applicants (PNMR and Avangrid) to the NMPRC application and a number of intervening parties had entered into an amended stipulation and agreement in the Joint Application for approval of Merger pending before the NMPRC. An evidentiary hearing was held in August 2021. On November 1, 2021, a Certification of Stipulation was issued by the hearing examiner, which recommended against approval of the amended stipulation. On December 8, 2021, the NMPRC issued an order adopting the Certification of Stipulation, rejecting the amended stipulation reached by the parties. On January 3, 2022, PNMR and Avangrid filed a notice of appeal with the NM Supreme Court. On February 2, 2022, PNMR and Avangrid filed a statement of issues outlining the argument for appeal. On April 7, 2022, PNMR and Avangrid filed their Brief in Chief with the NM Supreme Court. Answer briefs are due from the NMPRC on June 13, 2022, and response briefs are due July 6, 2022.

With respect to other regulatory proceedings related to the Merger, in 2021 PNMR received clearances for the Merger from the FTC under the HSR Act, CFIUS, the FCC, FERC, the PUCT, and the NRC. As a result of the delay in closing of the Merger due to the need to obtain NMPRC approval, PNMR and Avangrid were required to make a new filing under the HSR Act and request extensions of approvals previously received from the FCC and NRC. On February 9, 2022, the request for extension was filed with the NRC. On February 24, 2022, the requests for a 180-day extension were granted by the FCC. PNMR and Avangrid expect to make a new filing under the HSR Act later in 2022. No additional approvals are required from CFIUS, FERC or the PUCT.

Consummation of the Merger remains subject to the satisfaction or waiver of certain customary closing conditions, including, without limitation, the absence of any material adverse effect on PNMR, the receipt of required regulatory approval from the NMPRC, and the agreements relating to the divestiture of Four Corners being in full force and effect and all applicable

regulatory filings associated therewith being made. The agreement relating to the divestiture of Four Corners has been entered into and is in full effect and related filings have been made with the NMPRC.

Financial and Business Objectives

PNMR is focused on achieving three key financial objectives:

- Earning authorized returns on regulated businesses
- Delivering at or above industry-average earnings and dividend growth
- Maintaining investment grade credit ratings

In conjunction with these objectives, PNM and TNMP are dedicated to:

- Maintaining strong employee safety, plant performance, and system reliability
- Delivering a superior customer experience
- Demonstrating environmental stewardship in business operations, including transitioning to an emissions-free generating portfolio by 2040
- Supporting the communities in their service territories

Earning Authorized Returns on Regulated Businesses

PNMR's success in accomplishing its financial objectives is highly dependent on two key factors: fair and timely regulatory treatment for its utilities and the utilities' strong operating performance. The Company has multiple strategies to achieve favorable regulatory treatment, all of which have as their foundation a focus on the basics: safety, operational excellence, and customer satisfaction, while engaging stakeholders to build productive relationships. Both PNM and TNMP seek cost recovery for their investments through general rate cases, periodic cost of service filings, and various rate riders.

Fair and timely rate treatment from regulators is crucial to PNM and TNMP in earning their allowed returns and critical for PNMR to achieve its financial objectives. PNMR believes that earning allowed returns is viewed positively by credit rating agencies and that improvements in the Company's ratings could lower costs to utility customers.

Additional information about rate filings is provided in Note 17 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

State Regulation

The rates PNM and TNMP charge customers are subject to traditional rate regulation by the NMPRC, FERC, and the PUCT.

2020 Decoupling Petition – On May 28, 2020, PNM filed a petition for approval of a rate adjustment mechanism that would decouple the rates of its residential and small power rate classes. Decoupling is a rate design principle that severs the link between the recovery of fixed costs of the utility through volumetric charges. If approved, customer bills would not be impacted until January 1, 2022. On October 2, 2020, PNM requested an order to vacate the public hearing and stay the proceeding until the NMPRC decides whether to entertain a petition to issue a declaratory order resolving the issues raised in the motions to dismiss. On October 7, 2020, the hearing examiner approved PNM's request to stay the proceeding and vacate the public hearing and on October 30, 2020 PNM filed a petition for declaratory order asking the NMPRC to issue an order finding that full revenue decoupling is authorized by the EUEA. On March 17, 2021, the NMPRC issued an order granting PNM's petition for declaratory order which commences a proceeding to address petitions. Oral arguments were made on July 15, 2021. On January 14, 2022, the hearing examiner issued a recommended decision recommending the NMPRC find that the EUEA does not mandate the NMPRC to authorize or approve a full decoupling mechanism, defining full decoupling as limited to energy efficiency and load management measures and programs. The recommended decision also states that a utility may request approval of a rate adjustment mechanism to remove regulatory disincentives to energy efficiency and load management measures and programs through a stand-alone petition, as part of the utility's triennial energy efficiency application or a general rate case and that PNM is not otherwise precluded from petitioning for a rate adjustment mechanism prior to its next general rate case. Finally, the recommended decision stated that the EUEA does not permit the NMPRC to reduce a utility's ROE based on approval of a disincentive removal mechanism founded on removing regulatory disincentives to energy efficiency and load management measures and programs. The recommended decision does not specifically prohibit a downward adjustment to a utility's capital structure, based on approval of a disincentive removal mechanism. On April 27, 2022, the NMPRC issued an order adopting the recommended decision in its entirety. See Note 12. PNM cannot predict the outcome of this matter.

PVNGS Leased Interest Abandonment Application - On April 2, 2021, PNM filed the PVNGS Leased Interest Abandonment Application. In the application PNM requested NMPRC authorization to decertify and abandon its Leased Interest and to create regulatory assets for the associated remaining undepreciated investments with consideration of cost

recovery of the undepreciated investments in a future rate case. PNM also sought NMPRC approval to sell and transfer the PNM-owned assets and nuclear fuel supply associated with the Leased Interest to SRP, which will be acquiring the Leased Interest from the lessors upon termination of the existing leases. In addition, PNM sought NMPRC approval for a 150 MW solar PPA combined with a 40 MW battery storage agreement, and a stand-alone 100 MW battery storage agreement to replace the Leased Interest. To ensure system reliability and load needs are met in 2023, when a majority of the leases expire, PNM also requested NMPRC approval for a 300 MW solar PPA combined with a 150 MW battery storage agreement. On August 25, 2021, the NMPRC issued an order confirming PNM requires no further NMPRC authority to abandon the PVNGS Leased Interest and to sell and transfer the PNM-owned assets and nuclear fuel supply associated with the Leased Interest to SRP. The order bifurcated the issue of approval of the two PPAs and three battery storage agreements into a separate docket so it may proceed expeditiously and deferred a ruling on the other issues. On February 16, 2022, the NMPRC approved the two PPAs and three battery storage agreements. On April 15, 2022, PNM made a compliance filing with the NMPRC in which it updated the NMPRC on the status of the PPAs and the battery storage agreements listed above. It has been determined that the projects will not be in commercial operation in time for the 2023 summer peak. PNM is conferring with project developers and is unable to predict the outcome of this matter. For additional information on PNM's Leased Interest and the associated abandonment application see Note 12 and Note 13.

Advanced Metering – Currently, TNMP has approximately 262,000 advanced meters across its service territory. Beginning in 2019, the majority of costs associated with TNMP's AMS program are being recovered through base rates. On July 14, 2021, TNMP filed a request with the PUCT to consider and approve its final reconciliation of the costs spent on the deployment of AMS from April 1, 2018 through December 31, 2018 of $9.0 million, and approve appropriate carrying charges until full collection. On February 10, 2022, the PUCT approved substantially all costs included in TNMP's AMS reconciliation application. On October 2, 2020, TNMP filed an application with the PUCT for authorization to implement necessary technological upgrades of approximately $46 million to its AMS program by November 2022. On January 14, 2021, the PUCT approved TNMP's application. TNMP will seek recovery of the investment associated with the upgrade in a future general rate proceeding or DCOS filing.

Rate Riders and Interim Rate Relief – The PUCT has approved mechanisms that allow TNMP to recover capital invested in transmission and distribution projects without having to file a general rate case. The PUCT also approved rate riders that allow TNMP to recover amounts related to energy efficiency and third-party transmission costs. The NMPRC has approved PNM recovering fuel costs through the FPPAC, as well as rate riders for renewable energy, energy efficiency and the TEP. These mechanisms allow for more timely recovery of investments.

FERC Regulation

Rates PNM charges wholesale transmission customers are subject to traditional rate regulation by FERC. Rates charged to wholesale electric transmission customers, other than customers on the Western Spirit Line described below, are based on a formula rate mechanism pursuant to which rates for wholesale transmission service are calculated annually in accordance with an approved formula. The formula includes updating cost of service components, including investment in plant and operating expenses, based on information contained in PNM's annual financial report filed with FERC, as well as including projected transmission capital projects to be placed into service in the following year. The projections included are subject to true-up. Certain items, including changes to return on equity and depreciation rates, require a separate filing to be made with FERC before being included in the formula rate.

In May 2019, PNM filed an application with FERC requesting approval to purchase and provide transmission service on the Western Spirit Line. All necessary approvals were obtained. In December 2021, PNM completed the purchase of the Western Spirit Line and service under related transmission service agreements was initiated using an incremental rate that is separate from the formula rate mechanism described above.

Delivering At or Above Industry-Average Earnings and Dividend Growth

PNMR's financial objective to deliver at or above industry-average earnings and dividend growth enables investors to realize the value of their investment in the Company's business. Earnings growth is based on ongoing earnings, which is a non-GAAP financial measure that excludes from GAAP earnings certain non-recurring, infrequent, and other items that are not indicative of fundamental changes in the earnings capacity of the Company's operations. PNMR uses ongoing earnings to evaluate the operations of the Company and to establish goals, including those used for certain aspects of incentive compensation, for management and employees.

PNMR targets a dividend payout ratio in the 50% to 60% range of its ongoing earnings. PNMR expects to provide at or above industry-average dividend growth in the near-term. The Board will continue to evaluate the dividend on an annual basis, considering sustainability and growth, capital planning, and industry standards.

Under the terms of the Merger Agreement, PNMR has agreed not to declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its equity securities, or make any other

actual, constructive or deemed distribution in respect of any equity securities (except (i) PNMR may continue the declaration and payment of planned regular quarterly cash dividends on PNMR common stock for each quarterly period ended after the date of the Merger Agreement, which for any fiscal quarter in 2022 shall not exceed $0.3475, with usual record and payment dates in accordance with past dividend practice, and (ii) for any cash dividend or cash distribution by a wholly-owned subsidiary of PNMR to PNMR or another wholly-owned subsidiary of PNMR).

The Board approved the following increases in the indicated annual common stock dividend:

Approval Date	Percent Increase
December 2020	6.5%
December 2021	6.1%

Maintaining Investment Grade Credit Ratings

The Company is committed to maintaining investment grade credit ratings in order to reduce the cost of debt financing and to help ensure access to credit markets, when required. On February 10, 2022, Moody's downgraded TNMP's issuer rating from A3 to Baa1 and changed the outlook from negative to stable. See the subheading Liquidity included in the full discussion of Liquidity and Capital Resources below for the specific credit ratings for PNMR, PNM, and TNMP. All of the credit ratings issued by both Moody's and S&P on the Company's debt continue to be investment grade.

Business Focus

To achieve its business objectives, focus is directed in key areas: Safe, Reliable and Affordable Power; Utility Plant and Strategic Investments; Environmentally Responsible Power; and Customer, Stakeholders, and Community Engagement. The Company works closely with its stakeholders to ensure that resource plans and infrastructure investments benefit from robust public dialogue and balance the diverse needs of our communities. Equally important is the focus of PNMR's utilities on customer satisfaction and community engagement.

Safe, Reliable, and Affordable Power

Safety is the first priority of our business and a core value of the Company. PNMR utilizes a Safety Management System to provide clear direction, objectives and targets for managing safety performance and minimizing risks and empowers employees to "Be the Reason Everyone Goes Home Safe".

PNMR measures reliability and benchmark performance of PNM and TNMP against other utilities using industry-standard metrics, including System Average Interruption Duration Index ("SAIDI") and System Average Interruption Frequency Index ("SAIFI"). PNM's and TNMP's investment plans include projects designed to support reliability and reduce the amount of time customers are without power.

PNMR and its utilities are aware of the important roles they play in enhancing economic vitality in their service territories. Management believes that maintaining strong and modern electric infrastructure is critical to ensuring reliability and supporting economic growth. When contemplating expanding or relocating their operations, businesses consider energy affordability and reliability to be important factors. PNM and TNMP strive to balance service affordability with infrastructure investment to maintain a high level of electric reliability and to deliver a safe and superior customer experience. Investing in PNM's and TNMP's infrastructure is critical to ensuring reliability and meeting future energy needs. Both utilities have long-established records of providing customers with safe and reliable electric service.

The Company continues to closely monitor developments and has taken and continues to take steps to mitigate the potential risks related to the COVID-19 pandemic. The Company has assessed and updated its existing business continuity plans in response to the impacts of the pandemic through crisis team meetings and working with other utilities and operators. It has identified its critical workforce, staged backups and limited access to control rooms and critical assets. The Company has worked to protect the safety of its employees using a number of measures, including minimizing exposure to other employees and the public and supporting flexible arrangements for all applicable job functions. The Company is also working with its suppliers to manage the impacts to its supply chain and remains focused on the integrity of its information systems and other technology systems used to run its business. However, the Company cannot predict the extent or duration of the ongoing COVID-19 pandemic, its effects on the global, national or local economy, or on the Company's financial position, results of operations, and cash flows. The Company will continue to monitor developments related to COVID-19 and will remain focused on protecting the health and safety of its customers, employees, contractors, and other stakeholders, and on its objective to provide safe, reliable, affordable and environmentally responsible power. As discussed in Note 12, both PNM and TNMP suspended disconnecting certain customers for past due bills, waived late fees during the pandemic, and have been provided regulatory mechanisms to recover these and other costs resulting from COVID-19. See additional discussion below regarding the Company's customer, community, and stakeholder engagement in response to COVID-19.

EIM

On April 1, 2021, PNM joined and began participating in the EIM. The EIM is a real-time wholesale energy trading market operated by the CAISO that enables participating electric utilities to buy and sell energy. The EIM aggregates the variability of electricity generation and load for multiple balancing authority areas and utility jurisdictions. In addition, the EIM facilitates greater integration of renewable resources through the aggregation of flexible resources by capturing diversity benefits from the expanding geographic footprint and the expanded potential uses for those resources. PNM completed a cost-benefit analysis, which indicated participation in the EIM would provide substantial benefits to retail customers. In 2018, PNM filed an application with the NMPRC requesting, among other things, to recover initial capital investments and authorization to establish a regulatory asset to recover other expenses that would be incurred in order to join the EIM. The NMPRC approved the establishment of a regulatory asset but deferred certain rate making issues, including but not limited to issues related to implementation and ongoing EIM costs and savings, the prudence and reasonableness of costs to be included in the regulatory asset, and the period over which costs would be charged to customers until PNM's next general rate case filing. PNM has experienced an aggregate of $15.8 million in cost savings to customers through participation in the EIM, $3.3 million of which has occurred in the three months ended March 31, 2022.

Utility Plant and Strategic Investments

Utility Plant Investments – During the 2020 and 2021 periods, PNM and TNMP together invested $1.6 billion in utility plant, including substations, power plants, nuclear fuel, and transmission and distribution systems. New Mexico's clean energy future depends on a reliable, resilient, secure grid to deliver an evolving mix of energy resources to customers. PNM has launched a capital initiative, which emphasizes new investments in its transmission and distribution infrastructure with three primary objectives: delivering clean energy, enhancing customer satisfaction and increasing grid resilience. Projects are aimed at advancing the infrastructure beyond its original architecture to a more flexible and redundant system accommodating growing amounts of intermittent and distributed generation resources and integrating evolving technologies that provide long-term customer value. See the subheading Capital Requirements included in the full discussion of Liquidity and Capital Resources below for additional discussion of the Company's projected capital requirements.

Strategic Investments – In 2017, PNMR Development and AEP OnSite Partners created NMRD to pursue the acquisition, development, and ownership of renewable energy generation projects, primarily in the state of New Mexico. Abundant renewable resources, large tracts of affordable land, and strong government and community support make New Mexico a favorable location for renewable generation. New Mexico ranks third in the Nation for energy potential from solar power according to the Nebraska Department of Energy & Energy Sun Index and ranks third in the Nation for land-based wind capacity according to the U.S. Office of Energy Efficiency and Renewable Energy. PNMR Development and AEP OnSite Partners each have a 50% ownership interest in NMRD. Through NMRD, PNMR anticipates being able to provide additional renewable generation solutions to customers within and surrounding its regulated jurisdictions through partnering with a subsidiary of one of the United States' largest electric utilities. As of March 31, 2022, NMRD's renewable energy capacity in operation was 135.1 MW, which includes 130 MW of solar-PV facilities to supply energy to the Meta data center located within PNM's service territory, 1.9 MW to supply energy to Columbus Electric Cooperative located in southwest New Mexico, 2.0 MW to supply energy to the Central New Mexico Electric Cooperative, and 1.2 MW of solar-PV facilities to supply energy to the City of Rio Rancho, New Mexico. In addition, PNM's February 8, 2021 application with the NMPRC for approval to service the Meta data center includes construction of a 50 MW solar facility owned by NMRD, which is expected to be operational in 2023. NMRD actively explores opportunities for additional renewable projects, including large-scale projects to serve future data centers and other customer needs.

Integrated Resource Plan

NMPRC rules require that investor-owned utilities file an IRP every three years. The IRP is required to cover a 20-year planning period and contain an action plan covering the first four years of that period.

NMPRC rules required PNM to file its 2020 IRP in July 2020. In April 2020, the NMPRC approved PNM's request to extend the deadline to file its 2020 IRP until six months after the NMPRC issues a final order approving replacement resources in PNM's SJGS Abandonment Application. On January 29, 2021, PNM filed its 2020 IRP. The plan focuses on a carbon-free electricity portfolio by 2040 that would eliminate coal at the end of 2024. This includes replacing the power from San Juan with a mix of approved carbon-free resources and the plan to exit Four Corners at the end of 2024. The plan highlights the need for additional investments in a diverse set of resources, including renewables to supply carbon-free power, energy storage to balance supply and demand, and efficiency and other demand-side resources to mitigate load growth. See additional discussion regarding PNM's 2020 IRP filing in Note 12.

Environmentally Responsible Power

PNMR has a long-standing record of environmental stewardship. PNM's environmental focus is in three key areas:

- Developing strategies to provide reliable and affordable power while transitioning to a 100% emissions-free generating portfolio by 2040
- Preparing PNM's system to meet New Mexico's increasing renewable energy requirements as cost-effectively as possible
- Increasing energy efficiency participation

PNMR's corporate website (www.pnmresources.com) includes a dedicated section providing key environmental and other sustainability information related to PNM's and TNMP's operations and other information that collectively demonstrates the Company's commitment to ESG principles. This information highlights plans for PNM to be coal-free by 2024 (subject to regulatory approval) and to achieve an emissions-free generating portfolio by 2040.

In February 2022 PNM named its first Chief Environmental Officer. The Chief Environmental Officer is responsible for developing and implementing the Company's business strategy and positions on environmental and sustainability policy issues and is charged with establishing organization-wide policies, strategies, goals, objectives and programs that advance sustainability and ensure compliance with regulations. The role serves as the Company's primary contact with various regulatory and stakeholder agencies on environmental matters. In addition, the role leads environmental justice work, incorporating impacts to tribal, worker and affected communities and advance ESG reporting.

On September 21, 2020, PNM announced an agreement to partner with Sandia National Laboratories in research and development projects focused on energy resiliency, clean energy, and national security. The partnership demonstrates PNMR's commitment to ESG principles and its support of projects that further its emissions-free generation goals and plans for a reliable, resilient, and secure grid to deliver New Mexico's clean energy future.

The Energy Transition Act ("ETA")

On June 14, 2019, Senate Bill 489, known as the ETA, became effective. The ETA amends the REA and requires utilities operating in New Mexico to have renewable portfolios equal to 20% by 2020, 40% by 2025, 50% by 2030, 80% by 2040, and 100% zero-carbon energy by 2045. The ETA also amends sections of the REA to allow for the recovery of undepreciated investments and decommissioning costs related to qualifying EGUs that the NMPRC has required be removed from retail jurisdictional rates, provided replacement resources to be included in retail rates have lower or zero-carbon emissions. The ETA provides for a transition from fossil-fueled generating resources to renewable and other carbon-free resources by allowing utilities to issue securitized bonds, or "energy transition bonds," related to the retirement of certain coal-fired generating facilities to qualified investors. See additional discussion of the ETA in Note 11 and in Note 16 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

PNM expects the ETA will have a significant impact on PNM's future generation portfolio, including PNM's planned retirement of SJGS in 2022 and the planned Four Corners exit in 2024. PNM cannot predict the full impact of the ETA on potential future generating resource abandonment and replacement filings with the NMPRC.

SJGS Abandonment Application – As discussed in Note 12, on July 1, 2019, PNM filed a Consolidated Application for the Abandonment and Replacement of SJGS and Related Securitized Financing Pursuant to the ETA (the "SJGS Abandonment Application"). The SJGS Abandonment Application sought NMPRC approval to retire PNM's share of SJGS in mid-2022, and for approval of replacement resources and the issuance of approximately $361 million of Securitized Bonds as provided by the ETA. The application included several replacement resource scenarios including PNM's recommended replacement scenario, which is consistent with PNM's goal of having a 100% emissions-free generating portfolio by 2040 and would have provided cost savings to customers while preserving system reliability.

The NMPRC issued an order requiring the SJGS Abandonment Application be considered in two proceedings: one addressing SJGS abandonment and related financing and the other addressing replacement resources but did not definitively indicate if the abandonment and financing proceedings would be evaluated under the requirements of the ETA. After several requests for clarification and legal challenges, in January 2020, the NM Supreme Court ruled the NMPRC is required to apply the ETA to all aspects of PNM's SJGS Abandonment Application, and that any previous NMPRC orders inconsistent with their ruling should be vacated.

In February 2020, the hearing examiners issued two recommended decisions recommending approval of PNM's proposed abandonment of SJGS, subject to approval of the separate replacement resources proceeding, and approval of PNM's proposed financing order to issue Securitized Bonds. The hearing examiners recommended, among other things, that PNM be authorized to abandon SJGS by June 30, 2022, to issue Securitized Bonds of up to $361 million, and to establish the Energy Transition Charge. The hearing examiners recommended an interim rate rider adjustment upon the start date of the Energy

Transition Charge to provide immediate credits to customers for the full value of PNM's revenue requirement related to SJGS until those reductions are reflected in base rates. In addition, the hearing examiners recommended PNM be granted authority to establish regulatory assets to recover costs that PNM will pay prior to the issuance of the Securitized Bonds, including costs associated with the bond issuances as well as for severances, job training, and economic development funds. On April 1, 2020, the NMPRC unanimously approved the hearing examiners' recommended decisions regarding the abandonment of SJGS and the Securitized Bonds. On April 10, 2020, CFRE and NEE filed a notice of appeal with the NM Supreme Court of the NMPRC's approval of PNM's request to issue securitized financing under the ETA. On January 10, 2022, the NM Supreme Court issued its decision rejecting CFRE's and NEE's constitutional challenges to the ETA and affirmed the NMPRC's final order.

On June 24, 2020, the hearing examiners issued a second recommended decision on PNM's request for approval of replacement resources that addressed the entire portfolio of replacement resources. On July 29, 2020, the NMPRC issued an order approving resource selection criteria identified in the ETA that include PPA's for 650 MW of solar and 300 MW of battery storage. Throughout 2021 and continuing into 2022, PNM provided notices of delays and status updates to the NMPRC for the approved SJGS replacement resource projects. All four project developers have notified PNM that completion of the projects will be delayed and no longer available for the 2022 summer peak and some may also not be available for the 2023 summer peak. The delays in the SJGS replacement resources, coupled with the abandonment of SJGS Units 1 and 4, present a risk that PNM will have insufficient operational resources to meet the 2022 summer peak to reliably serve its customers. PNM entered into three agreements to purchase power from third parties in the second half of 2021 to minimize potential impacts to customers and on February 17, 2022, PNM provided a notice and request with the NMPRC that PNM had obtained agreement from the SJGS owners and WSJ LLC to extend operation of Unit 4 until September 30, 2022. SJGS Unit 4 is expected to provide 327 MW of capacity and improve PNM's projected system reserve margin to meet the 2022 summer peak. However, given the most recent force majeure notice described in Note 11, PNM does not know whether reduced levels of coal inventory may continue until normal conditions recur in the longwall panel or whether the period of non-normal conditions will impact full load operations through the remainder of the CSA and the projected system reserve margin for the 2022 summer peak. On February 23, 2022, the NMPRC issued an order finding that PNM did not require NMPRC approval to extend operation of SJGS Unit 4 for an additional three-month period. On March 24, 2022 FERC accepted the amended San Juan Project Participation Agreement, effectively extending the operations of SJGS Unit 4 through September 30, 2022.

On February 28, 2022, WRA and CCAE filed a Joint Motion for Order to Show Cause and Enforce Financing Order and Supporting Brief, which requests that the NMPRC order PNM to show cause why its rates should not be reduced at the time SJGS is abandoned, and to otherwise enforce the NMPRC's April 1, 2020 final order. On March 14, 2022, PNM filed its response to the Joint Motion to Show Cause refuting the movants' claims that the ETA and April 1, 2020 Financing Order require energy transition bonds be issued at the time of abandonment and that rates be reduced upon abandonment as not being legally supportable. The movants' filed joint replies on March 24, 2022. In response, on March 30, 2022, the NMPRC issued an Order appointing hearing examiners to conduct a hearing, if necessary, and to issue a recommended decision to address the issues raised by the motion. The Order also states that the hearing examiners should endeavor to issue a recommended decision with sufficient time for consideration of exceptions and for the NMPRC to be able to take action prior to June 30, 2022. PNM filed testimony on April 20, 2022 and a hearing is scheduled to begin on May 23, 2022. PNM cannot predict the outcome of this matter.

See additional discussion of the ETA and PNM's San Juan Abandonment Application in Notes 11 and 12.

Four Corners Abandonment Application - On January 8, 2021, PNM filed the Four Corners Abandonment Application, which seeks NMPRC approval to exit PNM's 13% share of Four Corners as of December 31, 2024, and issuance of approximately $300 million of energy transition bonds as provided by the ETA. As ordered by the hearing examiner in the case, PNM filed an amended application and testimony on March 15, 2021. The amended application provided additional information to support PNM's request, provided background on the NMPRC's consideration of the prudence of PNM's investment in Four Corners in the NM 2016 Rate Case and explained how the proposed sale and abandonment provides a net public benefit. On December 15, 2021, the NMPRC issued a final order denying approval of the Four Corners Abandonment Application and the corresponding request for issuance of securitized financing. On December 22, 2021, PNM filed a Notice of Appeal with the NM Supreme Court of the NMPRC decision to deny the application. See additional discussion of the ETA and PNM's Four Corners Abandonment Application in Notes 11 and 12.

PNM enhanced its plan to exit Four Corners and emphasized its ESG strategy to reduce carbon emissions on March 12, 2021 with an announcement for additional plans for seasonal operations at Four Corners beginning in the fall of 2023, subject to the necessary approvals. The solution for seasonal operations ensures the plant will be available to serve each owners' customer needs during times of peak energy use while minimizing operations during periods of low demand. This approach results in an estimated annual 20 to 25 percent reduction in carbon emissions at the plant and retains jobs and royalty payments for the Navajo Nation.

PNM Solar Direct

In 2019, PNM filed an application with the NMPRC for approval of a program under which qualified governmental and large commercial customers could participate in a voluntary renewable energy procurement program. PNM proposed to recover costs of the program directly from subscribing customers through a rate rider. Under the rider, PNM would procure renewable energy from 50 MW of solar-PV facilities under a 15-year PPA. PNM had fully subscribed the entire output of the 50 MW facilities at the time of the filing. In March 2020, the hearing examiner issued a recommended decision recommending approval of PNM's application that was subsequently approved by the NMPRC. These facilities are expected to begin commercial operations in the second quarter of 2022.

The Community Solar Act

On June 18, 2021, Senate Bill 84, known as the Community Solar Act, became effective. The Community Solar Act establishes a program that allows for the development of community solar facilities and provides customers of a qualifying utility with the option of accessing solar energy produced by a community solar facility in accordance with the Community Solar Act. The NMPRC is charged with administering the Community Solar Act program, establishing a total maximum capacity of 200 MW community solar facilities (applicable until November 2024) and allocating proportionally to the New Mexico electric investor-owned utilities and participating cooperatives. As required under the Community Solar Act, the NMPRC opened a docket on May 12, 2021, to adopt rules to establish a community solar program no later than April 1, 2022. On March 30, 2022, the NMPRC issued an Order that adopted a rule on the administration of the Community Solar Act program. The rule requires utilities to file proposed community solar tariffs with the NMPRC within 60 days from the publication of the rule. See Note 12.

Electric Vehicles

PNMR is building upon its ESG goal of 100% emissions-free generation by 2040 with plans for additional emissions reductions through the electrification of its vehicle fleet. Growing the number of electric vehicles within the Company's fleet will benefit the environment and lower fuel costs furthering the commitment to ESG principles. Under the commitment, existing fleet vehicles will be replaced as they are retired with an increasing percentage of electric vehicles. The new goals call for 25% of all light duty fleet purchases to be electric by 2025 and 50% to be electric by 2030.

To demonstrate PNMR's commitment to increase the electrification of vehicles in its service territory, PNM filed a TEP with the NMPRC on December 18, 2020. The TEP supports customer adoption of electric vehicles by focusing on addressing the barriers to electric vehicle adoption and encourage use. PNM's proposed program budget will be dedicated to low and moderate income customers by providing rebates to both residential and non-residential customers towards the purchase of chargers and/or behind-the-meter infrastructure. On November 10, 2021, the NMPRC issued a final order approving PNM's TEP. See Note 12.

In December 2021, PNM announced that it will be joining the National Electric Highway Coalition, which plans to build fast-charging ports along major U.S. travel corridors. The coalition, with approximately 50 investor-owned electric companies is committed to providing electric vehicle (EV) fast charging ports that will allow the public to drive EVs with confidence throughout the country's major roadways by the end of 2023.

Other Environmental Matters

Four Corners may be required to comply with environmental rules that affect coal-fired generating units, including regional haze rules and the ETA. On June 19, 2019, EPA repealed the Clean Power Plan, promulgated the ACE Rule, and revised the implementing regulations for all emission guidelines issued under the CAA Section 111(d). On January 19, 2021, the DC Circuit issued an opinion vacating and remanding the ACE Rule, holding that it was based on a misconstruction of Section 111(d) of the Clean Air Act, but stayed its mandate for vacatur of the repeal of the Clean Power Plan to ensure that the now-outdated rule would not become effective. The U.S. Supreme Court granted four petitions for certiorari seeking review of the DC Circuit's decision, and oral arguments in the case were held on February 28, 2022. A decision is expected in June 2022. In addition, on January 27, 2021, President Biden signed an executive order requiring a review of environmental regulations issued under the Trump Administration, which will include a review of the ACE rule.

Renewable Energy

PNM's renewable procurement strategy includes utility-owned solar capacity, as well as solar, wind and geothermal energy purchased under PPAs. As of March 31, 2022, PNM has 158 MW of utility-owned solar capacity in operation. In addition, PNM purchases power from a customer-owned distributed solar generation program that had an installed capacity of 211.8 MW at March 31, 2022. PNM also owns the 500 KW PNM Prosperity Energy Storage Project. The project was one of the first combinations of battery storage and solar-PV energy in the nation and involved extensive research and development of advanced grid concepts. The facility also was the nation's first solar storage facility fully integrated into a utility's power grid.

PNM also purchases the output from New Mexico Wind, a 200 MW wind facility, and the output of Red Mesa Wind, an existing 102 MW wind energy center. PNM's 2020 renewable energy procurement plan was approved by the NMPRC in January 2020 and includes a PPA to procure 140 MW of renewable energy and RECs from La Joya Wind II that became operational in June 2021. The NMPRC approved the portfolio to replace the planned retirement of SJGS resulting in PNM executing solar PPAs of 650 MW combined with 300 MW of battery storage agreements. In addition, the PVNGS Leased Interest Abandonment Application approved by the NMPRC includes solar PPAs of 450 MW combined with 290 MW of battery storage agreements. The majority of these renewable resources are key means for PNM to meet the RPS and related regulations that require PNM to achieve prescribed levels of energy sales from renewable sources, including those set by the recently enacted ETA, without exceeding cost requirements. See additional discussion of the ETA and PNM's San Juan Abandonment Application in Notes 11 and 12

As discussed in Strategic Investments above, PNM is currently purchasing the output of 130 MW of solar capacity from NMRD that is used to serve the Meta data center which includes two 25-year PPAs to purchase renewable energy and RECs from an aggregate of approximately 100 MW of capacity from two solar-PV facilities constructed by NMRD to supply power to Meta, Inc. The first 50 MW of these facilities began commercial operations in November 2019 and the second 50 MW facility began commercial operations in July 2020. Additionally, PNM has entered into three separate 25-year PPAs to purchase renewable energy and RECs to be used by PNM to supply additional renewable power to the Meta data center. These PPAs include the purchase of power and RECs from a 50 MW wind project, which was placed in commercial operation in November 2018, a 166 MW wind project which became operational in February 2021, and a 50 MW solar-PV project expected to be operational in 2022. In addition, the NMPRC issued an order that will allow PNM to service the Meta data center for an additional 190 MW of solar PPA combined with 50 MW of battery storage and a 50 MW solar PPA expected to be operational in 2023. See Note 12.

PNM will continue to procure renewable resources while balancing the impact to customers' electricity costs in order to meet New Mexico's escalating RPS and carbon-free resource requirements.

Energy Efficiency

Energy efficiency plays a significant role in helping to keep customers' electricity costs low while meeting their energy needs and is one of the Company's approaches to supporting environmentally responsible power. PNM's and TNMP's energy efficiency and load management portfolios continue to achieve robust results. In 2021, incremental energy saved as a result of new participation in PNM's portfolio of energy efficiency programs was 107 GWh. This is equivalent to the annual consumption of approximately 12,689 homes in PNM's service territory. PNM's load management and annual energy efficiency programs also help lower peak demand requirements. In 2021, TNMP's incremental energy saved as a result of new participation in TNMP's energy efficiency programs is estimated to be approximately 19 GWh. This is equivalent to the annual consumption of approximately 2,469 homes in TNMP's service territory. TNMP's High-Performance Homes residential new construction energy efficiency program was honored for the sixth year in a row by ENERGY STAR. This recognition includes the program's fourth straight Partner of the Year Sustained Excellence Award. For information on PNM's and TNMP's energy efficiency filing with the NMPRC and PUCT see Note 12.

Water Conservation and Solid Waste Reduction

PNM continues its efforts to reduce the amount of fresh water used to make electricity (about 35% more efficient than in 2007). Continued growth in PNM's fleet of solar and wind energy sources, energy efficiency programs, and innovative uses of gray water and air-cooling technology have contributed to this reduction. Water usage has continued to decline as PNM has substituted less fresh-water-intensive generation resources to replace SJGS Units 2 and 3 starting in 2018, as water consumption at that plant has been reduced by approximately 50%. As the Company moves forward with its mission to achieve 100% carbon-free generation by 2040, it expects that more significant water savings will be gained. PNM has set a goal to reduce freshwater use 80% by 2035 and 90% by 2040 from 2005 levels. Focusing on responsible stewardship of New Mexico's scarce water resources improves PNM's water-resilience in the face of persistent drought and ever-increasing demands for water to spur the growth of New Mexico's economy.

In addition to the above areas of focus, the Company is working to reduce the amount of solid waste going to landfills through increased recycling and reduction of waste. In 2021, 18 of the Company's 23 facilities met the solid waste diversion goal of a 65% diversion rate. The Company expects to continue to do well in this area in the future.

Customer, Stakeholder, and Community Engagement

Another key element of the Company's commitment to ESG principles is fostering relationships with its customers, stakeholders, and communities. The Company strives to deliver a superior customer experience. Through outreach, collaboration, and various community-oriented programs, the Company has demonstrated a commitment to building productive relationships with stakeholders, including customers, community partners, regulators, intervenors, legislators, and shareholders. In December 2021, PNMR was named, for the second consecutive year, to Newsweek's list of America's Most Responsible

Companies highlighting companies in areas of ESG. PNM continues to focus its efforts to enhance the customer experience through customer service improvements, including enhanced customer service engagement options, strategic customer outreach, and improved communications. These efforts are supported by market research to understand the varying needs of customers, identifying and establishing valued services and programs, and proactively communicating and engaging with customers. As a result, PNM continues to experience steady performance in customer satisfaction in both the J.D. Power Electric Utility Residential Customer Satisfaction Study[SM] and its own proprietary relationship surveys. In the 2021 fourth quarter J.D. Power overall customer satisfaction results, PNM outperformed the West Midsize industry average by one point.

The Company has leveraged a number of communications channels and strategic content to better serve and engage its many stakeholders. PNM's website www.pnm.com, provides the details of major regulatory filings, including general rate requests, as well as the background on PNM's efforts to maintain reliability, keep prices affordable, and protect the environment. The Company's website is also a resource for information about PNM's operations and community outreach efforts, including plans for building a sustainable energy future for New Mexico and to transition to an emissions-free generating portfolio by 2040. PNM has also leveraged social media in communications with customers on various topics such as education, outage alerts, safety, customer service, and PNM's community partnerships in philanthropic projects. As discussed above, PNMR's corporate website, www.pnmresources.com, includes a dedicated section providing additional information regarding the Company's commitment to ESG principles and other sustainability efforts.

With reliability being the primary role of a transmission and distribution service provider in Texas' deregulated market, TNMP continues to focus on keeping end-users updated about interruptions and to encourage consumer preparation when severe weather is forecasted. In the third quarter of 2021, TNMP provided a 30-person team in support of another utility that experienced significant damage to their transmission and distribution system as a result of Hurricane Ida. TNMP has been honored by the Edison Electric Institute four times since 2012 for its assistance to out-of-state utilities affected by hurricanes. TNMP has also been honored twice for hurricane response in its own territory.

Local relationships and one-on-one communications remain two of the most valuable ways both PNM and TNMP connect with their stakeholders. Both companies maintain long-standing relationships with governmental representatives and key electricity consumers to ensure that these stakeholders are updated on Company investments and initiatives. Key electricity consumers also have dedicated Company contacts that support their important service needs.

Another demonstration of the Company's commitment to ESG principles is the Company's tradition of supporting the communities it serves in New Mexico and Texas. This support extends beyond corporate giving and financial donations from the PNM Resources Foundation to also include collaborations on community projects, customer low-income assistance programs, and employee volunteerism. In response to COVID-19, additional efforts were made in each of these areas and exhibit the Company's core value of caring for its customers and communities.

During the three years ending December 31, 2021, corporate giving contributed $10.4 million to civic, educational, environmental, low income, and economic development organizations. PNMR recognizes its responsibility to support programs and organizations that enrich the quality of life across its service territories and seeks opportunities to further demonstrate its commitment in these areas as needs arise. In response to COVID-19 community needs, PNMR donated to an Emergency Action Fund in partnership with key local agencies to benefit approximately ninety nonprofits and small businesses facing challenges due to lack of technology, shifting service needs, and cancelled fundraising events. Additionally, employee teams have supported first responders and other front-line workers through the delivery of food and other supplies often procured from local businesses struggling during stay-at-home orders. PNM also donated to the Pueblo Relief Fund and delivered personal protective supplies to pueblo areas and tribal nations throughout New Mexico. While its service territory does not include the Navajo Nation, PNM's operations include generating facilities and employees in this region that has been disproportionately affected by the pandemic. In response, employee teams focused efforts to this region and also provided available supplies of personal protective equipment. PNM has also collaborated with the Navajo Tribal Utility Authority Wireless ("NTUAW") to set up wireless "hot spots" throughout the Navajo Nation in areas without internet access to assist first responders and support continued education opportunities amidst school closures. These actions supplement PNM's continued support for the Navajo Nation. The PNM Navajo Nation Workforce Training Scholarship Program provides support for Navajo tribal members and encourages the pursuit of education and training in existing and emerging jobs in the communities in which they live. In 2019, PNM invested an additional $500,000 into this scholarship program to further assist in the development and education of the Navajo Nation workforce. PNM has invested in paid summer college engineering internship programs for American Indian students available in the greater Albuquerque area, established the PNM Pueblo Education Scholarship Endowment to invest in higher education for Native American Indian students, and supported the Coalition to Stop Violence Against Native Women. PNM also continues to partner in the Light up Navajo project, piloted in 2019 and modeled after mutual aid to connect homes without electricity to the power grid. In a more active role in 2021, PNM also partnered with key local organizations to initiate funding for programs focused on diversity, equity, and inclusion.

Another important outreach program is tailored for low-income customers and includes the PNM Good Neighbor Fund to provide customer assistance with their electric utility bills. COVID-19 has increased the needs of these customers along with customers who may not otherwise need to seek assistance. In addition to the suspension of residential customer disconnections

from April 2020 through August 2021 and the expansion of customer payment plans, PNM responded with increased communications through media outlets and customer outreach to connect customers with nonprofit community service providers offering financial assistance, food, clothing, medical programs, and services for seniors. As a result of these communication efforts, 4,147 families in need received emergency assistance through the PNM Good Neighbor Fund during 2021. Additionally, PNM has worked closely with the New Mexico Department of Finance and Administration to implement strategies ensuring customers receive rent benefits, including utility bill assistance, from the Emergency Rental Assistance Program ("ERAP"). As a result of these efforts, the ERAP has paid over $6 million in customer arrears since the launch of the program in March 2021.

Additionally, as a part of corporate giving, on October 1, 2020, PNM introduced $2.0 million in funding for new COVID Customer Relief Programs to support income-qualified residential customers and small business customers who have been impacted by the financial challenges created by COVID-19 and have past due electric bills. Qualified customers that pay a portion of their past-due balance can receive assistance toward their remaining balance.

Volunteerism is also an important facet of employee culture, keeping our communities safer, stronger, smarter and more vibrant. In 2021, new programs were launched to provide employees with COVID-safe projects through virtual, hybrid, and limited group gatherings. Employees and nonprofits remained resilient, creative, and innovative and responded to community need and selflessly gave their time and talents to organizations throughout New Mexico and Texas completing 8,741 volunteer hours with nonprofits and other community organizations. Volunteers also participate in a company-wide annual Day of Service at nonprofits across New Mexico and Texas along with participation on a variety of nonprofit boards and independent volunteer activities throughout the year. In addition, the Company facilitated employee and customer Earth Day cleanups across PNM's service territory resulting in over 2,200 gallons of trash collected.

In addition to the extensive engagement both PNM and TNMP have with nonprofit organizations in their communities, the PNM Resources Foundation provides nearly $1.6 million in grant funding each year across New Mexico and Texas. These grants help nonprofits innovate or sustain programs to grow and develop business, develop and implement environmental programs, and provide educational opportunities. Beginning in 2020, the PNM Resources Foundation is funding grants with a three-year focus on decreasing homelessness, increasing access to affordable housing, reducing carbon emissions, and increasing community safety with an emphasis on COVID-19 programs. As part of this emphasis, $0.5 million is awarded annually to nonprofits in New Mexico and Texas to assist with work being done on the front lines of the pandemic for community safety, with a focus on helping senior citizens and people currently experiencing homelessness during the shelter-in-place directives. The PNM Resources Foundation continued to expand its matching donation program to offer 2-to-1 matching on employee donations made to social justice nonprofits and increased the annual amount of matching donations available to each of its employees. PNM Resources Foundation awarded $0.3 million of additional grants to non-profits supporting TNMP communities following the winter storm in February 2021.

Economic Factors

PNM – In the three months ended March 31, 2022, PNM experienced a decrease in weather normalized residential load of 5.0%, more than offset by an increase in weather normalized commercial load of 5.4% compared to 2021, largely returning to pre-COVID-19 levels. In addition, PNM experienced an increase in industrial load of 8.1%.

TNMP – In the three months ended March 31, 2022, TNMP experienced an increase in volumetric weather normalized retail load of 1.2% compared to 2021. Weather normalized demand-based load, excluding retail transmission consumers increased 3.1% in the three months ended March 31, 2022 compared to 2021.

Although the Company has experienced signs of recovery from state restrictions related to COVID-19, it is unable to determine the duration or final impacts from COVID-19 as discussed in more detail in Item 1A Risk Factors of the 2021 Annual Report on Form 10-K. The Company is also closely monitoring the impacts on the capital markets of other macroeconomic conditions, including actions by the Federal Reserve to address inflationary concerns or other market conditions, and geopolitical activity. The Company has not experienced, nor does it expect significant negative impacts to customer usage at PNM and TNMP resulting from these economic impacts. However, if current economic conditions worsen, the Company may be required to implement additional measures such as reducing or delaying operating and maintenance expenses and planned capital expenditures.

Results of Operations

Net earnings attributable to PNMR were $16.0 million, or $0.19 per diluted share in the three months ended March 31, 2022 compared to $17.6 million, or $0.20 per diluted share in 2021. Among other things, earnings in the three months ended March 31, 2022 benefited from higher weather normalized retail load at PNM, higher volumetric and demand-based load at TNMP, colder weather conditions at PNM and TNMP, higher transmission margin at PNM and TNMP, higher distribution rates at TNMP, lower plant maintenance costs at PNM, AMS carrying charges at TNMP, lower interest expense at Corporate and Other, and lower costs related to the Merger at Corporate and Other. These increases were offset by decreased performance on

PNM's NDT and coal mine reclamation investment securities, increased operational and maintenance expense, including higher employee related and outside service expense at PNM and TNMP, increased depreciation and property taxes at PNM and TNMP due to increased plant in service, and higher interest charges at PNM and TNMP. Additional information on factors impacting results of operations for each segment is discussed below under Results of Operations.

Liquidity and Capital Resources

PNMR and PNM have revolving credit facilities with capacities of $300.0 million and $400.0 million that currently expire in October 2023. Both facilities provide for short-term borrowings and letters of credit and can be extended through October 2024, subject to approval by a majority of the lenders. In addition, PNM has a $40.0 million revolving credit facility with banks having a significant presence in New Mexico that expires in December 2022, and TNMP has a $75.0 million revolving credit facility, which expires in September 2024 and contains two one-year extension options, subject to approval by a majority of the lenders. Total availability for PNMR on a consolidated basis was $705.5 million at April 21, 2022. The Company utilizes these credit facilities and cash flows from operations to provide funds for both construction and operational expenditures. PNMR also has intercompany loan agreements with each of its subsidiaries.

PNMR projects that its consolidated capital requirements, consisting of construction expenditures and dividends, will total $4.8 billion for 2022 - 2026, including amounts expended through March 31, 2022. These construction expenditures include expenditures for PNM’s capital initiative that includes investments in transmission and distribution infrastructure to deliver clean energy, enhance customer satisfaction, and increase grid resilience.

To fund capital spending requirements to meet growth that balances earnings goals, credit metrics and liquidity needs, the Company has entered into a number of other financing arrangements. A complete listing of current financing arrangements is contained in Note 9 and Note 7 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K.

After considering the effects of these financings and the Company's short-term liquidity position as of April 21, 2022, the Company has consolidated maturities of long-term and short-term debt aggregating approximately $285.6 million through April 2023. In addition to internal cash generation, the Company anticipates that it will be necessary to obtain additional long-term financing in the form of debt refinancing, new debt issuances, and/or new equity in order to fund its capital requirements during the 2022-2026 period. The Company currently believes that its internal cash generation, existing credit arrangements, and access to public and private capital markets will provide sufficient resources to meet the Company’s capital requirements for at least the next twelve months. As of March 31, 2022 and April 21, 2022, the Company was in compliance with its debt covenants.

RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto. Trends and contingencies of a material nature are discussed to the extent known. Refer also to Disclosure Regarding Forward Looking Statements and to Part II, Item 1A. Risk Factors.

A summary of net earnings attributable to PNMR is as follows:

	Three Months Ended March 31,		
	2022	2021	Change
	(In millions, except per share amounts)		
Net earnings attributable to PNMR	$ 16.0	$ 17.6	$ (1.6)
Average diluted common and common equivalent shares	86.2	86.1	0.1
Net earnings attributable to PNMR per diluted share	$ 0.19	$ 0.20	$ (0.01)

The components of the change in net earnings attributable to PNMR are:

	Three Months Ended March 31, 2022
	(In millions)
PNM	$ (14.2)
TNMP	6.4
Corporate and Other	6.3
Net change	$ (1.6)

Information regarding the factors impacting PNMR's operating results by segment are set forth below.

Segment Information

The following discussion is based on the segment methodology that PNMR's management uses for making operating decisions and assessing performance of its various business activities. See Note 2 for more information on PNMR's operating segments.

PNM

PNM defines utility margin as electric operating revenues less cost of energy, which consists primarily of fuel and purchase power costs. PNM believes that utility margin provides a more meaningful basis for evaluating operations than electric operating revenues since substantially all fuel and purchase power costs are offset in revenues as those costs are passed through to customers under PNM's FPPAC. Utility margin is not a financial measure required to be presented and is considered a non-GAAP measure.

The following table summarizes the operating results for PNM:

	Three Months Ended March 31,		
	2022	2021	Change
	(In millions)		
Electric operating revenues	$ 338.7	$ 271.2	$ 67.5
Cost of energy	138.8	88.9	49.9
Utility margin	199.9	182.3	17.6
Operating expenses	109.1	107.3	1.8
Depreciation and amortization	45.8	41.9	3.9
Operating income	45.0	33.1	11.9
Other income (deductions)	(22.1)	4.8	(26.9)
Interest charges	(14.6)	(12.9)	(1.7)
Segment earnings before income taxes	8.4	25.0	(16.6)
Income (taxes)	(0.8)	(2.8)	2.0
Valencia non-controlling interest	(3.1)	(3.5)	0.4
Preferred stock dividend requirements	(0.1)	(0.1)	—
Segment earnings	$ 4.3	$ 18.5	$ (14.2)

The following table shows total GWh sales, including the impacts of weather, by customer class and average number of customers:

	Three Months Ended March 31,		
	2022	2021	Percentage Change
	(Gigawatt hours, except customers)		
Residential	795.3	828.2	(4.0)%
Commercial	795.7	752.4	5.8
Industrial	410.9	380.0	8.1
Public authority	45.0	47.4	(5.1)
Economy energy service [1]	133.5	129.1	3.4
Other sales for resale [2]	1,900.8	746.4	154.7
	4,081.2	2,883.5	41.5 %
Average retail customers (thousands)	542.0	538.8	0.6 %

[1] PNM purchases energy for a large customer on the customer's behalf and delivers the energy to the customer's location through PNM's transmission system. PNM charges the customer for the cost of the energy as a direct pass through to the customer with only a minor impact in utility margin resulting from providing ancillary services.
[2] Increase in other sales for resale is the result of participation in the EIM beginning in April 2021.

Operating Results – Three Months Ended March 31, 2022, compared to 2021

The following table summarizes the significant changes to utility margin:

	Three Months Ended March 31, 2022 Change
Utility margin:	(In millions)
Retail customer usage/load – Weather normalized retail KWh sales increased 5.4% for commercial customers, 8.1% for industrial customers, partially offset by decreased sales to residential customers of 5.0%	$ 0.3
Weather – Colder weather in 2022; heating degree days were 4.8% higher in 2022	1.1
Transmission – Increase primarily due to higher revenues from the addition of new customers including on the Western Spirit Line, higher formula transmission rates, and higher volumes	17.1
Rate riders – Includes renewable energy, FPPAC, and energy efficiency riders	(3.1)
Unregulated margin – Higher sales and lower cost of energy associated with 65 MW of SJGS Unit 4	2.4
Other	(0.2)
Net Change	$ 17.6

The following tables summarize the primary drivers for changes in operating expenses, depreciation and amortization, other income (deductions), interest charges, and income taxes:

	Three Months Ended March 31, 2022 Change
Operating expenses:	(In millions)
Lower plant maintenance costs at SJGS, Four Corners, PVNGS, and gas-fired plants	$ (3.5)
Higher property taxes due to increases in utility plant in service including the Western Spirit Line	0.7
Higher employee related, outside services, and vegetation management expenses	4.1
Other	0.5
Net Change	$ 1.8
Depreciation and amortization:	
Increased utility plant in service including the Western Spirit Line	$ 3.5
Other	0.4
Net Change	$ 3.9
Other income (deductions):	
Decreased performance on investment securities in the NDT and coal mine reclamation trusts	$ (27.5)
Other	0.6
Net Change	$ (26.9)

	Three Months Ended March 31, 2022 Change
	(In millions)
Interest charges:	
Issuance of $150.0 million SUNs in December 2021	$ (1.0)
Refinancing of $160.0 million SUNs in July 2021	1.0
Higher interest on term loans	(0.1)
Higher interest on remarketed PCRBs	(0.1)
Interest on transmission customer deposits	(1.2)
Other	(0.3)
Net Change	$ (1.7)
Income (taxes):	
Lower segment earnings before income taxes	$ 4.1
Lower amortization of federal excess deferred income taxes	(1.4)
Other	(0.7)
Net Change	$ 2.0

TNMP

TNMP defines utility margin as electric operating revenues less cost of energy, which consists of costs charged by third-party transmission providers. TNMP believes that utility margin provides a more meaningful basis for evaluating operations than electric operating revenues since all third-party transmission costs are passed on to consumers through a transmission cost recovery factor. Utility margin is not a financial measure required to be presented and is considered a non-GAAP measure.

The following table summarizes the operating results for TNMP:

	Three Months Ended March 31,		
	2022	2021	Change
	(In millions)		
Electric operating revenues	$ 105.4	$ 93.5	$ 11.9
Cost of energy	29.6	26.5	3.1
Utility margin	75.8	67.0	8.8
Operating expenses	27.9	27.8	0.1
Depreciation and amortization	23.6	22.2	1.4
Operating income	24.2	17.0	7.2
Other income	2.1	1.1	1.0
Interest charges	(9.2)	(8.5)	(0.7)
Segment earnings before income taxes	17.2	9.6	7.6
Income (taxes)	(2.2)	(0.9)	(1.3)
Segment earnings	$ 15.1	$ 8.7	$ 6.4

The following table shows total sales, including the impacts of weather, by retail tariff consumer class and average number of consumers:

	Three Months Ended March 31,		
	2022	2021	Percentage Change
Volumetric load [1] (GWh)	698.0	676.0	3.3 %
Demand-based load [2] (MW)	5,652.4	5,116.8	10.5 %
Average retail consumers (thousands) [3]	266.3	261.5	1.8 %

[1] Volumetric load consumers are billed on KWh usage.
[2] Demand-based load includes consumers billed on monthly KW peak and also includes retail transmission customers that are primarily billed under TNMP's rate riders.
[3] TNMP provides transmission and distribution services to REPs that provide electric service to their customers in TNMP's service territories. The number of consumers above represents the customers of these REPs. Under TECA, consumers in Texas have the ability to choose any REP to provide energy.

Operating Results – Three Months Ended March 31, 2022, compared to 2021

The following table summarizes the significant changes to utility margin:

	Three Months Ended March 31, 2022 Change
Utility margin:	(In millions)
Transmission rate relief – Transmission cost of service rate increases in March 2021, September 2021, and March 2022	$ 4.4
Distribution rate relief – Distribution cost of service rate increase in September 2021	3.2
Volumetric-based consumer usage/load – Weather normalized KWh sales increased 1.2%; the number of volumetric consumers increased 3.5%	0.4
Demand-based consumer usage/load – Weather normalized demand-based MW sales for large commercial and industrial consumers excluding retail transmission consumers increased 3.1%	0.2
Weather – Colder weather in 2022; heating degree days were 8.5% higher in 2022	0.4
Rate Riders and other– Impacts of rate riders, including the transmission cost recovery factor, energy efficiency rider, and rate case expense rider, which are offset in operating expenses	0.2
Net Change	$ 8.8

The following tables summarize the primary drivers for changes in operating expenses, depreciation and amortization, other income (deductions), interest charges, and income taxes:

	Three Months Ended March 31, 2022 Change
Operating expenses:	(In millions)
Higher employee related and outside service expenses, partially offset by lower vegetation management expenses	$ 1.1
Higher property taxes due to increased utility plant in service	0.1
Higher capitalization of administrative and general and other expenses due to higher construction expenditures in 2022	(0.8)
Lower energy efficiency expense and rate case amortization which are offset in utility margin	(0.2)
Other	(0.1)
Net Change	$ 0.1

	Three Months Ended March 31, 2022 Change
Depreciation and amortization:	(In millions)
Increased utility plant in service	$ 1.6
Other	(0.2)
Net Change	$ 1.4
Other income:	
AMS Reconciliation carrying charges (Note 12)	$ 1.2
Other	(0.2)
Net Change	$ 1.0
Interest charges:	
Issuance of $65.0 million first mortgage bonds in 2021	$ (0.4)
Other	(0.3)
Net Change	$ (0.7)
Income (taxes):	
Higher segment earnings before income taxes	$ (1.6)
Other	0.3
Net Change	$ (1.3)

Corporate and Other

The table below summarizes the operating results for Corporate and Other:

	Three Months Ended March 31,		
	2022	2021	Change
	(In millions)		
Electric operating revenues	$ —	$ —	$ —
Cost of energy	—	—	—
Utility margin	—	—	—
Operating expenses	(5.1)	1.2	(6.3)
Depreciation and amortization	6.3	5.7	0.6
Operating income (loss)	(1.2)	(6.9)	5.7
Other income (deductions)	(0.2)	(0.4)	0.2
Interest charges	(2.5)	(4.5)	2.0
Segment (loss) before income taxes	(3.9)	(11.8)	7.9
Income (taxes) benefit	0.5	2.1	(1.6)
Segment (loss)	$ (3.4)	$ (9.7)	$ 6.3

Corporate and Other operating expenses shown above are net of amounts allocated to PNM and TNMP under shared services agreements. The amounts allocated include certain expenses shown as depreciation and amortization and other income (deductions) in the table above. The change in operating expense includes a decrease of $5.7 million in costs related to the Merger that were not allocated to PNM or TNMP. Substantially all depreciation and amortization expense is offset in operating expenses as a result of allocation of these costs to other business segments.

Operating Results – Three Months Ended March 31, 2022 compared to 2021

The following tables summarize the primary drivers for changes in other income (deductions), interest charges, and income taxes:

	Three Months Ended March 31, 2022 Change
Other income (deductions):	(In millions)
Higher equity method investment income from NMRD	$ 0.1
Other	0.1
Net Change	$ 0.2
Interest charges:	
Lower interest on short-term borrowings	$ 0.2
Repayment of PNMR 2018 SUNs in March 2021	2.0
Higher interest on term loans	(0.2)
Net Change	$ 2.0
Income (taxes) benefits:	
Impact of difference in effective tax rates used by PNMR and its subsidiaries in the calculation of income taxes in interim periods	$ 0.9
Lower segment loss before income taxes	(2.0)
Lower non-deductible Merger related costs	0.5
Lower investment tax credit amortization	(0.6)
Other	(0.4)
Net Change	$ (1.6)

LIQUIDITY AND CAPITAL RESOURCES

Statements of Cash Flows

The changes in PNMR's cash flows for the three months ended March 31, 2022, compared to March 31, 2021, are summarized as follows:

	Three Months Ended March 31,		
	2022	2021	Change
Net cash flows from (used in):	(In millions)		
Operating activities	$ 116.6	$ 86.5	$ 30.1
Investing activities	(211.9)	(174.5)	(37.4)
Financing activities	98.5	47.6	50.9
Net change in cash and cash equivalents	$ 3.3	$ (40.4)	$ 43.7

Cash Flows from Operating Activities

Changes in PNMR's cash flow from operating activities result from net earnings, adjusted for items impacting earnings that do not provide or use cash. See Results of Operations above. Certain changes in assets and liabilities resulting from normal operations, including the effects of the seasonal nature of the Company's operations, also impact operating cash flows.

Cash Flows from Investing Activities

The changes in PNMR's cash flows used in investing activities relate primarily to changes in utility plant additions. Cash flows from investing activities include purchases and sales of investment securities in the NDT and coal mine reclamation trusts as well as activity related to NMRD. Major components of PNMR's cash inflows and (outflows) from investing activities are shown below:

Cash (Outflows) for Utility Plant Additions	Three Months Ended March 31, 2022	2021	Change
	(In millions)		
PNM:			
Generation	$ (11.7)	$ (26.7)	$ 15.0
Transmission and distribution	(78.3)	(57.9)	(20.4)
Nuclear fuel	(6.4)	(3.6)	(2.8)
	(96.4)	(88.2)	(8.2)
TNMP:			
Transmission	(36.2)	(33.1)	(3.1)
Distribution	(64.4)	(43.0)	(21.4)
	(100.6)	(76.1)	(24.5)
Corporate and Other:			
Computer hardware and software	(12.9)	(7.9)	(5.0)
	(209.9)	(172.2)	(37.7)
Other Cash Flows from Investing Activities			
Proceeds from sales of investment securities	$ 125.2	$ 123.6	$ 1.6
Purchases of investment securities	(127.8)	(126.5)	(1.3)
Investments in NMRD	—	—	—
Distributions from NMRD	0.6	0.6	—
Other, net	—	—	—
	(2.0)	(2.3)	0.3
Net cash flows from investing activities	$ (211.9)	$ (174.5)	$ (37.4)

Cash Flows from Financing Activities

The changes in PNMR's cash flows from financing activities include:

- Short-term borrowings increased $23.3 million in 2022 compared to an increase of $165.5 million in 2021, resulting in a net decrease in cash flows from financing activities of $142.2 million
- In 2022, PNMR borrowed the remaining $100.0 million available under the PNMR 2021 Delayed-Draw Term Loan

Financing Activities

See Note 7 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K and Note 9 for additional information concerning the Company's financing activities. PNM must obtain NMPRC approval for any financing transaction having a maturity of more than 18 months. In addition, PNM files its annual informational financing filing and short-term financing plan with the NMPRC.

The Company's ability to access the credit and capital markets at a reasonable cost is largely dependent upon its:

- Ability to earn a fair return on equity
- Results of operations
- Ability to obtain required regulatory approvals
- Conditions in the financial markets
- Credit ratings

The Company is continuing to closely monitor developments and is taking steps to mitigate the potential risks related to COVID-19. The Company is also closely monitoring the impacts on the capital markets of other macroeconomic conditions, including actions by the Federal Reserve to address inflationary concern or other market conditions, and geopolitical activity. The Company currently believes it has adequate liquidity but cannot predict the extent or duration of the COVID-19 outbreak, the effects of any of these macroeconomic conditions on the global, national or local economy, including the Company's ability to access capital in the financial markets, or on the Company's financial position, results of operations, and cash flows.

Each of the Company's revolving credit facilities and term loans contain a single financial covenant that requires the maintenance of a debt-to-capitalization ratio. For the PNMR agreements, this ratio must be maintained at less than or equal to 70%, and for the PNM and TNMP agreements, this ratio must be maintained at less than or equal to 65%. The Company's

revolving credit facilities, term loans, and other debt agreements generally also contain customary covenants, events of default, cross-default provisions, and change-of-control provisions. The Company is in compliance with its debt covenants.

On May 18, 2021, PNMR entered into the PNMR 2021 Delayed-Draw Term Loan, among PNMR, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent. In 2021, PNMR drew $900.0 million to repay and terminate existing indebtedness as discussed in Note 7 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K. On January 24, 2022, PNMR drew the remaining $100.0 million available. Draws on the PNMR 2021 Delayed-Draw Term Loan bear interest at a variable rate, which was 1.29% at March 31, 2022, and mature on May 18, 2023.

On April 27, 2022 TNMP entered into the TNMP 2022 Bond Purchase Agreement with institutional investors for the sale of $160.0 million aggregate principal amount of two series of the TNMP 2022 Bonds offered in private placement transactions. TNMP will issue the first series of $65.0 million of the TNMP 2022 Bonds on May 12, 2022, at a 4.13% interest rate, due May 12, 2052, and the second series of $95.0 million of the TNMP 2022 Bonds will be issued on or before July 28, 2022, at a 3.81% interest rate, due July 28, 2032. The proceeds will be used to repay borrowings under the TNMP Revolving Credit Facility and for other corporate purposes. The TNMP 2022 Bonds are subject to continuing compliance with the representations, warranties and covenants set forth in the supplemental indenture governing the TNMP 2022 Bonds. The terms of the supplemental indenture governing the TNMP 2022 Bonds include the customary covenants discussed above. In the event of a change of control, TNMP will be required to offer to prepay the TNMP 2022 Bonds at par. However, the definition of change of control in the supplemental indenture governing the TNMP 2022 Bonds will not be triggered by the close of the Merger. TNMP has the right to redeem any or all of the TNMP 2022 Bonds prior to their maturity, subject to payment of a customary make-whole premium.

Capital Requirements

PNMR's total capital requirements consist of construction expenditures, cash dividend requirements for PNMR common stock and PNM preferred stock.

Key activities in PNMR's current construction program include:

- Investments in transmission and distribution infrastructure
- Upgrading generation resources and delivering clean energy
- Purchasing nuclear fuel

Projected capital requirements, including amounts expended through March 31, 2022, are:

	2022	2023-2026	Total
		(In millions)	
Construction expenditures	$ 895.6	$ 3,295.9	$ 4,191.5
Dividends on PNMR common stock	119.3	477.2	596.5
Dividends on PNM preferred stock	0.5	2.1	2.6
Total capital requirements	$ 1,015.4	$ 3,775.2	$ 4,790.6

The construction expenditure estimates are under continuing review and subject to ongoing adjustment, as well as to Board review and approval. The construction expenditures above include amounts for PNM's capital initiative that includes investments in transmission and distribution infrastructure to deliver clean energy, enhance customer satisfaction, and increase grid resilience. Not included in the table above are incremental expenditures for new customer growth in New Mexico and Texas, and other transmission and renewable energy expansion in New Mexico. The ability of PNMR to pay dividends on its common stock is dependent upon the ability of PNM and TNMP to pay dividends to PNMR. See Note 6 of the Notes to the Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K for a discussion of regulatory and contractual restrictions on the payment of dividends by PNM and TNMP.

During the three months ended March 31, 2022, PNMR met its capital requirements and construction expenditures through cash generated from operations, as well as its liquidity arrangements and the borrowings discussed in Financing Activities above.

In addition to the capital requirements for construction expenditures and dividends, the Company has long-term debt and term loans that must be paid or refinanced at maturity. PNM has $104.5 million of PCRBs that must be refinanced, repriced or redeemed in June 2022 and the PNM 2021 $75.0 million Term Loan matures in December 2022. See Note 9 for additional information about the Company's long-term debt and equity arrangements. The Company may also enter into new arrangements similar to the existing agreements, borrow under the revolving credit facilities, or issue new long-term debt or equity in the public or private capital markets, or a combination of these sources. The Company has from time to time

refinanced or repurchased portions of its outstanding debt before scheduled maturity. Depending on market conditions, the Company may refinance other debt issuances or make additional debt repurchases in the future.

Liquidity

PNMR's liquidity arrangements include the $300.0 million PNMR Revolving Credit Facility, the $400.0 million PNM Revolving Credit Facility, and the $75.0 million TNMP Revolving Credit Facility. The PNMR and PNM facilities currently expire in October 2023 but can be extended through October 2024, subject to approval by a majority of the lenders. The $75.0 million TNMP Revolving Credit Facility matures in September 2024 and contains two one-year extension options, subject to approval by a majority of the lenders. In addition, the TNMP Revolving Credit Facility contains an accordion feature which allows TNMP to increase the size of the credit facility from $75.0 million to up to $100.0 million, subject to certain conditions. PNM also has the $40.0 million PNM 2017 New Mexico Credit Facility that expires in December 2022. The Company believes the terms and conditions of these facilities are consistent with those of other investment grade revolving credit facilities in the utility industry. Variable interest rates under the PNMR and PNM facilities are based on LIBOR but contain provisions which allow for the replacement of LIBOR with other widely accepted interest rates. Variable interest rates under the TNMP facility are based on SOFR. The Company expects that it will be able to extend or replace these credit facilities under similar terms and conditions prior to their expirations.

The revolving credit facilities and the PNM 2017 New Mexico Credit Facility provide short-term borrowing capacity. The revolving credit facilities also allow letters of credit to be issued. Letters of credit reduce the available capacity under the facilities. The Company utilizes these credit facilities and cash flows from operations to provide funds for both construction and operational expenditures. The Company's business is seasonal with more revenues and cash flows from operations being generated in the summer months. In general, the Company relies on the credit facilities to be the initial funding source for construction expenditures. Accordingly, borrowings under the facilities may increase over time. Depending on market and other conditions, the Company will periodically sell long-term debt and use the proceeds to reduce the borrowings under the credit facilities or refinance other debt.

Information regarding the range of borrowings for each facility is as follows:

	Three Months Ended March 31, 2022	
Range of Borrowings	**Low**	**High**
	(In millions)	
PNM:		
PNM Revolving Credit Facility	$ —	$ 18.6
PNM 2017 New Mexico Credit Facility	—	—
TNMP Revolving Credit Facility	—	75.0
PNMR Revolving Credit Facility	—	71.7

At March 31, 2022, the weighted average interest rates were 1.70% for the PNM Revolving Credit Facility, 1.25% for the TNMP Revolving Credit Facility, and 1.95% for the PNMR Revolving Credit Facility. There were no borrowings outstanding under the PNM 2017 New Mexico Revolving Credit Facility at March 31, 2022.

The Company currently believes that its capital requirements for at least the next twelve months can be met through internal cash generation, existing, extended, or new credit arrangements, and access to public and private capital markets as discussed above and in Note 9. The Company anticipates that it will be necessary to obtain additional long-term financing to fund its capital requirements and to balance its capital structure during the 2022-2026 period, including interim financing to fund construction of replacement resources prior to the issuance of the Securitized Bonds included in PNM's SJGS Abandonment Application. This could include new debt and/or equity issuances. To cover the difference in the amounts and timing of internal cash generation and cash requirements, the Company intends to use short-term borrowings under its current and future liquidity arrangements or other short-term loans. Market conditions, such as rising interest rates, may raise the cost of borrowing under the Company's current and future liquidity arrangements or other variable debt. In addition, if market conditions worsen, the Company may not be able to access the capital markets or renew credit facilities when they expire. Should that occur, the Company would seek to improve cash flows by reducing capital expenditures and exploring other available alternatives.

As of April 21, 2022, ratings on the Company's securities were as follows:

	PNMR	PNM	TNMP
S&P			
Issuer rating	BBB	BBB	BBB+
Senior secured debt	*	*	A
Senior unsecured debt	BBB-	BBB	*
Preferred stock	*	BB+	*
Moody's			
Issuer rating	Baa3	Baa2	Baa1
Senior secured debt	*	*	A2
Senior unsecured debt	Baa3	Baa2	*

* Not applicable

Currently, all of the credit ratings issued by both Moody's and S&P on the Company's debt are investment grade. On February 10, 2022, Moody's downgraded TNMP's issuer rating from A3 to Baa1 and changed the outlook from negative to stable. Investors are cautioned that a security rating is not a recommendation to buy, sell, or hold securities, that each rating is subject to revision or withdrawal at any time by the rating organization, and that each rating should be evaluated independently of any other rating.

A summary of liquidity arrangements as of April 21, 2022, is as follows:

	PNM	TNMP	PNMR Separate	PNMR Consolidated
			(In millions)	
Financing capacity:				
Revolving Credit Facility	$ 400.0	$ 75.0	$ 300.0	$ 775.0
PNM 2017 New Mexico Credit Facility	40.0	—	—	40.0
Total financing capacity	$ 440.0	$ 75.0	$ 300.0	$ 815.0
Amounts outstanding as of April 21, 2022:				
Revolving Credit Facility	$ —	$ 75.0	$ 31.1	$ 106.1
PNM 2017 New Mexico Credit Facility	—	—	—	—
Letters of credit	—	—	3.4	3.4
Total short-term debt and letters of credit	—	75.0	34.5	109.5
Remaining availability as of April 21, 2022	$ 440.0	$ —	$ 265.5	$ 705.5
Invested cash as of April 21, 2022	$ 8.7	$ —	$ 0.9	$ 9.6

In addition to the above, PNMR has $30.3 million of letters of credit issued under the WFB LOC Facility. See Note 9. The above table excludes intercompany debt. As of April 21, 2022, PNM and PNMR Development had no borrowings from PNMR under their intercompany loan agreements. However, TNMP had $30.2 million in intercompany borrowings from PNMR. PNMR had $6.3 million in intercompany borrowings from PNMR Development. The remaining availability under the revolving credit facilities at any point in time varies based on a number of factors, including the timing of collections of accounts receivables and payments for construction and operating expenditures.

On March 2, 2022, PNMR filed a shelf registration that provides for the issuance of various types of debt and equity securities. The PNMR shelf registration statement expires March 2025. PNM has a shelf registration statement for up to $650.0 million of senior unsecured notes that expires in May 2023.

Other Material Cash Requirements

PNMR, PNM, and TNMP have contractual obligations for long-term debt, minimum lease payments, coal contracts, coal mine reclamation, nuclear decommissioning, SJGS plant decommissioning, pension and retiree medical contributions, and certain other long-term obligations. See MD&A – Other Material Cash Requirements in the 2021 Annual Reports on Form 10-K.

Contingent Provisions of Certain Obligations

As discussed in the 2021 Annual Reports on Form 10-K, PNMR, PNM, and TNMP have a number of debt obligations and other contractual commitments that contain contingent provisions. Some of these, if triggered, could affect the liquidity of the Company. In the unlikely event that the contingent requirements were to be triggered, PNMR, PNM, or TNMP could be required to provide security, immediately pay outstanding obligations, or be prevented from drawing on unused capacity under certain credit agreements. The contingent provisions also include contractual increases in the interest rate charged on certain of the Company's short-term debt obligations in the event of a downgrade in credit ratings. The Company believes its financing arrangements are sufficient to meet the requirements of the contingent provisions. No conditions have occurred that would result in any of the above contingent provisions being implemented.

Capital Structure

The capitalization tables below include the current maturities of long-term debt, but do not include short-term debt and do not include lease obligations as debt.

	March 31, 2022	December 31, 2021
PNMR		
PNMR common equity	35.7 %	36.9 %
Preferred stock of subsidiary	0.2	0.2
Long-term debt	64.1	62.9
Total capitalization	100.0 %	100.0 %
PNM		
PNM common equity	50.9 %	50.9 %
Preferred stock	0.3	0.3
Long-term debt	48.8	48.8
Total capitalization	100.0 %	100.0 %
TNMP		
Common equity	51.0 %	50.6 %
Long-term debt	49.0	49.4
Total capitalization	100.0 %	100.0 %

OTHER ISSUES FACING THE COMPANY

Climate Change Issues

Background

For the past several years, management has identified multiple risks and opportunities related to climate change, including potential environmental regulation, technological innovation, and availability of fuel and water for operations, as among the most significant risks facing the Company. Accordingly, these risks are overseen by the Board in order to facilitate more integrated risk and strategy oversight and planning. Board oversight includes understanding the various challenges and opportunities presented by these risks, including the financial consequences that might result from enacted and potential federal and/or state regulation of GHG; plans to mitigate these risks; and the impacts these risks may have on the Company's strategy. In addition, the Board approves certain procurements of environmental equipment, grid modernization technologies, and replacement resources.

Management is also responsible for assessing significant risks, developing and executing appropriate responses, and reporting to the Board on the status of risk activities. For example, management periodically updates the Board on the implementation of corporate environmental policy, and the Company's environmental management systems, including the promotion of energy efficiency programs, and the use of renewable resources. The Board is also informed of the Company's practices and procedures to assess the impacts of operations on the environment. The Board considers issues associated with climate change, the Company's GHG exposures, and the financial consequences that might result from enacted and potential federal and/or state regulation of GHG. Management has published, with Board oversight, a Climate Change Report available at http://www.pnmresources.com/about-us/sustainability-portal.aspx, that details the Company's efforts to transition to an emissions-free generating portfolio by 2040.

As part of management's continuing effort to monitor climate-related risks and assess opportunities, the Company has advanced its understanding of climate change by participating in the "2 Degree Scenario" planning conducted as part of the Electric Power Research Institute ("EPRI") Understanding Climate Scenarios & Goal Setting Activities program. The program

focused on characterizing and analyzing the relationship of individual electric utility company's carbon emissions and global temperature goals. Activities include analyzing the scientific understanding of global emissions pathways that are consistent with limiting global warming and providing insight to assist companies in developing approaches to climate scenario planning. As PNM expands its sustainability efforts, EPRI's environmental and climate analysis programs have also been useful in gaining a better understanding of energy and environmental policy and regulations, advanced clean energy technologies, decarbonization trends and climate impacts.

The Company cannot anticipate or predict the potential long-term effects of climate change or climate change related regulation on its results of operations, financial position, or cash flows.

Greenhouse Gas Emissions Exposures

In 2021, GHG associated with PNM's interests in its fossil-fueled generating plants included approximately 5.5 million metric tons of CO_2, which comprises the vast majority of PNM's GHG.

As of March 31, 2022, approximately 56% of PNM's generating capacity, including resources owned, leased, and under PPAs, all of which is located within the U.S., consisted of coal or gas-fired generation that produces GHG. This reflects the retirement of SJGS Units 2 and 3 that occurred in December 2017 and the restructuring of ownership in SJGS Unit 4. These events reduced PNM's entitlement in SJGS from 783 MW to 562 MW and caused the Company's output of GHG to decrease when compared to 2017. Many factors affect the amount of GHG emitted, including total electricity sales, plant performance, economic dispatch, and the availability of renewable resources. For example, wind generation performance from PNM's largest single renewable energy resource, New Mexico Wind, varies each year as a result of highly seasonal wind patterns and annual wind resource variability. Similarly, if PVNGS experienced prolonged outages or if PNM's entitlement from PVNGS were reduced, PNM might be required to utilize other power supply resources such as gas-fired generation, which could increase GHG.

PNM has several programs underway to reduce or offset GHG from its generation resource portfolio, thereby reducing its exposure to climate change regulation. As described in Note 16 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K, PNM received approval for the December 31, 2017 shutdown of SJGS Units 2 and 3 as part of its strategy to address the regional haze requirements of the CAA. The shutdown of SJGS Units 2 and 3 resulted in a reduction of GHG for the entire station of approximately 54% for 2018, reflecting a reduction of 32% of GHG from the Company's owned interests in SJGS, below 2005 levels. In 2020, PNM received authorization for a June 2022 abandonment of SJGS Units 1 and 4. On February 17, 2022, PNM notified the Commission that PNM had acquired permission of the SJGS owners and coal mine to temporarily extend operation of SJGS Unit 4 until September 30, 2022. This notification was due to SJGS replacement resources not being available for the summer 2022 peak load. In addition, PNM has filed the Four Corners Abandonment Application with the NMPRC for approval to sell its ownership interest in Four Corners by the end of 2024. On December 22, 2021, PNM filed a Notice of Appeal with the NM Supreme Court, on January 21, 2022, PNM filed its Statement of Issues regarding the appeal and on March 24, 2022, PNM filed its Brief-in-Chief. See additional discussion of the SJGS and Four Corners Abandonment in Note 12. Retiring PNM's share of SJGS and exiting participation in Four Corners would further reduce PNM's GHG as those two coal-fired stations represent approximately 86% of PNM's 2020 GHG emissions from generation.

As of March 31, 2022, PNM owned or procured power under PPAs from 957 MW of capacity from renewable generation resources. This is comprised of 158 MW of PNM owned solar as well as wind, solar-PV, and geothermal facilities aggregating to 658 MW, 130 MW, and 11 MW. These agreements currently have expiration dates beginning in January 2035 and extending through June 2045. The NMPRC has approved PNM's request to enter into additional PPAs for renewable energy for an additional 1,440 MW of energy from solar-PV facilities combined with 640 MW of battery storage agreements with an anticipated 100 MW of solar-PV expected to come online later in 2022. The entire portfolio of replacement resources approved by the NMPRC in PNM's SJGS Abandonment Application includes replacement of SJGS capacity with the procurement of 650 MW of solar PPAs combined with 300 MW of battery storage agreements and the PVNGS Leased Interest Abandonment Application for solar PPAs of 450 MW combined with 290 MW of battery storage agreements. In addition, the NMPRC issued an order that will allow PNM to service a data center for an additional 190 MW of solar PPA combined with 50 MW of battery storage and a 50 MW solar PPA expected to be operational in 2023. Approval of these renewable energy and battery resources should further reduce any exposure to GHG emissions risk. These estimates are subject to change due to underlying variables, including changes in PNM's generation portfolio, supplier's ability to meet contractual in-service dates and complex relationships between several factors. See additional discussion of these resources in Notes 11 and 12.

PNM also has a customer distributed solar generation program that represented 211.8 MW at March 31, 2022. PNM's distributed solar programs will generate an estimated 423.6 GWh of emission-free solar energy available this year to offset PNM's annual production from fossil-fueled electricity generation. PNM has offered its customers a comprehensive portfolio of energy efficiency and load management programs since 2007. PNM's cumulative savings from these programs was approximately 5,936 GWh of electricity through 2021. Over the next 20 years, PNM projects energy efficiency and load management programs will provide the equivalent of approximately 9,500 GWh of electricity savings, which will avoid at least

1.0 million metric tons of CO_2 based upon projected emissions from PNM's system-wide resources. These estimates are subject to change because of the uncertainty of many of the underlying variables, including changes in PNM's generation portfolio, demand for electricity, energy efficiency, and complex relationships between those variables.

Because of PNM's dependence on fossil-fueled generation, legislation or regulation that imposes a limit or cost on GHG could impact the cost at which electricity is produced. While PNM expects to recover any such costs through rates, the timing and outcome of proceedings for cost recovery are uncertain. In addition, to the extent that any additional costs are recovered through rates, customers may reduce their usage, relocate facilities to other areas with lower energy costs, or take other actions that ultimately could adversely impact PNM.

Other Climate Change Risks

PNM's generating stations are located in the arid southwest. Access to water for cooling for some of these facilities is critical to continued operations. Forecasts for the impacts of climate change on water supply in the southwest range from reduced precipitation to changes in the timing of precipitation. In either case, PNM's generating facilities requiring water for cooling will need to mitigate the impacts of climate change through adaptive measures. Current measures employed by PNM generating stations such as air cooling, use of grey water, improved reservoir operations, and shortage sharing arrangements with other water users will continue to be important to sustain operations.

PNM's service areas occasionally experience periodic high winds and severe thunderstorms. TNMP has operations in the Gulf Coast area of Texas, which experiences periodic hurricanes and other extreme weather conditions. In addition to potentially causing physical damage to Company-owned facilities, which disrupts the ability to transmit and/or distribute energy, weather and other events of nature can temporarily reduce customers' usage and demand for energy. In addition, other events influenced by climate change, such as wildfires, could disrupt Company operations or result in third-party claims against the Company. PNM has enhanced its wildfire prevention efforts and maintains a wildfire mitigation plan; however, PNM remains at risk for wildfires outside of its control and the resulting damages in its service areas.

EPA Regulation

In April 2007, the US Supreme Court held that EPA has the authority to regulate GHG under the CAA. This decision heightened the importance of this issue for the energy industry. In December 2009, EPA released its endangerment finding for GHG from new motor vehicles, stating that the atmospheric concentrations of six key greenhouse gases (CO_2, methane, nitrous oxides, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride) endanger the public health and welfare of current and future generations. In May 2010, EPA released the final Prevention of Significant Deterioration ("PSD") and Title V Greenhouse Gas Tailoring Rule to address GHG from stationary sources under the CAA permitting programs. The purpose of the rule was to "tailor" the applicability of two programs, the PSD construction permit and Title V operating permit programs, to avoid impacting millions of small GHG emitters. On June 23, 2014, the US Supreme Court found EPA lacked authority to "tailor" the CAA's unambiguous numerical thresholds of 100 or 250 tons per year, and thus held EPA may not require a source to obtain a PSD permit solely on the basis of its potential GHG. However, the court upheld EPA's authority to apply the PSD program for GHG to "anyway" sources - those sources that are required to comply with the PSD program for other non-GHG pollutants.

On June 25, 2013, then President Obama announced his Climate Action Plan, which outlined how his administration planned to cut GHG in the U.S., prepare the country for the impacts of climate change, and lead international efforts to combat and prepare for global warming. The plan proposed actions that would lead to the reduction of GHG by 17% below 2005 levels by 2020.

On August 3, 2015, EPA responded to the Climate Action Plan by issuing (1) the Carbon Pollution Standards for new, modified, and reconstructed power plants (under Section 111(b)); and (2) the Clean Power Plan for existing power plants (under Section 111(d)).

EPA's Carbon Pollution Standards for new sources (those constructed after January 8, 2014) established separate standards for gas and coal-fired units deemed achievable through the application of what EPA determined to be the BSER demonstrated for each type of unit efficient natural gas combined cycle technology for gas units, and partial carbon capture and sequestration for coal units. The Clean Power Plan established numeric "emission standards" for existing electric generating units based on emission reduction opportunities that EPA deemed achievable using technical assumptions for three "building blocks": efficiency improvements at coal-fired EGUs, displacement of affected EGUs with renewable energy, and displacement of coal-fired generation with natural gas-fired generation.

Multiple states, utilities, and trade groups filed petitions for review in the DC Circuit to challenge both the Carbon Pollution Standards for new sources and the Clean Power Plan for existing sources in separate cases, and the challenges successfully petitioned the US Supreme Court for a stay of the Clean Power Plan. However, before the DC Circuit could issue

an opinion regarding either the Carbon Pollution Standards or the Clean Power Plan, President Trump took office and his administration asked the court to hold both cases in abeyance while the rules were re-evaluated, which the court granted.

On June 19, 2019, EPA repealed the Clean Power Plan, promulgated the ACE Rule, and revised the implementing regulations for all emission guidelines issued under CAA Section 111(d). EPA set the BSER for existing coal-fired power plants as heat rate efficiency improvements based on a range of "candidate technologies" to be applied inside the fence-line of an individual facility. The ACE Rule was also challenged and, on January 19, 2021, the DC Circuit issued an opinion in American Lung Association and American Public Health Association v. EPA, et al. finding that EPA misinterpreted the CAA when it determined that the language of section 111 unambiguously barred consideration of emissions reductions options that were not applied at the source. As a result, the court vacated the ACE Rule and remanded the record to EPA for further consideration consistent with the court's opinion. While the D.C. Circuit rejected the ACE Rule, it did not reinstate the Clean Power Plan. EPA filed a motion seeking a partial stay of the mandate as to the repeal of the Clean Power Plan, to ensure the court's order will not render effective the now out-of-date Clean Power Plan. On February 22, 2021, the DC Circuit granted EPA's motion, indicating that it would withhold issuance of the mandate with respect to the repeal of the Clean Power Plan until EPA responds to the court's remand in a new rulemaking action. EPA has indicated it is developing a proposed rule under CAA Section 111(d) to establish guidelines for CO_2 emissions from existing EGUs. EPA expects to publish the draft rule in the summer of 2022. On October 29, 2021, the US Supreme Court granted four petitions for certiorari seeking review of the DC Circuit's decision vacating the ACE Rule and the repeal of the Clean Power Plan. Oral arguments in the US Supreme Court were held on February 28, 2022. A decision is expected in June 2022. The US Supreme Court's decision will rule on the extent of EPA's authority under CAA Section 111(d) to regulate GHGs from existing fossil-fueled EGUs.

The litigation over the Carbon Pollution Standards remains held in abeyance, but could be reactivated by the parties upon a determination by the court that the Biden Administration is unlikely to finalize the revisions proposed in 2018 and that reconsideration of the rule has concluded.

On January 20, 2021, President Biden signed an executive order "Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis," which instructs agency heads to review all Trump Administration actions for inconsistency with the Biden Administration's policy "to listen to the science; to improve public health and protect our environment; to ensure access to clean air and water; to limit exposure to dangerous chemicals and pesticides; to hold polluters accountable, including those who disproportionately harm communities of color and low-income communities; to reduce greenhouse gas emissions; to bolster resilience to the impacts of climate change; to restore and expand our national treasures and monuments; and to prioritize both environmental justice and the creation of the well-paying union jobs necessary to deliver on these goals." Agency heads were directed to consider suspending, revising or rescinding any action that is inconsistent with the stated policy. Within 30 days of the executive order, agency heads submitted to the United States Office of Management and Budget ("OMB") a preliminary list of those actions being considered for suspension, revision or rescission that would be completed by December 31, 2021, and would be subject to OMB review. Within 90 days of the executive order, agency heads submitted to OMB an updated list of such actions that would be completed by December 31, 2025. EPA is reconsidering the ACE Rule pursuant to this executive order.

Federal Legislation

President Biden has indicated that climate change is a top priority for his administration. A number of legislative proposals to address climate change are already being considered in the Democratic-led U.S. House of Representatives, but the thin majority held by the Democrats in the Senate may make enactment of new laws to address climate change difficult. On April 22, 2021, at the Earth Day Summit, as part of the U.S.'s re-entry into the Paris Agreement, President Biden unveiled the goal to cut U.S. emissions by 50% - 52% from 2005 levels by 2030, nearly double the GHG emissions reduction target set by the Obama Administration. The 2030 goal joins President Biden's other climate goals which include a carbon pollution-free power sector by 2035 and a net-zero emissions economy by no later than 2050.

State and Regional Activity

Pursuant to New Mexico law, each utility must submit an IRP to the NMPRC every three years to evaluate renewable energy, energy efficiency, load management, distributed generation, and conventional supply-side resources on a consistent and comparable basis. The IRP is required to take into consideration risk and uncertainty of fuel supply, price volatility, and costs of anticipated environmental regulations when evaluating resource options to meet supply needs of the utility's customers. The NMPRC requires that New Mexico utilities factor a standardized cost of carbon emissions into their IRPs using prices ranging between $8 and $40 per metric ton of CO_2 emitted and escalating these costs by 2.5% per year. Under the NMPRC order, each utility must analyze these standardized prices as projected operating costs. Reflecting the evolving nature of this issue, the NMPRC order states that these prices may be changed in the future to account for additional information or changed circumstances. Although these prices may not reflect the costs that ultimately will be incurred, PNM is required to use these prices for purposes of its IRP. In its 2020 filing for Four Corners Abandonment, PNM analyzed resource portfolio plans for scenarios that assumed Four Corners will operate through 2031 and for scenarios that assumed PNM will exit Four Corners at

the end of 2024. The key findings of the analysis include that exiting Four Corners in 2024 would provide long-term economic benefits to PNM's customers. See Note 12.

The ETA was signed into New Mexico state law and became effective on June 14, 2019. The ETA, among other things, requires that investor-owned utilities obtain specified percentages of their energy from renewable and carbon-free resources. Prior to the enactment of the ETA, the REA established a mandatory RPS requiring utilities to acquire a renewable energy portfolio equal to 10% of retail electric sales by 2011, 15% by 2015, and 20% by 2020. The ETA amends the REA and requires utilities operating in New Mexico to have renewable portfolios equal to 40% by 2025, 50% by 2030, 80% by 2040, and 100% zero-carbon energy by 2045. Under the ETA provisions, PNM will also be required to meet a generation emission standard of no more than 400 lbs. of CO2 per MWh beginning in 2023 and not more than 200 lbs. per MWh beginning in 2032. PNM takes this requirement into account in its resource planning and it is expected that the standards will be met with the approved resource retirements and replacements. The ETA provides for a transition from coal-fired generating resources to carbon-free resources by allowing investor-owned utilities to issue securitized bonds, or "energy transition bonds," related to the retirement of coal-fired generating facilities to qualified investors. Proceeds from the energy transition bonds must be used only for purposes related to providing utility service to customers and to pay "energy transition costs" (as defined by the ETA). These costs may include coal mine reclamation, plant decommissioning, and other costs that have not yet been charged to customers or disallowed by the NMPRC or by a court order. Proceeds provided by energy transition bonds may also be used to pay for severances for employees of the retired coal-fired generating facility and related coal mine, as well as to pay for job training, education, and economic development. Energy transition bonds must be issued under a NMPRC financing order and are paid by a non-bypassable charge paid by all customers of the issuing utility. The ETA also amends sections of the REA to allow for the recovery of undepreciated investments and decommissioning costs related to qualifying EGUs that the NMPRC has required be removed from retail jurisdictional rates, provided replacement resources to be included in retail rates have lower or zero-carbon emissions. The ETA requires the NMPRC to prioritize replacement resources in a manner intended to mitigate the economic impact to communities affected by these plant retirements. See additional discussion of the ETA in Note 11. PNM expects the ETA will have a significant impact on PNM's future generation portfolio. In February 2020, the hearing examiners assigned to the SJGS abandonment and financing proceedings issued recommended decisions recommending approval of PNM's abandonment application and for the issuance of Securitized Bonds consistent with the requirements of the ETA. On April 1, 2020, the NMPRC approved the hearing examiners' recommendation to approve PNM's application to retire its share of SJGS in 2022 and for the issuance of Securitized Bonds. PNM has also requested approval of energy transition bonds for the Four Corners Abandonment costs of that transition away from coal-fired generation. On December 15, 2021, the NMPRC denied approval of the Four Corners Abandonment Application and the corresponding request for issuance of securitized financing. On December 22, 2021, PNM filed a Notice of Appeal with the NM Supreme Court of the NMPRC decision to deny the application. PNM cannot predict the full impact of the ETA or the outcome of the NM Supreme Court decision with respect to the abandonment of Four Corners. See additional discussion of PNM's SJGS and Four Corners Abandonment Applications in Note 12.

International Accords

The United Nations Framework Convention on Climate Change ("UNFCCC") is an international environmental treaty that was negotiated at the 1992 United Nations Conference on Environment and Development (informally known as the Earth Summit) and entered into force in March 1994. The objective of the treaty is to "stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system." Parties to the UNFCCC, including the U.S., have been meeting annually in Conferences of the Parties ("COP") to assess progress in meeting the objectives of the UNFCCC.

On December 12, 2015, the Paris Agreement was finalized during the 2015 COP. The aim of the Paris Agreement is to limit global temperature rise to two degrees Celsius above pre-industrial levels. The agreement, which was agreed to by approximately 200 parties, requires that countries submit INDCs. INDCs reflect national targets and actions that arise out of national policies and elements relating to oversight, guidance and coordination of actions to reduce emissions by all countries. In November 2014, then President Obama announced the United States' commitment to reduce GHG, on an economy-wide basis, by 26%-28% from 2005 levels by the year 2025. The U.S. INDC was part of an overall effort by the former administration to have the U.S. achieve economy-wide reductions of around 80% by 2050. The former administration's GHG reduction target for the electric utility industry was a key element of its INDC and was based on EPA's GHG regulations for new, existing, modified, and reconstructed sources at that time. Thresholds for the number of countries necessary to ratify or accede to the Paris Agreement and total global GHG percentage were achieved on October 5, 2016, and the Paris Agreement entered into force on November 4, 2016. On June 1, 2017, President Trump announced that the U.S. would withdraw from the Paris Agreement. As a result of the President's notice to the United Nations, the U.S. officially withdrew from the Paris Agreement on November 4, 2020. On January 20, 2021, President Biden signed an instrument that will allow the United States to rejoin the Paris Agreement on Climate Change. The instrument was deposited with the United Nations on January 21, 2021, and the United States officially became a party to the Agreement on February 19, 2021.

PNM has calculated GHG reductions that would result from scenarios that assume PNM's scheduled retirement of its share of the SJGS in 2022 and would exit from Four Corners in either 2024 or 2031 and PNM has set a goal to have a 100%

emissions-free generating portfolio by 2040. While the Company has not conducted an independent 2 Degree Scenario analysis, our commitment to becoming 100% emissions-free by 2040 produces a carbon emissions reduction pathway that tracks within the ranges of climate scenario pathways that are consistent with limiting the global warming average to less than 2 degrees Celsius. In addition, as an investor-owned utility operating in the state of New Mexico, PNM is required to comply with the recently enacted ETA, which requires utilities' generating portfolio be 100% carbon-free by 2045. The requirements of the ETA and the Company's goal compare favorably to the U.S. INDC of 50% to 52% carbon emissions reduction by 2030 and the Biden Administration's goal of net-zero carbon emissions economy-wide by 2050. On April 1, 2020, the NMPRC approved PNM's application to retire its share of SJGS in 2022. PNM filed for abandonment of Four Corners on January 8, 2021. See Note 12.

PNM will continue to monitor the United States' participation in the Paris Agreement and other parties' involvement in these types of international accords, but the potential impact that such accords may have on the Company cannot be determined at this time.

Assessment of Legislative/Regulatory Impacts

The Company has assessed, and continues to assess, the impacts of climate change legislation and regulation on its business. This assessment is ongoing and future changes arising out of the legislative or regulatory process could impact the assessment significantly. PNM's assessment includes assumptions regarding specific GHG limits; the timing of implementation of these limits; the possibility of a market-based trading program, including the associated costs and the availability of emission credits or allowances; the development of emission reduction and/or renewable energy technologies; and provisions for cost containment. Moreover, the assessment assumes various market reactions such as the price of coal and gas and regional plant economics. These assumptions are, at best, preliminary and speculative. However, based upon these assumptions, the enactment of climate change legislation or regulation could, among other things, result in significant compliance costs, including large capital expenditures by PNM, and could jeopardize the economic viability of certain generating facilities. See Notes 11 and 12. While PNM currently expects the retirement of SJGS in 2022 will provide savings to customers, the ultimate consequences of climate change and environmental regulation could lead to increased costs to customers and affect results of operations, cash flows, and financial condition if the incurred costs are not fully recovered through regulated rates. Higher rates could also contribute to reduced usage of electricity. PNM's assessment process is evolving and is too speculative at this time for a meaningful prediction of the long-term financial impact.

Transmission Issues

At any given time, FERC has various notices of inquiry and rulemaking dockets related to transmission issues pending. Such actions may lead to changes in FERC administrative rules or ratemaking policy but have no time frame in which action must be taken or a docket closed with no further action. Further, such notices and rulemaking dockets do not apply strictly to PNM but will have industry-wide effects in that they will apply to all FERC-regulated entities. PNM monitors and often submits comments taking a position in such notices and rulemaking dockets or may join in larger group responses. PNM often cannot determine the full impact of a proposed rule and policy change until the final determination is made by FERC and PNM is unable to predict the outcome of these matters.

Financial Reform Legislation

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Reform Act"), enacted in July 2010, includes provisions that will require certain over-the-counter derivatives, or swaps, to be centrally cleared and executed through an exchange or other approved trading facility. It also includes provisions related to swap transaction reporting and record keeping and may impose margin requirements on swaps that are not centrally cleared. The U.S. Commodity Futures Trading Commission ("CFTC") has published final rules defining several key terms related to the act and has set compliance dates for various types of market participants. The Dodd-Frank Reform Act provides exemptions from certain requirements, including an exception to the mandatory clearing and swap facility execution requirements for commercial end-users that use swaps to hedge or mitigate commercial risk. PNM has elected the end-user exception to the mandatory clearing requirement. PNM expects to be in compliance with the Dodd-Frank Reform Act and related rules within the time frames required by the CFTC. However, as a result of implementing and complying with the Dodd-Frank Reform Act and related rules, PNM's swap activities could be subject to increased costs, including from higher margin requirements. At this time, PNM cannot predict the ultimate impact the Dodd-Frank Reform Act may have on PNM's financial condition, results of operations, cash flows, or liquidity.

Other Matters

See Notes 11 and 12 herein and Notes 16 and 17 of the Notes to Consolidated Financial Statements in the 2021 Annual Reports on Form 10-K for a discussion of commitments and contingencies and rate and regulatory matters.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires Company management to select and apply accounting policies that best provide the framework to report the results of operations and financial position for PNMR, PNM, and TNMP. The selection and application of those policies requires management to make difficult, subjective, and/or complex judgments concerning reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. As a result, there exists the likelihood that materially different amounts would be reported under different conditions or using different assumptions.

As of March 31, 2022, there have been no significant changes with regard to the critical accounting policies disclosed in PNMR's, PNM's, and TNMP's 2021 Annual Reports on Forms 10-K. The policies disclosed included regulatory accounting, impairments, decommissioning and reclamation costs, pension and other postretirement benefits, accounting for contingencies, and income taxes.

MD&A FOR PNM

RESULTS OF OPERATIONS

PNM operates in only one reportable segment, as presented above in Results of Operations for PNMR.

MD&A FOR TNMP

RESULTS OF OPERATIONS

TNMP operates in only one reportable segment, as presented above in Results of Operations for PNMR.

DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

Statements made in this filing that relate to future events or PNMR's, PNM's, or TNMP's 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 flows, 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. These factors, which are neither presented in order of importance nor weighted, include:

- The expected timing and likelihood of completion of the pending Merger, including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the pending Merger that could reduce anticipated benefits or cause the parties to abandon the transaction
- The occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement
- The risk that the parties may not be able to satisfy the conditions to the proposed Merger in a timely manner or at all
- The risk that the proposed Merger 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
- The ability of PNM and TNMP to recover costs and earn allowed returns in regulated jurisdictions, including the prudence of PNM's undepreciated investments in Four Corners and recovery of PNM's investments and other costs associated with that plant, and the impact on service levels for PNM customers if the ultimate outcomes do not provide for the recovery of costs and operating and capital expenditures, as well as other impacts of federal or state regulatory and judicial actions
- The ability of the Company to successfully forecast and manage its operating and capital expenditures, including aligning expenditures with the revenue levels resulting from the ultimate outcomes of regulatory proceedings, or resulting from potential mid-term or long-term impacts related to COVID-19
- Uncertainty relating to PNM's decision to return the currently leased generating capacity in PVNGS Units 1 and 2 at the expiration of their lease terms in 2023 and 2024, including future regulatory outcomes relating to the ratemaking treatment
- Uncertainty surrounding the status of PNM's participation in jointly-owned generation projects, including the changes in PNM's generation entitlement share for PVNGS following termination of the leases in 2023 and 2024, the proposed exit from Four Corners and the exit and abandonment of SJGS
- Uncertainty regarding the requirements and related costs of decommissioning power plants and reclamation of coal mines supplying certain power plants, as well as the ability to recover those costs from customers, including the potential impacts of current and future regulatory proceedings

- The impacts on the electricity usage of customers and consumers due to performance of state, regional, and national economies, energy efficiency measures, weather, seasonality, alternative sources of power, advances in technology, the impacts of COVID-19 on customer usage, and other changes in supply and demand
- Uncertainty related to the potential for regulatory orders, legislation or rulemakings that provide for municipalization of utility assets or public ownership of utility assets, including generation resources, or which would delay or otherwise impact the procurement of necessary resources in a timely manner
- The Company's ability to maintain its debt and access the financial markets in order to provide financing to repay or refinance debt as it comes due, as well as for ongoing operations and construction expenditures, including disruptions in the capital or credit markets, actions by ratings agencies, and fluctuations in interest rates, including any negative impacts that could result from the ultimate outcomes of regulatory proceedings, from the economic impacts of COVID-19, actions by the Federal Reserve to address inflationary concerns or other market conditions, geopolitical activity, or from the entry into the Merger Agreement
- The risks associated with completion of generation, transmission, distribution, and other projects, including uncertainty related to regulatory approvals and cost recovery, the ability of counterparties to meet their obligations under certain arrangements (including coal supply agreements, renewable energy resources, and approved PPAs related to replacement resources for facilities to be retired or for which the leases will terminate), and supply chain or other outside support services that may be disrupted
- The potential unavailability of cash from PNMR's subsidiaries due to regulatory, statutory, or contractual restrictions or subsidiary earnings or cash flows
- The performance of generating units, transmission systems, and distribution systems, which could be negatively affected by operational issues, fuel quality and supply chain issues (disruptions), unplanned outages, extreme weather conditions, wildfires, terrorism, cybersecurity breaches, and other catastrophic events, including the impacts of COVID-19, as well as the costs the Company may incur to repair its facilities and/or the liabilities the Company may incur to third parties in connection with such issues
- State and federal regulation or legislation relating to environmental matters and renewable energy requirements, the resultant costs of compliance, and other impacts on the operations and economic viability of PNM's generating plants
- State and federal regulatory, legislative, executive, and judicial decisions and actions on ratemaking, and taxes, including guidance related to the Tax Act, and other matters
- Risks related to climate change, including potential financial risks resulting from climate change litigation and legislative and regulatory efforts to limit GHG, including the impacts of the ETA
- Employee workforce factors, including cost control efforts and issues arising out of collective bargaining agreements and labor negotiations with union employees
- Variability of prices and volatility and liquidity in the wholesale power and natural gas markets
- Changes in price and availability of fuel and water supplies, including the ability of the mines supplying coal to PNM's coal-fired generating units and the companies involved in supplying nuclear fuel to provide adequate quantities of fuel
- Regulatory, financial, and operational risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainties
- The impacts of decreases in the values of marketable securities maintained in trusts to provide for decommissioning, reclamation, pension benefits, and other postretirement benefits, including potential increased volatility resulting from international developments and the impacts of COVID-19
- Uncertainty surrounding counterparty performance and credit risk, including the ability of counterparties to supply fuel and perform reclamation activities and impacts to financial support provided to facilitate the coal supply at SJGS
- The effectiveness of risk management regarding commodity transactions and counterparty risk
- The outcome of legal proceedings, including the extent of insurance coverage
- Changes in applicable accounting principles or policies

Any material changes to risk factors occurring after the filing of PNMR's, PNM's, and TNMP's 2021 Annual Reports on Form 10-K are disclosed in Item 1A, Risk Factors, in Part II of this Form 10-Q.

For information about the risks associated with the use of derivative financial instruments, see Item 3. "Quantitative and Qualitative Disclosures About Market Risk."

SECURITIES ACT DISCLAIMER

Certain securities described or cross-referenced in this report have not been registered under the Securities Act of 1933, as amended, or any state securities laws and may not be reoffered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. This Form 10-Q does not constitute an offer to sell or the solicitation of an offer to buy any securities.

WEBSITES

The PNMR website, www.pnmresources.com, is an important source of Company information. New or updated information for public access is routinely posted. PNMR encourages analysts, investors, and other interested parties to register

on the website to automatically receive Company information by e-mail. This information includes news releases, notices of webcasts, and filings with the SEC. Participants will not receive information that was not requested and can unsubscribe at any time.

Our corporate internet addresses are:

- PNMR: www.pnmresources.com
- PNM: www.pnm.com
- TNMP: www.tnmp.com

PNMR's corporate website (www.pnmresources.com) includes a dedicated section providing key environmental and other sustainability information related to PNM's and TNMP's operations and other information that collectively demonstrates the Company's commitment to ESG principles. This information highlights plans for PNM to be coal-free by 2024 (subject to regulatory approval) and to have an emissions-free generating portfolio by 2040.

The contents of these websites are not a part of this Form 10-Q. The SEC filings of PNMR, PNM, and TNMP, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are accessible free of charge on the PNMR website as soon as reasonably practicable after they are filed with, or furnished to, the SEC. Reports filed with the SEC are available on its website, www.sec.gov. These reports are also available in print upon request from PNMR free of charge.

Also available on the Company's website at https://www.pnmresources.com/esg-commitment/governance.aspx and in print upon request from any shareholder are PNMR's:

- Corporate Governance Principles
- Code of Ethics (*Do the Right Thing – Principles of Business Conduct*)
- Charters of the Audit and Ethics Committee, Nominating and Governance Committee, Compensation and Human Resources Committee, and Finance Committee
- Restated Articles of Incorporation and Bylaws

The Company will post amendments to or waivers from its code of ethics (to the extent applicable to the Company's executive officers and directors) on its website.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company manages the scope of its various forms of market risk through a comprehensive set of policies and procedures with oversight by senior level management through the Risk Management Committee ("RMC"). The Board's Finance Committee sets the risk limit parameters. The RMC has oversight over the risk control organization. The RMC is assigned responsibility for establishing and enforcing the policies, procedures, and limits and evaluating the risks inherent in proposed transactions on an enterprise-wide basis. The RMC's responsibilities include:

- Establishing policies regarding risk exposure levels and activities in each of the business segments
- Approving the types of derivatives entered into for hedging
- Reviewing and approving hedging risk activities
- Establishing policies regarding counterparty exposure and limits
- Authorizing and delegating transaction limits
- Reviewing and approving controls and procedures for derivative activities
- Reviewing and approving models and assumptions used to calculate mark-to-market and market risk exposure
- Proposing risk limits to the Board's Finance Committee for its approval
- Reporting to the Board's Audit and Finance Committees on these activities

To the extent an open position exists, fluctuating commodity prices, interest rates, equity prices, and economic conditions can impact financial results and financial position, either favorably or unfavorably. As a result, the Company cannot predict with certainty the impact that its risk management decisions may have on its businesses, operating results, or financial position.

Commodity Risk

Information concerning accounting for derivatives and the risks associated with commodity contracts is set forth in Note 7, including a summary of the fair values of mark-to-market energy related derivative contracts included in the Condensed Consolidated Balance Sheets. During the three months ended March 31, 2022, and the year ended December 31, 2021, the Company had no commodity derivative instruments designated as cash flow hedging instruments.

Commodity contracts that meet the definition of a derivative are recorded at fair value on the Condensed Consolidated Balance Sheets. In the three months ended March 31, 2022 and 2021, the effects of mark-to-market commodity derivative instruments had no impact to PNM's net earnings and $3.7 million and zero of fair value losses have been recorded as a regulatory asset. All of the fair values as of March 31, 2022, were determined based on prices provided by external sources other than actively quoted market prices. The net mark-to-market amounts will settle by 2022.

PNM is exposed to changes in the market prices of electricity and natural gas for the positions in its wholesale portfolio not covered by the FPPAC. The Company manages risks associated with these market fluctuations by utilizing various commodity instruments that may qualify as derivatives, including futures, forwards, options, and swaps. PNM uses such instruments to hedge its exposure to changes in the market prices of electricity and natural gas. PNM also uses such instruments under an NMPRC approved hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC.

Unusually cold weather in February 2021 resulted in higher than expected natural gas and purchased power costs. PNM mitigated the impacts from the cold weather by securing gas supplies in advance, engaging in market purchases when lower prices were available, and adjusting plant operation of its gas units to minimize reliance on higher-priced gas supplies. PNM estimates the impact of the cold weather conditions in the first quarter of 2021 resulted in approximately $20 million of additional natural gas costs and approximately $8 million in additional purchased power costs. These fuel increases were passed through to customers under the FPPAC.

Credit Risk

The Company is exposed to credit risk from its retail and wholesale customers, as well as the counterparties to derivative instruments. The Company conducts counterparty risk analysis across business segments and uses a credit management process to assess the financial conditions of counterparties. The following table provides information related to credit exposure by the credit worthiness (credit rating) and concentration of credit risk for wholesale counterparties, all of which will mature in less than two years.

Schedule of Credit Risk Exposure
March 31, 2022

Rating[1]	Credit Risk Exposure[2]	Number of Counter-parties >10%	Net Exposure of Counter-parties >10%
	(Dollars in thousands)		
External ratings:			
Investment grade	$ 4,764	1	$ 2,993
Non-investment grade	—	—	—
Split ratings	—	—	—
Internal ratings:			
Investment grade	1,510	—	—
Non-investment grade	—	—	—
Total	$ 6,274		$ 2,993

(1) The rating “Investment Grade” is for counterparties, or a guarantor, with a minimum S&P rating of BBB- or Moody’s rating of Baa3. The category “Internal Ratings – Investment Grade” includes those counterparties that are internally rated as investment grade in accordance with the guidelines established in the Company’s credit policy.

(2) The Credit Risk Exposure is the gross credit exposure, including long-term contracts (other than the Tri-State hazard sharing agreement), forward sales, and short-term sales. The gross exposure captures the amounts from receivables/payables for realized transactions, delivered and unbilled revenues, and mark-to-market gains/losses. Gross exposures can be offset according to legally enforceable netting arrangements but are not reduced by posted credit collateral. At March 31, 2022, PNMR held $0.9 million of cash collateral to offset its credit exposure.

Net credit risk for the Company’s largest counterparty as of March 31, 2022, was $3.0 million.

Other investments have no significant counterparty credit risk.

Interest Rate Risk

The majority of PNM’s and TNMP's long-term debt is fixed-rate debt, which does not expose earnings to adverse changes in market interest rates. PNM and TNMP earnings are exposed to adverse changes in market interest rates when long-term debt must be refinanced, repriced or redeemed. PNMR's debt and the revolving credit facilities of PNM and TNMP are exposed to interest rate risk to the extent variable interest rates continue to rise. The Company periodically makes plans to reduce its variable interest rate exposures through various instruments including fixed rate debt and equity, and otherwise expects that it will be able to extend or replace variable rate debt under similar terms and conditions prior to their expirations.

Variable interest rates under the PNMR and PNM facilities are based on LIBOR but contain provisions which allow for the replacement of LIBOR with other widely accepted interest rates. Variable interest rates under the TNMP facility are based on SOFR.

At April 21, 2022, variable rate debt balances and weighted average interest rates were as follows:

Variable Rate Debt	Weighted Average Interest Rate	Balance Outstanding	Capacity
		(In thousands)	
Short-term Debt:			
PNMR Revolving Credit Facility	2.06 %	$ 31,100	$ 300,000
PNM Revolving Credit Facility	—	—	400,000
PNM 2017 New Mexico Credit Facility	—	—	40,000
TNMP Revolving Credit Facility	1.34	75,000	75,000
		$ 106,100	$ 815,000
Long-term Debt:			
PNMR 2021 Delayed-Draw Term Loan	1.30 %	$ 1,000,000	
PNM 2021 Term Loan	1.28	75,000	
		$ 1,075,000	

The investments held by PNM in trusts for decommissioning and reclamation had an estimated fair value of $431.1 million at March 31, 2022, of which 59.2% were fixed-rate debt securities that subject PNM to risk of loss of fair value with increases in market interest rates. If interest rates were to increase by 50 basis points from their levels at March 31, 2022, the decrease in the fair value of the fixed-rate securities would be 2.0%, or $5.1 million.

PNM does not directly recover or return through rates any losses or gains on the securities, including equity investments discussed below, in the trusts for decommissioning and reclamation. However, the overall performance of these trusts does enter into the periodic determinations of expense and funding levels, which are factored into the rate making process to the extent applicable to regulated operations. The NMPRC ruled in the NM 2015 Rate Case that PNM would not be able to include future contributions made by PNM for decommissioning of PVNGS to the extent applicable to certain capacity purchased and leased by PNM in rates charged to retail customers. The NM Supreme Court ruled that the NMPRC's decision to disallow recovery of such future contributions for decommissioning denied PNM due process and remanded the matter back to the NMPRC for further proceedings. PNM is at risk for shortfalls in funding of obligations due to investment losses, including those from the equity market risks discussed below, to the extent not ultimately recovered through rates charged to customers.

Equity Market Risk

The investments held by PNM in trusts for decommissioning and reclamation include certain equity securities at March 31, 2022. These equity securities expose PNM to losses in fair value should the market values of the underlying securities decline. Equity securities comprised 37.6% of the securities held by the trusts as of March 31, 2022. A hypothetical 10% decrease in equity prices would reduce the fair values of these funds by $16.2 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As of the end of the period covered by this quarterly report, each of PNMR, PNM, and TNMP conducted an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer of each of PNMR, PNM, and TNMP concluded that the disclosure controls and procedures are effective.

Changes in internal controls over financial reporting

There have been no changes in each of PNMR's, PNM's, and TNMP's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended March 31, 2022, that have materially affected, or are reasonably likely to materially affect, each of PNMR's, PNM's, and TNMP's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Notes 11 and 12 for information related to the following matters, for PNMR, PNM, and TNMP, incorporated in this item by reference.

Note 11

- Cooling Water Intake Structures
- Santa Fe Generating Station
- Navajo Nations Allottee Matters

Note 12

- PNMR – Merger Regulatory Proceedings
- PNM – 2020 Decoupling Petition
- PNM – 2020 Integrated Resource Plan
- PNM – SJGS Abandonment Application
- PNM – Four Corners Abandonment Application
- PNM – PVNGS Leased Interest Abandonment Application
- PNM – FERC Compliance
- TNMP – Transmission Cost of Service Rates

ITEM 1A. RISK FACTORS

As of the date of this report, there have been no material changes with regard to the Risk Factors disclosed in PNMR's, PNM's, and TNMP's Annual Reports on Form 10-K for the year ended December 31, 2021, except as set forth below.

Changes in interest rates could adversely affect our business.

Interest rates may increase in the future. As a result, interest rates on future credit facilities and debt offerings could be higher than current levels, causing our financing costs to increase accordingly. In addition, because we use both fixed and variable rate debt, we are exposed to market risk due to the floating interest rates on our variable rate borrowings. Our results of operations, cash flows and financial position could be affected adversely by significant fluctuations in interest rates from current levels.

The financial performance of PNMR, PNM, and TNMP may be adversely affected if power plants, other generation resources and transmission and distribution systems do not operate reliably and efficiently.

The Company’s financial performance depends on the successful operation of PNM’s generation assets, as well as the transmission and distribution systems of PNM and TNMP. PNM’s recent abandonment applications for SJGS and Four Corners will increase PNM’s dependency on other generation resources, including renewable resources, gas-fired facilities, and PVNGS, and will reduce PNM’s flexibility in managing those resources. Unscheduled or longer than expected maintenance outages, breakdown or failure of equipment or processes due to aging infrastructure, inability to install or operate renewable resources, temporary or permanent shutdowns to achieve environmental compliance, other performance problems with the generation assets, unfavorable geologic conditions, severe weather conditions, accidents and other catastrophic events, acts of war or terrorism, cybersecurity attacks, wildfires, disruptions in the supply, quality, and delivery of fuel and water supplies, and other factors could result in PNM’s load requirements being larger than available system generation capacity. Unplanned outages of generating units, extensions of scheduled outages and delays in replacement resources occur from time to time and are an inherent risk of the Company’s business. If these were to occur, PNM would be required to purchase electricity in either the wholesale market or spot market at the then-current market price. There can be no assurance that sufficient electricity would be available at reasonable prices, or available at all. The failure of transmission or distribution facilities may also affect PNM’s and TNMP’s ability to deliver power. These potential generation, distribution, and transmission problems, and any service interruptions related to them, could result in lost revenues and additional costs.

ITEM 5. OTHER INFORMATION

April 2022 Bond Purchase Agreement

On April 27, 2022, TNMP entered into the TNMP 2022 Bond Purchase Agreement with the institutional investors party thereto for the sale of $160.0 million aggregate principal amount of TNMP 2022 Bonds offered in a private placement transaction. Under the TNMP 2022 Bond Purchase Agreement, TNMP has agreed to issue (i) on May 12, 2022, $65,000,000 aggregate principal amount of its 4.13% First Mortgage Bonds, due May 12, 2052, Series 2022A (the “2022A Bonds”) and (ii)

on or before July 28, 2022, $95,000,000 aggregate principal amount of its 3.81% First Mortgage Bonds, due July 28, 2032, Series 2022C (the "2022C Bonds" and, together with the 2022A Bonds, the "TNMP 2022 Bonds"). The issuance of the TNMP 2022 Bonds is subject to the satisfaction of customary conditions, including continuing compliance with the representations, warranties and covenants of the TNMP Bond Purchase Agreement. TNMP will use the proceeds from the TNMP 2022 Bonds for the repayment of existing debt (including revolving credit facility borrowings), to fund capital expenditures and other general corporate purposes.

The TNMP 2022 Bonds will be secured by a first mortgage on substantially all of TNMP's property, subject to excepted encumbrances, reservations, contracts, and other exceptions. The TNMP 2022 Bonds will be issued pursuant to TNMP's First Mortgage Indenture dated as of March 23, 2009 (the "First Mortgage Indenture"), between TNMP and U.S. Bank Trust Company, National Association (as ultimate successor to The Bank of New York Mellon Trust Company, N.A.), as Trustee, as previously supplemented and amended and as to be further supplemented by a fifteenth supplemental indenture to be dated on May 12, 2022 (providing for the issuance of the 2022A Bonds), and a seventeenth supplemental indenture to be dated on or before July 28, 2022 (providing for the issuance of the 2022C Bonds). A copy of the First Mortgage Indenture was filed by TNMP as an exhibit to its Current Report on Form 8-K filed on March 27, 2009. A copy of the forms of the fifteenth and seventeenth supplemental indentures pursuant to which the TNMP 2022 Bonds will be issued are included as schedules to the TNMP Bond Purchase Agreement.

The terms of the TNMP 2022 Bonds will include customary covenants, including a covenant that requires the maintenance of a debt-to-capitalization ratio of less than or equal to 65%, customary events of default, a cross-default provision, and a change-of-control provision. In the event of a change of control (as defined in the fifteenth and seventeenth supplemental indentures, other than in connection with the pending Merger between PNM Resources, Inc. and Avangrid), TNMP will be required to offer to prepay the TNMP 2022 Bonds at par. TNMP will have the right to redeem any or all of the TNMP 2022 Bonds prior to their respective maturities, subject to payment of a customary make-whole premium.

The foregoing description is qualified in its entirety by the TNMP 2022 Bond Purchase Agreement, which is filed as Exhibit 10.9 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

The TNMP 2022 Bonds are not registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements and applicable state laws. This Quarterly Report on Form 10-Q does not constitute an offer to sell nor a solicitation of an offer to purchase the TNMP 2022 Bonds or any other securities, and shall not constitute an offer, solicitation or sale in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful.

ITEM 6. EXHIBITS

2.1	PNMR	Amendment to Merger Agreement, dated as of January 3, 2022, by and among PNM Resources, Inc., Avangrid, Inc., and NM Green Holdings, Inc. (incorporated by reference to Exhibit 2.1 to PNMR's Current Report on Form 8-K filed January 3, 2022)
3.1	PNMR	Articles of Incorporation of PNMR, as amended to date (incorporated by reference to Exhibit 3.1 to PNMR's Current Report on Form 8-K filed November 21, 2008)
3.2	PNM	Restated Articles of Incorporation of PNM, as amended through May 31, 2002 (incorporated by reference to Exhibit 3.1.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002)
3.3	TNMP	Articles of Incorporation of TNMP, as amended through July 7, 2005 (incorporated by reference to Exhibit 3.1.2 to TNMP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005)
3.4	PNMR	Bylaws of PNMR, with all amendments to and including October 24, 2017 (incorporated by reference to Exhibit 3.1 to PNMR's Current Report on Form 8-K filed October 25, 2017)
3.5	PNM	Bylaws of PNM, with all amendments to and including May 31, 2002 (incorporated by reference to Exhibit 3.1.2 to PNM's Report on Form 10-Q for the fiscal quarter ended June 30, 2002)
3.6	TNMP	Bylaws of TNMP, with all amendments to and including June 18, 2013 (incorporated by reference to Exhibit 3.6 to TNMP's Current Report on Form 8-K filed June 20, 2013)
10.1	PNMR	2022 Director Compensation Summary
10.2	PNMR	PNMR 2022 Officer Annual Incentive Plan dated April 19, 2022
10.3	PNMR	PNMR 2022 Long-Term Incentive Plan dated April 19, 2022
10.4	PNMR	First Amendment dated April 19, 2022 to PNMR 2021 Long-Term Incentive Plan

10.5	PNMR	Second Letter Amendment to PNMR 2020 Long-Term Incentive Plan for Charles Eldred, effective March 1, 2022
10.6	PNMR	Second Letter Amendment to PNMR 2020 Long-Term Incentive Plan for Patricia Collawn, effective March 1, 2022
10.7	PNMR	Second Letter Amendment to PNMR 2020 Long-Term Incentive Plan for Patrick Apodaca, effective March 1, 2022
10.8	PNMR	Employee Transition and Separation Agreement between PNMR and Charles Eldred, effective March 1, 2022
10.9	TNMP	Bond Purchase Agreement dated April 27, 2022 between TNMP and the purchasers named therein ($65,000,000 of 4.13% First Mortgage Bonds due 2052, Series 2022A, $95,000,000 of 3.81% First Mortgage Bonds due 2032, Series 2022C)
10.10	TNMP	Fourth Amended and Restated Credit Agreement, dated as of March 11, 2022, among Texas-New Mexico Power Company, the lenders party thereto and KeyBank National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to TNMP's Current Report on Form 8-K filed March 11, 2022)
31.1	PNMR	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	PNMR	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	PNM	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4	PNM	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.5	TNMP	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.6	TNMP	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	PNMR	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	PNM	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.3	TNMP	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	PNMR, PNM, and TNMP	XBRL Instance Document - The instance document does not appear in the interactive data file because XBRL tags are embedded within the Inline XBRL document
101.SCH	PNMR, PNM, and TNMP	Inline XBRL Taxonomy Extension Schema Document
101.CAL	PNMR, PNM, and TNMP	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	PNMR, PNM, and TNMP	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	PNMR, PNM, and TNMP	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	PNMR, PNM, and TNMP	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	PNMR, PNM, and TNMP	Cover Page Inline XBRL File (included in Exhibits 101)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

PNM RESOURCES, INC.
PUBLIC SERVICE COMPANY OF NEW MEXICO
TEXAS-NEW MEXICO POWER COMPANY
(Registrants)

Date: April 28, 2022

/s/ Henry E. Monroy
Henry E. Monroy
Vice President and Corporate Controller
(Officer duly authorized to sign this report)

Exhibit 10.1

2022 Director Compensation Summary

Non-employee directors of PNM Resources, Inc. (the "Company") receive their annual retainer in the form of cash and stock-based compensation as determined by the Company's Board of Directors (the "Board"). At the March 1, 2022 Board meeting, the Board approved the following changes to director compensation for 2022: increasing 1) the annual cash retainer from $$90,000 $95,000; 2) the market value of the annual award of restricted stock rights from $120,000 to $125,000; 3) the Lead Director fee from $25,000 to $30,000; 4) the Compensation Committee Chair retainer from $12,500 to $15,000; and 5) the Finance and Nominating Committee Chairs retainers from $10,000 to $12,500. Thus, the 2022 annual retainer for non-employee directors is as follows:

Annual Retainer:	An annual cash retainer of $95,000 paid in quarterly installments and restricted stock rights* with a grant date market value of $125,000 awarded on the date of the 2022 Annual Meeting of Shareholders
Lead Director Fee:	$30,000 paid in quarterly installments
Audit and Ethics Committee Chair Retainer:	$15,000 paid in quarterly installments
Compensation and Human Resources Committee Chair Retainer:	$15,000 paid in quarterly installments
Finance Committee Chair Retainer:	$12,500 paid in quarterly installments
Nominating and Governance Committee Chair Retainer:	$12,500 paid in quarterly installments
Supplemental Meeting Fees:	$1,500 payable for and after each meeting of a particular committee or the full Board, as the case may be, attended by a committee member or non-employee director, respectively, in excess of eight committee or full Board meetings annually

Directors are also reimbursed for any Board-related expenses, such as travel expenses incurred to attend Board and Board committee meetings and director educational programs. Further, directors are indemnified by the Company to the fullest extent permitted by law pursuant to the Company's bylaws and indemnification agreements between the Company and each director. No retirement or other benefit plans are available to directors.

* The amount of the annual award of restricted stock rights is determined by dividing $125,000 by the closing price of the Company's stock on the New York Stock Exchange on the day of the grant. Restricted stock rights granted under the Company's Performance Equity Plan vest on the first anniversary of the grant date, subject to vesting acceleration upon certain events, including disability. The directors may defer receipt of vested restricted stock rights granted on and after May 2018 to the earlier of (1) the five-year anniversary of termination of service with the Board or (2) a date certain or termination of service anniversary selected by the director. These awards are typically made at the annual meeting of directors, unless the meeting occurs during a black-out period for trading in the Company's securities as specified in the Company's Insider Trading Policy. As set forth under the Company's Equity Compensation Awards Policy, under those circumstances, the Board will either (a) schedule a special meeting after the expiration of the black-out period, (b) make awards pursuant to a unanimous written consent executed after the expiration of the black-out period, or (c) pre-approve the equity awards with an effective date after the expiration of the black-out period. The date of the awards is the date on which the Board approves the awards, unless (i) the approval date is a non-trading day, in which case the date is the immediately preceding trading date or (ii) in the case of pre-approval during a black-out period, in which case the grant date is the first trading date after the expiration of the black-out period. The PEP limits the maximum amount of shares that may be granted to any non-employee director during any calendar year to no more than 15,000 shares.

PNM RESOURCES, INC.
2022 OFFICER ANNUAL INCENTIVE PLAN

Introduction

PNM Resources, Inc. (the "Company" or "PNMR") has adopted this 2022 Officer Annual Incentive Plan (the "Plan") for the purpose of providing annual cash-based incentive awards (each an "Award") to eligible Officers (as defined below).

Capitalized terms that are used, but not defined, in this Plan document shall have the meanings given to them in the PNM Resources, Inc. 2014 Performance Equity Plan (the "PEP").

Eligibility

All Officers of the Company are eligible to participate in the Plan. For purposes of the Plan, the term "Officer" means any employee who: (1) has the title of Chief Executive Officer, Executive Vice President, Senior Vice President, Vice President or higher; and (2) who is in salary grade H18 or higher.

Award Determinations in General

Awards are based on: (1) the Incentive Earnings Per Share ("Incentive EPS") levels (as described below and as set forth in Table 1 of Attachment A) for the Performance Period; (2) the weighting between Corporate and Business Area Goals (as set forth in Table 2 of Attachment A); and (3) Award levels (as set forth in Table 3 of Attachment A) achieved during the Performance Period. For purposes of the Plan, the "Performance Period" means the period beginning on January 1, 2022 and ending on December 31, 2022.

An Officer's Award will equal the Officer's share of the Incentive EPS Award Pool as described below. If, however, the Officer's share of the appropriate Performance Award Pool as described below is less than the Officer's share of the Incentive EPS Award Pool, the Officer will receive the smaller amount.

An Officer's share of the Incentive EPS Award Pool or the Performance Award Pool (each, an "Award Pool"), as applicable, will be based upon the amount potentially payable to the Officer for the attained level of performance (Threshold, Target or Maximum, as determined in accordance with Table 3 of Attachment A), as compared to the aggregate amounts potentially payable for the attained level of performance to all of the Officers who are entitled to share in that Award Pool. In determining the amount potentially payable to an Officer, the Officer's base salary will be determined as of December 31, 2022. In no event will the amount payable to an Officer exceed the indicated percentage of the Officer's base salary for the attained performance level set forth in Table 3 of Attachment A. In addition, in no event will the amount payable to one Officer be increased due to a decrease in the amount payable to any other Officer.

Incentive EPS Award Pool

In order for any Awards to be payable to eligible Officers, the Company must achieve the Threshold Incentive EPS level set forth in Table 1 of Attachment A. If the Company does not achieve the Threshold Incentive EPS level (calculated before any charges for amounts due pursuant to this Plan), no Awards are payable under the Plan to any Officer. If the Company achieves the Threshold Incentive EPS level (calculated before any charges for amounts due pursuant to this Plan), but the charges for amounts due pursuant to this Plan reduce the Incentive EPS to an amount below the Threshold Incentive EPS level, the Threshold level Incentive EPS Award Pool shall be reduced by the amount necessary to assure that the Incentive EPS is equal to the Threshold Incentive EPS level, unless the Committee, in the exercise of its discretion concludes that no Awards should be payable.

If the Threshold, Target or Maximum Incentive EPS levels set forth in Table 1 of Attachment A are achieved, the aggregate potential Awards payable to the Officers at that level of performance (*e.g.*, the aggregate level of Awards payable at Threshold, Target or Maximum set forth in Table 3 of Attachment A) will make up the "Incentive EPS Award Pool." If the actual Incentive EPS exceeds the minimum level for a performance level by at least $0.01, but is less than the maximum level for that performance level (*e.g.*, if the actual Incentive EPS exceeds $2.50 but is less than $2.55), the Incentive EPS Award Pool will be increased by using straight-line interpolation between the size of the Incentive EPS Award Pool based on the attained level (*e.g.*, Threshold) and the size of the Incentive EPS Award Pool at the next higher level (*e.g.*, Target). The Committee has the discretion to increase the Incentive EPS Award Pool by a lesser amount than would otherwise apply under straight-line interpolation. The Incentive EPS Award Pool is capped by the aggregate Maximum Awards set forth in Table 3 of Attachment A for all eligible Officers.

Performance Award Pool

A Corporate Goals Scorecard and Business Area Goals Scorecard listing each performance measure established by the Committee will be maintained by the PNMR Services Company Human Resources Department. As set forth in Table 2 of Attachment A, the performance of the Chief Executive Officer and the Senior Officers (the Executive Vice President and the Senior Vice Presidents) are measured 100% on the Corporate Goals Scorecard. Vice Presidents are measured 60% on the Corporate Goals Scorecard and 40% on the Business Area Goals Scorecard.

The "Performance Award Pool" for each Business Area is the amount that could be paid in the aggregate to the Vice Presidents assigned to that Business Area based on performance alone, determined by using the following multi-step process:

a) Select the scorecard results from the appropriate Corporate Goals Scorecard and Business Area Goals Scorecard;

b) Then multiply each result by the appropriate weighting for the scorecard as set forth in Table 2 of Attachment A;

c) Then multiply the total Vice President salaries for that Business Area by the Target Award Level as set forth in Table 3 of Attachment A;

d) Then multiply the result of each scorecard (Step b), expressed as a percentage of Target, by the aggregate base salaries of the Vice Presidents included in that Business Area (Step c); and

e) Sum the results for the Vice President participants.

The Performance Award Pool for the Chief Executive Officer and the Senior Officers will be constructed by using the same process but will be based solely upon the Corporate Goals Scorecard.

Award Approval and Payout Timing

In early 2023, management will review the level of Awards, if any, and will provide the final Awards calculation to the Committee. The Committee will review the level of Awards and the Awards calculation and will approve the Awards for all Officers, other than the Chief Executive Officer. The independent directors of the Board will approve the Chief Executive Officer's Award. To the extent Awards are payable under the Plan, the Company will make the payment on or before March 15, 2023 in a single lump sum cash payment, subject to applicable withholding.

The Committee shall retain the authority to adjust the Incentive EPS Award Pool and the Performance Award Pool, to adjust the level of attainment of the Incentive EPS or Corporate Goals and Business Area Goals Scorecards or to otherwise increase or decrease the amount payable with respect to any Award made pursuant to this Plan.

Provisions for a Change in Control

If a Change in Control occurs during the Performance Period and the Officer remains employed by the Company or an Affiliate at the end of the Performance Period, the Officer may be entitled to receive an Award for the Performance Period as determined in accordance with the provisions of this Plan. If the Plan is modified after the occurrence of a Change in Control in a manner that has the effect of reducing the amounts otherwise payable under the Plan, an Officer who remains employed by the Company or an Affiliate at the end of the Performance Period will receive, at a minimum, an Award equal to 50% of the Maximum Award available under this Plan for the Performance Period.

If an Officer terminates employment with the Company or an Affiliate during the Performance Period due to a Qualifying Change in Control Termination, the Officer may be entitled to receive a special payment pursuant to the PNM Resources, Inc. Officer Retention Plan in lieu of any payments under this Plan.

Pro-rata Awards for Partial Service Periods

In certain circumstances (as set forth below) Officers may or may not be eligible for a pro-rata Award under the Plan.

The following Officers are **not eligible** for any Award, including a pro-rata Award:

– Officers who terminate employment with the Company or an Affiliate on or before the date on which Awards are distributed for the Performance Period for any reason other than death,

Impaction, Retirement or Disability. As noted above, Officers who terminate employment with the Company or an Affiliate during the Performance Period due to a Qualifying Change in Control Termination may be entitled to receive a special payment pursuant to the PNM Resources, Inc. Officer Retention Plan in lieu of any payments under this Plan.

- Officers who elect voluntary separation or Retirement in lieu of termination for performance or misconduct.

The following Officers may be eligible for a pro-rata Award:

- Officers who are newly hired during the Performance Period and are employed by the Company or an Affiliate on the day on which Awards are distributed for the Performance Period.

- Employees or Officers who are promoted, transferred or demoted during the Performance Period and are employed by the Company or an Affiliate on the day on which Awards are distributed for the Performance Period. An employee or Officer who is promoted, transferred or demoted during the Performance Period and subsequently terminates employment due to death, Impaction, Retirement or Disability during the Performance Period will remain eligible for a pro-rata Award.

- Officers who are on leave of absence for any full month(s) during the Performance Period and are employed by the Company or an Affiliate on the day on which Awards are distributed for the Performance Period.

- Officers who terminate employment with the Company or an Affiliate during the Performance Period due to Impaction, Retirement or Disability.

- Officers who die during the Performance Period, in which case the Award will be paid to the spouse of a married Officer or the estate of an unmarried Officer.

If an Officer is eligible for a pro-rata Award, it will be calculated based on the number of full month(s) that the Officer was actively employed at each eligibility level during the Performance Period compared to the number of full months included in the Performance Period. (Note: Only months in which the Officer is actively employed on the payroll on the first and last day of the month will count as a full month.) Notwithstanding the foregoing, if an Officer is promoted from one eligibility level to another eligibility level in the middle of a month, the Officer shall be treated as being employed at the higher eligibility level for the entire month. If an Officer who is eligible for a pro-rata Award is not employed on December 31, 2022, the pro-rata Award for the eligible Officer will be calculated using the Officer's base salary on the date of his termination of employment. Any pro-rata Award to which an Officer becomes eligible pursuant to this paragraph will be paid to the Officer in a single lump sum cash payment subject to applicable withholding, on or before March 15, 2023.

Ethics

The purpose of the Plan is to fairly reward performance achievement. Any Officer who manipulates or attempts to manipulate the Plan for personal gain at the expense of customers, shareholders, other employees or the Company or its Affiliates will be subject to disciplinary

action, up to and including termination of employment, and will forfeit and be ineligible to receive any Award under the Plan.

Continuation of Employment

This Plan does not confer upon any Officer any right to continue in the employment of the Company or any Affiliate and does not limit the right of the Company or any Affiliate, in its sole discretion, to terminate the employment of any Officer at any time. This Plan also does not limit any right that the Company or any Affiliate has to terminate the employment of any Officer in accordance with any written employment agreement the Company and Officer may have.

Clawbacks

All Awards issued under this Plan are subject to potential forfeiture or recovery to the fullest extent called for by the Company's Clawback Policy. By accepting an Award, an Officer consents to the Clawback Policy and agrees to be bound by and comply with the Clawback Policy and to return the full amount required by the Clawback Policy.

Amendments

The Committee, in its sole discretion, reserves the right to adjust, amend or suspend the Plan during the Performance Period. The Senior Vice President and General Counsel is hereby authorized to correct any typographical or similar errors in the Plan and any other documents issued in connection with the Plan.

/s/ Patrick V. Apodaca
Patrick V. Apodaca
SVP and General Counsel

Dated: April 19, 2022

ATTACHMENT A

Incentive EPS Table
(Table 1)

	Incentive EPS[1]
No Award	Less than $2.50
Threshold	Greater than or equal to $2.50 and less than $2.55
Target	Greater than or equal to $2.55 and less than $2.63
Maximum	Greater than or equal to $2.63

Scorecard Weighting Table
(Table 2)

Scorecard Results		
Scorecard Level	**Corporate Weighting**	**Business Area Weighting**
CEO & Senior Officers	100%	0%
Vice Presidents	60%	40%

[1]Equals PNMR's diluted EPS for the fiscal years ending December 31, 2022 calculated in accordance with Generally Accepted Accounting Principles and reported in the Company's Form 10-K for PNMR adjusted to exclude the following items: (1) mark-to-market impact of economic hedges, (2) regulatory disallowances, (3) net change in unrealized gains and losses on investment securities, (4) gains or losses on reacquired debt, (5) goodwill or other asset impairments, (6) impacts of acquisition and disposition activities, including but not limited to pension expense or income associated with Public Service Company of New Mexico's ("PNM") former gas utility operations, (7) impact of the Company's adoption of an accounting pronouncement or the Company's adoption of a change in accounting pronouncement on or after March 18, 2022, (8) the loss, impairment, or write-up of any deferred tax asset or liability that was earned and recognized in a prior tax year, but that must be revalued in the current year, (9) judgments entered or settlements reached in litigation or other regulatory proceedings, (10) increases or decreases in the liabilities associated with PNM's retired generating stations, including but not limited to expenses incurred in demolition or environmental work of such generating stations, (11) costs associated with process improvement initiatives, (12) expected credit loss allowances or reversals, and (13) changes to the liabilities associated with mine reclamation costs including but not limited to: (a) changes in the discount rate used to measure those liabilities, (b) an early retirement of generating stations, or (c) actions taken by the New Mexico Public Regulation Commission.

Award Levels Table
(Table 3)

Award Levels	Threshold	Target	Maximum
CEO	57.5%	115%	230%
EVP	37.5%	75%	150%
SVP and CFO as of January 1, 2022[2]	32.5%	65%	130%
SVPs (other than SVP and CFO as of January 1, 2022)	27.5%	55%	110%
Vice-Presidents	22.5%	45%	90%

[2] For purposes of Table 3, the SVP and Chief Financial Officer is determined as of the first day of the Performance Period.

PNM RESOURCES, INC.
2022 LONG-TERM INCENTIVE PLAN

Introduction

- The 2022 Long-Term Incentive Plan (the "Plan") provides eligible Officers of PNM Resources, Inc. (the "Company" or "PNMR") with the opportunity to earn Performance Share Awards (70% of the total opportunity) and time-vested Restricted Stock Rights Awards (30% of the total opportunity). For purposes of the Plan, "Officer" means any Officer of the Company who: (1) has the title of Chief Executive Officer, Executive Vice President, Senior Vice President, Vice President or higher; and (2) who is in salary grade H18 or higher.

- The number of Performance Shares earned by an Officer for the Performance Period (as described below) will depend on the Officer's position (*e.g.*, Chief Executive Officer, Executive Vice President, Senior Vice President or Vice President), the Officer's base salary and the Company's level of attainment of an Earnings Growth Goal and a FFO/Debt Ratio Goal, as described below and in Attachment A.

- The number of time-vested Restricted Stock Rights granted to an Officer at the end of each Performance Period will depend on the Officer's position, the Officer's base salary and the discretion of the Committee.

Performance Period

- The Performance Period began on January 1, 2022 and will end on December 31, 2024.

Performance Goals

- The number of Performance Shares that an Officer will receive for the Performance Period will depend on the Company's level of attainment of an Earnings Growth Goal and a FFO/Debt Ratio Goal.

- These goals and the corresponding Awards are described in the Performance Goal Table (Attachment A).

Performance Share Award Opportunities

- The Company's level of attainment (Threshold, Target or Maximum) of the Earnings Growth Goal and the FFO/Debt Ratio Goal determines the level of the Officer's Performance Share Awards.

- An Officer's Performance Share Award opportunities also will vary depending on the Officer's position and the Officer's base salary, all as determined in accordance with the Performance Share Award Opportunity Table (Attachment B).

- For purposes of determining the number of Performance Shares to which an Officer is entitled at any particular Award level, the value of one Performance Share shall be equal to the Fair Market Value of one share of the Company's Stock on the relevant Grant Date and the Officer's base salary shall equal the Officer's base salary as of the first day of the Performance Period.

Time-Vested Restricted Stock Rights Award Opportunities

- After the Performance Period (generally between the next following January 1 and March 15), the Committee will consider whether to grant time-vested Restricted Stock Rights Awards to the participating Officers.

- If the Committee, with the approval of the Board, decides to make a time-vested Restricted Stock Rights Award to a particular Officer, it must adopt a written resolution to that effect. In the resolution, the Committee will establish the Grant Date for the time-vested Restricted Stock Rights Award.

- An Officer's time-vested Restricted Stock Rights Award opportunity will vary depending on the Officer's position and the Officer's base salary, all as determined in accordance with the attached Time-Vested Restricted Stock Rights Award Opportunity Table (Attachment C). The Committee reserves the discretion to grant an Award that is less than the opportunity set forth in the Time-Vested Restricted Stock Rights Award Opportunity Table or to grant no time-vested Restricted Stock Rights Award to a particular Officer.

- For purposes of determining the number of time-vested Restricted Stock Rights to which an Officer will be entitled, the value of one time-vested Restricted Stock Right shall be equal to the Fair Market Value of one share of the Company's Stock on the Grant Date specified in the Committee's resolution and the Officer's base salary shall equal the Officer's base salary on the Grant Date.

Other Provisions

- All of the Awards will be made pursuant to the PNM Resources, Inc. 2014 Performance Equity Plan, as amended (the "PEP") or any successor to the PEP. Any references in the Plan to the PEP shall be deemed to be a reference to the corresponding provisions of any successor to the PEP.

- All of the Awards will be subject to the standard Terms and Conditions attached hereto as Attachment D.

- The Grant Date for the Performance Share Awards is March 18, 2022.

- A full Performance Share Award will be provided to an Officer upon an Officer's Separation from Service due to a Qualifying Change in Control Termination. A prorated Performance Share Award will be provided to an Officer or a "Terminating Officer" under the circumstances described below.

    - All Officers, including Terminating Officers, shall be entitled to receive a prorated Performance Share Award if the Officer has a Separation from Service in the second half of the Performance Period (in other words, between July 1, 2023 and December 31, 2024) due to death, Disability, Retirement or Impaction. A prorated Performance Share Award will not be paid to an Officer who incurs a Separation from Service for any of these reasons during the first half of the Performance Period or to an Officer who incurs a Separation from Service for any other reason other than a Qualifying Change in Control Termination prior to the last day of the Performance Period. Solely for purposes of this Plan, a "Terminating Officer" is defined as the Company's Chief Executive Officer; Executive Vice President, Corporate Development and Finance; and Senior Vice President and General Counsel (all determined as of the first day of the Performance Period).

- Except as set forth below in the "Special Rules for Avangrid Merger" section, the prorated Performance Share Award will be calculated at the end of the Performance Period based on actual performance during the Performance Period. The proration will be made based on the number of full months of service completed by the Officer during the Performance Period, using the proration rules described in Section 11.1(a)(iv)(2) of the PEP. The prorated Performance Share Award then will be paid at the same time as Awards are paid to other participants in the Plan.

- Except as set forth below in the "Special Rules for Avangrid Merger" section, upon an Officer's Separation from Service at any time during the Performance Period due to a Qualifying Change in Control Termination, all Performance Shares will vest at the end of the Performance Period, or such earlier time as determined under the terms of the PEP, based on the level of achievement of the performance goals in accordance with the applicable provisions of the PEP.

- If an individual ceases to be an Officer during a Performance Period but remains employed by the Company or its Affiliates, the Committee may pay a prorated Performance Share Award to the former Officer on such terms and conditions as the Committee deems to be appropriate as long as the individual was an Officer for at least half of the Performance Period.

    - If an Officer, including a Terminating Officer, ceases to be an Officer during the Performance Period and subsequently terminates employment due to death, Disability, Retirement or Impaction, the Committee may pay a prorated Performance Share Award to the former Officer, provided the individual was an Officer for at least half of the Performance Period.

- If an individual becomes an Officer during a Performance Period or is promoted to a new Officer position during the Performance Period, the Committee may grant a prorated Performance Share Award to the new Officer on such terms and conditions as the Committee deems to be appropriate.

- For the avoidance of doubt, the Performance Share Awards are not intended to qualify as Performance-Based Awards granted pursuant to Section 10 of the PEP. As a result, such Awards are not subject to the requirements of Section 10 of the PEP.

- All Awards issued under this Plan are subject to potential forfeiture or recovery to the fullest extent called for by the Company's Clawback Policy. By accepting an Award, an Officer consents to the Clawback Policy and agrees to be bound by and comply with the Clawback Policy and to return the full amount required by the Clawback Policy.

/s/ Patrick V. Apodaca
Patrick V. Apodaca
SVP and General Counsel

Dated: April 19, 2022

ATTACHMENT A
Performance Goal Table

Goal	Threshold Level[1]	Target Level[1]	Maximum Level[1,2]
Earnings Growth[3] If the Company's Earnings Growth on the last day of the Performance Period places it in the Threshold, Target or Maximum Level range for the Performance Period, the Officer will be entitled to receive 75% of the Threshold, Target or Maximum Award as determined in accordance with the Performance Share Award Opportunity Table.	At least 2%, but less than 4%	At least 4%, but less than 6%	At least 6%
FFO/Debt Ratio[4] If the Company's FFO/Debt Ratio on the last day of the Performance Period places it in the Threshold, Target or Maximum Level range for the Performance Period, the Officer will be entitled to receive 25% of the Threshold, Target or Maximum Award as determined in accordance with the Performance Share Award Opportunity Table.	At least 13%, but less than 14%	At least 14%, but less than 16%	At least 16%

[1] If the Company's Earnings Growth or FFO/Debt Ratio falls between two Award levels (*e.g.*, the Threshold Level and the Target Level shown in the Performance Goal Table), the number of Performance Shares to which an Officer is entitled will be interpolated between the two Award levels in accordance with uniform procedures prescribed by the Committee.

[2] In no event will an Officer receive more than the Maximum Award for an Officer of his or her level as listed in the Performance Share Award Opportunity Table.

[3] Earnings Growth, for the Performance Period, will be calculated by measuring the compounded annual growth rate by dividing the Earnings Per Share (as defined below) for the year ended December 31, 2024 by the Earnings Per Share (as defined below) for the year ended December 31, 2022. The resulting earnings growth multiple will then be multiplied to the 1/3 power and subtract 1. The calculation would be as follows: [(2024 Earnings Per Share/2019 Earnings Per Share) ^ (1/3)] -1.

Earnings Per Share for the above calculation equals PNMR's diluted EPS for the fiscal years ending December 31, 2022 and 2024 calculated in accordance with Generally Accepted Accounting Principles and reported in the Company's Form 10-K for PNMR adjusted to exclude the following items: (1) mark-to-market impact of economic hedges, (2) regulatory disallowances, (3) net change in unrealized gains and losses on investment securities, (4) gains or losses on reacquired debt, (5) goodwill or other asset impairments, (6) impacts of acquisition and disposition activities, including but not limited to pension expense or income associated with Public Service Company of New Mexico's ("PNM") former gas utility operations, (7) impact of the Company's adoption of an accounting pronouncement or the Company's adoption of a change in accounting pronouncement on or after March 18, 2022, (8) the loss, impairment, or write-up of any deferred tax asset or liability that was earned and recognized in a prior tax year, but that must be revalued in the current year, (9) judgments entered or settlements reached in litigation or other

regulatory proceedings, (10) increases or decreases in the liabilities associated with PNM's retired generating stations, including but not limited to expenses incurred in demolition or environmental work of such generating stations, (11) costs associated with process improvement initiatives, (12) expected credit loss allowances or reversals, and (13) changes to the liabilities associated with mine reclamation costs including but not limited to: (a) changes in the discount rate used to measure those liabilities, (b) an early retirement of generating stations, or (c) actions taken by the New Mexico Public Regulation Commission.

[4] The FFO/Debt Goal equals PNMR's funds from operations for the fiscal year ending December 31, 2024 divided by PNMR's total debt outstanding (including any long-term leases and unfunded pension plan obligations, excluding any outstanding debt associated with securitization) as of December 31, 2024. Funds from operations are equal to the amount of PNMR's net cash flow from operating activities (as reflected on the Consolidated Statement of Cash Flows) as reported in the Company's Form 10-K for PNMR adjusted by the following items: (1) including amounts attributable to principal payments on imputed debt from long-term leases, (2) excluding changes in PNMR's working capital, including bad debt expense, (3) excluding the impacts of any consolidation required by the Variable Interest Entities accounting rules and regulations, (4) subtracting the amount of capitalized interest, (5) excluding impacts on material changes to the federal and state tax rate, (6) excluding any contributions to the PNMR or TNMP qualified pension plans, (7) excluding cash invested in cloud computing projects that are treated as operating cash flows, (8) excluding impacts of securitization, and (9) impacts of acquisition activities. The calculation is intended to be consistent with Moody's calculation of FFO/Debt (which Moody's refers to as "CFO Pre-WC/Debt") and includes any other adjustments be consistent with Moody's methodology as of March 18, 2022.

ATTACHMENT B
Performance Share Award Opportunity Table

Officer Level	Threshold Award	Target Award	Maximum Award
CEO	Performance Shares = 101.5% of base salary	Performance Shares = 203% of base salary	Performance Shares = 406% of base salary
EVP; and SVP and Chief Financial Officer as of January 1, 2022[1]	Performance Shares = 52.5% of base salary	Performance Shares = 105% of base salary	Performance Shares = 210% of base salary
All other SVPs (other than SVP and Chief Financial Officer as of January 1, 2022)	Performance Shares = 29.75% of base salary	Performance Shares = 59.5% of base salary	Performance Shares = 119% of base salary
VP and Chief Information Officer and VP, Human Resources	Performance Shares = 19.25% of base salary	Performance Shares = 38.5% of base salary	Performance Shares = 77% of base salary
VP (other than VP and Chief Information Officer and VP, Human Resources)	Performance Shares = 17.5% of base salary	Performance Shares = 35% of base salary	Performance Shares = 70% of base salary

[1] For purposes of Attachment B, the SVP and Chief Financial Officer is determined as of the first day of the Performance Period.

ATTACHMENT C

Time-Vested Restricted Stock Rights Award Opportunity Table

Officer Level	Award
CEO	Restricted Stock Rights = 87% of base salary
EVP; and SVP and Chief Financial Officer as of January 1, 2022[2]	Restricted Stock Rights = 45% of base salary
All other SVP (other than SVP and Chief Financial Officer as of January 1, 2022)	Restricted Stock Rights = 25.5% of base salary
VP and Chief Information Officer and VP, Human Resources	Restricted Stock Rights = 16.5% of base salary
VP (other than VP and Chief Information Officer and VP, Human Resources)	Restricted Stock Rights = 15% of base salary

[2] For purposes of Attachment C, the SVP and Chief Financial Officer is determined as of the first day of the Performance Period.

ATTACHMENT D
2022 LONG-TERM INCENTIVE PLAN
TERMS AND CONDITIONS

PNM Resources, Inc. (the "Company" or "PNMR") has adopted the PNM Resources, Inc. 2014 Performance Equity Plan, as amended (the "PEP") or any successor to the PEP. Pursuant to the PEP, the Committee has developed the PNM Resources, Inc. 2022 Long-Term Incentive Plan (the "Plan" or the "2022 Plan") pursuant to which eligible Officers may receive Performance Share Awards and time-vested Restricted Stock Rights Awards.

All of the Awards granted under the 2022 Plan are made pursuant to the PEP and are subject to the provisions of the PEP. In addition, all of the Awards under the 2022 Plan are made subject to these Terms and Conditions. All of the terms of the PEP are incorporated into this document by reference.

Capitalized terms used in but not otherwise defined in this document shall have the meanings given to them in the PEP. Any references in the Plan to the PEP shall be deemed to be a reference to the corresponding provisions of any successor to the PEP.

1. **Performance Share Awards**.

(a) **Determination of Earnings Growth Goal and FFO/Debt Ratio Goal**. The Committee will determine the Earnings Growth and the FFO/Debt Ratio for the Performance Period and the Officer's corresponding Performance Share Award, if any, by March 1, 2025. The Committee then will submit its recommendations to the Board of Directors for review and approval. The Performance Shares to which an Officer is entitled shall become payable at the times described below.

(b) **Separation from Service; Forfeiture**. Unless an Officer qualifies for a full or prorated Award as described in the Plan due to a Qualifying Change in Control Termination or a Separation from Service during the second half of the Performance Period due to death, Disability, Retirement, or Impaction, or as otherwise described in the Plan, the Officer's Award will be forfeited upon the Officer's Separation from Service prior to the end of the Performance Period. If the Company terminates an Officer's employment for Cause during or following the expiration of the Performance Period, all vested and unvested Performance Shares shall be canceled and forfeited immediately, regardless of whether the Officer elects Retirement.

(c) **Form and Timing of Delivery of Stock**. All of the Performance Shares awarded and vested pursuant to the Plan will be paid in Stock on or before March 15 of the calendar year following the calendar year in which the Performance Period ends (in other words, by March 15, 2025). The Performance Shares granted under this Plan are intended to fit within the short-term deferral exception to Section 409A of the Code. If the Company determines that the Performance Shares do not qualify for the short-term deferral exception to Section 409A, the restrictions described in Section 18.3 of the PEP will apply to the Performance Shares.

(d) **Special Rules for Avangrid Merger**. If the transaction contemplated by the Agreement and Plan of Merger, dated as of October 20, 2020, by and among Avangrid, Inc., NM Green Holdings, Inc. and the Company, as amended (the "Merger Agreement"), closes prior to the end of the Performance Period, pursuant to the Merger Agreement, the "Earned Performance

Shares" (as defined in the Merger Agreement) shall be determined prior to the closing of the transaction contemplated by the Merger Agreement. As of the closing of the transaction contemplated by the Merger Agreement, the Earned Performance Shares shall be converted into the right to receive cash-settled, time-vested restricted stock rights in Avangrid stock (the "Avangrid Restricted Stock Rights").

(1) For all Officers, other than Terminating Officers, the Avangrid Restricted Stock Rights shall vest on the earliest of the Officer's (1) Separation from Service in the second half of the Performance Period due to death, Disability, Retirement or Impaction, (2) Qualifying Change in Control Termination or (3) last day of the Performance Period, provided the Officer remains employed on such date. The Avangrid Restricted Stock Rights for all Officers, except Terminating Officers, shall be delivered between January 1, 2025 and March 15, 2025.

(2) Except as otherwise provided by Section 18.3 of the PEP, the Avangrid Restricted Stock Rights for Terminating Officers shall vest and be delivered to the Terminating Officers within thirty (30) days following the earliest of (i) his or her Qualifying Change in Control Termination, (ii) his or her termination of employment following the closing of the Merger due to death, Disability Retirement or Impaction, or (iii) the last day of the Performance Period.

2. **Time-Vested Restricted Stock Rights Awards**.

(a) **Vesting**.

(1) Except as set forth below, the time-vested Restricted Stock Rights shall vest in the following manner: (i) 33% of the time-vested Restricted Stock Rights will vest on March 7, 2026; (ii) an additional 34% of the time-vested Restricted Stock Rights will vest on March 7, 2027; and (iii) the final 33% of the time-vested Restricted Stock Rights will vest on March 7, 2028 (each a "Vesting Date").

(2) Upon an Officer's involuntary or voluntary Separation from Service for any reason other than those set forth in Section 2(a)(3), the time-vested Restricted Stock Rights, if not previously vested, shall be canceled and forfeited immediately.

(3) Upon an Officer's Separation from Service due to death, Disability, Retirement, Impaction, or a Qualifying Change in Control Termination, any unvested time-vested Restricted Stock Rights shall become 100% vested in accordance with the applicable provisions of the PEP.

(b) **Form and Timing of Delivery of Stock**. All of the time-vested Restricted Stock Rights awarded pursuant to this Plan will be paid in Stock in accordance with the following provisions:

(1) If any time-vested Restricted Stock Rights vest in accordance with Section 2(a)(1), the Officer will generally receive the Stock payable with respect to such vested time-vested Restricted Stock Rights within 90 days following each Vesting Date and in all cases by December 31 following the applicable Vesting Date.

(2) If any time-vested Restricted Stock Rights vest in accordance with Section 2(a)(3), the Officer will receive the Stock payable with respect to such time-vested Restricted Stock Rights within 90 days following the date of the Officer's Separation from Service.

(3) If the 90-day period during which payments may be made pursuant to Section 2(a)(1) or (3) begins in one calendar year and ends in another, the Officer will receive the Stock in the second calendar year.

(4) All Stock will be awarded in accordance with the requirements of Section 409A of the Code and Section 18.3 of the PEP.

3. **Adjustments**. Neither the existence of the Plan nor the Awards shall affect, in any way, the right or power of the Company to make or authorize: any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business; or any merger or consolidation of the Company; or any corporate act or proceeding, whether of a similar character or otherwise; all of which, and the resulting adjustments in, or impact on, the Awards are more fully described in Section 4.3 of the PEP.

4. **Dividend Equivalents**. An Officer will not be entitled to receive a dividend equivalent for any of the Performance Shares or time-vested Restricted Stock Rights granted under the Plan.

5. **Withholding**. The Company shall have the power to withhold, or require an Officer to remit to the Company, up to the maximum amount necessary to satisfy federal, state, and local tax withholding requirements in the applicable jurisdiction on any Award under the Plan, all in accordance with the provisions of the PEP.

6. **Securities Law Compliance**. The delivery of the time-vested Restricted Stock Rights or earned Performance Shares may be delayed to the extent necessary to comply with Federal securities laws.

7. **Status of Plan and Administration**. The Plan and these Terms and Conditions shall at all times be subject to the terms and conditions of the PEP and shall in all respects be administered by the Committee in accordance with the terms of and as provided in the PEP. The Committee shall have the sole and complete discretion with respect to the interpretation of the Plan, these Terms and Conditions and the PEP, and all matters reserved to it by the PEP. The decisions of the majority of the Committee shall be final and binding upon an Officer and the Company. In the event of any conflict between the terms and conditions of the Plan or these Terms and Conditions and the PEP, the provisions of the PEP shall control.

8. **Waiver and Modification**. The provisions of the Plan and these Terms and Conditions may not be waived or modified unless such waiver or modification is in writing signed by an authorized representative of the Committee.

9. **Amendment or Suspension**. The Committee, in its sole discretion, reserves the right to adjust, amend or suspend the Plan and these Terms and Conditions during the Performance Period except as otherwise provided in the PEP. The Senior Vice President and General Counsel is hereby authorized to correct any typographical or similar errors in the Plan, the Terms and Conditions and any other documents issued in connection with the Plan.

10. **Ethics**. The purpose of the Plan is to fairly reward performance achievement. Any Officer who manipulates or attempts to manipulate the Plan for personal gain at the expense of customers, shareholders, other employees, or the Company or its Affiliates will be subject to disciplinary action, up to and including termination of employment, and will forfeit and be ineligible to receive any Award under the Plan.

Exhibit 10.4

FIRST AMENDMENT
TO THE
PNM RESOURCES, INC.
2021 LONG-TERM INCENTIVE PLAN

The 2021 Long-Term Incentive Plan (the "Plan") was adopted pursuant to the PNM Resources, Inc. 2014 Performance Equity Plan (the "PEP"). By this instrument, the Company desires to amend the Plan as set forth below.

1. The fourth, fifth, and sixth bullet points (out of 13 bullet points in the Section) under the "Other Provisions" Section of the Plan is hereby amended and restated in its entirety to read as follows:

- A full Performance Share Award will be provided to an Officer upon an Officer's Separation from Service due to a Qualifying Change in Control Termination. A prorated Performance Share Award will be provided to an Officer or a "Terminating Officer" under the circumstances described below.
    - All Officers, except Terminating Officers, shall be entitled to receive a prorated Performance Share Award if the Officer has a Separation from Service in the second half of the Performance Period (in other words, between July 1, 2022 and December 31, 2023) due to death, Disability, Retirement or Impaction. A prorated Performance Share Award will not be paid to an Officer who incurs a Separation from Service for any of these reasons during the first half of the Performance Period or to an Officer who incurs a Separation from Service for any other reason other than a Qualifying Change in Control Termination prior to the last day of the Performance Period.
    - A Terminating Officer shall be entitled to receive a prorated Performance Share Award if the Terminating Officer becomes Disabled during the second half of the Performance Period or incurs a Separation from Service in the second half of the Performance Period due to death, Retirement or Impaction. A prorated Performance Share Award will not be paid to a Terminating Officer who becomes Disabled during the first half of the Performance Period or incurs a Separation from Service

for any of these reasons during the first half of the Performance Period. If a Terminating Officer incurs a Separation from Service prior to the last day of the Performance Period for any reason other than as set forth in this paragraph or due to a Qualifying Change in Control Termination, the Terminating Officer will not be entitled to receive an Award. Solely for purposes of this Plan, a "Terminating Officer" is defined as the Company's Chief Executive Officer; Executive Vice President, Corporate Development and Finance; and Senior Vice President and General Counsel (all determined as of the first day of the Performance Period).

2. The eighth bullet point (out of 13 bullet points in the Section) under the "Other Provisions" Section of the Plan is hereby amended and restated in its entirety to read as follows:

- Except as set forth below in the "Special Rules for Avangrid Merger" section, upon an Officer's Separation from Service at any time during the Performance Period due to a Qualifying Change in Control Termination, all Performance Shares will vest at the end of the Performance Period, or such earlier time as determined under the terms of the PEP, based on the level of achievement of the performance goals in accordance with the applicable provisions of the PEP.

3. The eleventh bullet point (out of 13 bullet points in the Section) under the "Other Provisions" Section of the Plan is hereby amended and restated in its entirety to read as follows:

- If a Terminating Officer ceases to be an Officer and subsequently becomes Disabled or terminates employment due to death, Retirement or Impaction, the Committee may pay a prorated Performance Share Award to the former Terminating Officer, provided the individual was an Officer for at least half of the Performance Period.

4. Section 1(b) (Performance Share Awards – Separation from Service; Forfeiture) of Attachment D (2021 Long-Term Incentive Plan Terms and Conditions) of the Plan is hereby amended and restated in its entirety to read as follows:

(b) **Separation from Service; Forfeiture**. Unless an Officer qualifies for a full or prorated Award as described in the Plan due to a Qualifying Change in Control Termination, a

Disability, a Separation from Service during the second half of the Performance Period due to death, Disability, Retirement, or Impaction, or as otherwise described in the Plan, the Officer's Award will be forfeited upon the Officer's Separation from Service prior to the end of the Performance Period. If the Company terminates an Officer's employment for Cause during or following the expiration of the Performance Period, all vested and unvested Performance Shares shall be canceled and forfeited immediately, regardless of whether the Officer elects Retirement.

5. Section 1(d)(2) (Performance Share Awards – Special Rules for Avangrid Merger) of Attachment D (2021 Long-Term Incentive Plan Terms and Conditions) of the Plan is hereby amended and restated in its entirety to read as follows:

(2) Except as otherwise provided by Section 18.3 of the PEP, the Avangrid Restricted Stock Rights for Terminating Officers shall vest and be delivered to the Terminating Officers within thirty (30) days following the earliest of (i) his or her Qualifying Change in Control Termination, (ii) his or her Disability following the closing of the Merger, (iii) his or her termination of employment following the closing of the Merger due to death, Retirement or Impaction, or (iv) the last day of the Performance Period.

6. Section 2(a)(3) (Time-Vested Restricted Stock Rights Awards – Vesting) of Attachment D (2021 Long-Term Incentive Plan Terms and Conditions) of the Plan is hereby amended and restated in its entirety to read as follows:

(3) Upon an Officer's Separation from Service due to death, Disability, Retirement, Impaction or a Qualifying Change in Control Termination, any unvested time-vested Restricted Stock Rights shall become 100% vested in accordance with the applicable provisions of the PEP.

7. This First Amendment amends only the provisions of the Plan as noted above, and those provisions not expressly amended shall be considered in full force and effect.

Notwithstanding the foregoing, this First Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions and intent of this First Amendment.

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed by its duly authorized representative on this _19__ day of April, 2022.

PNM RESOURCES, INC.

By: /s/ Patrick V. Apodaca
Patrick V. Apodaca
Its: Senior Vice President, General Counsel

Exhibit 10.5

March 1, 2022

Mr. Charles Eldred
Executive Vice President, Corporate Development and Finance
PNM Resources, Inc.
Corporate Headquarters
Albuquerque, NM 87158-1275

Re: **Amendment to the 2020 Long-Term Incentive Plan**

Dear Chuck:

On March 30, 2020, PNM Resources, Inc. (the "Company") adopted the 2020 Long-Term Incentive Plan, which was amended for all employees on two occasions and by letter agreement dated December 17, 2020 solely with respect to your benefits (the "Plan"). The Plan was adopted pursuant to the PNM Resources, Inc. 2014 Performance Equity Plan (the "PEP"). As the Company's Executive Vice President, Corporate Development and Finance, you are an eligible participant in the Plan and may be entitled to certain Performance Share Awards, depending on the achievement of the performance metrics during the Performance Period.

The Company entered into an Agreement and Plan of Merger, dated as of October 20, 2020, by and among Avangrid, Inc., NM Green Holdings, Inc. and PNM Resources, Inc. (the "Company"), which was subsequently amended on January 3, 2022 (the "Merger Agreement"). In light of the New Mexico Public Regulation Commission's December 8, 2021 ruling and the amended Merger Agreement, the Company has determined that it is appropriate to amend the Plan to restore the provision of Performance Shares under the Plan upon your Retirement.

Pursuant to the resolutions adopted by the Company's Board of Directors on March 1, 2022, the Company hereby amends the Plan as follows effective as of March 1, 2022:

1. The Amendment to the 2020 Long-Term Incentive Plan that was entered between the Company and Charles Eldred on December 17, 2020 is hereby rescinded.

2. Solely as it pertains to Charles Eldred, the fourth bullet point (out of 11 bullet points in the Section) under the "Other Provisions" Section of the First Amendment to the Plan is hereby amended and restated in its entirety to read as follows:

- A full Performance Share Award will be provided to Mr. Eldred if he becomes Disabled during the Performance Period or if he has a Separation from Service during the Performance Period due to death, Retirement, or Impaction. Mr. Eldred will not be entitled to receive an Award under the Plan if he incurs a Separation from Service prior to the last day of the Performance Period for any reason other than as set forth

in this paragraph or due to a Qualifying Change in Control Termination.

3. Solely as it pertains to Charles Eldred, the sixth bullet point (out of 11 bullet points in the Section) under the "Other Provisions" Section of the Plan is hereby amended and restated in its entirety to read as follows:

- Notwithstanding any provision in the Plan to the contrary, Mr. Eldred shall be entitled to a full (rather than a prorated) Performance Share Award, calculated at the end of the Performance Period based on actual performance during the Performance Period, if he becomes Disabled or has a Separation from Service due to death, Retirement or Impaction at any time during the Performance Period.

4. Solely as it pertains to Charles Eldred, the eighth bullet point (out of 11 bullet points in the Section) under the "Other Provisions" Section of the Plan is hereby amended and restated in its entirety to read as follows:

- If an individual ceases to be an Officer during a Performance Period but remains employed by the Company or its Affiliates, the Committee may pay a prorated Performance Share Award to the former Officer on such terms and conditions as the Committee deems to be appropriate as long as the individual was an Officer for at least half of the Performance Period. If Mr. Eldred ceases to be an Officer during the Performance Period and subsequently becomes Disabled or terminates employment due to death, Retirement, or Impaction, the Committee may pay a full Performance Share Award to Mr. Eldred.

5. Solely as it pertains to Charles Eldred, Section 1(b) (Performance Share Awards – Separation from Service; Forfeiture) of Attachment D (2020 Long-Term Incentive Plan Terms and Conditions) of the Plan is hereby amended and restated in its entirety to read as follows:

(b) **Separation from Service; Forfeiture**. Unless Mr. Eldred qualifies for a full Award as described in the Plan due to a Qualifying Change in Control Termination, Disability, or as the result of a Separation from Service due to death, Retirement, or Impaction, or as otherwise described in the Plan, Mr. Eldred's Award will be forfeited upon his Separation from Service prior to the end of the Performance Period. If the Company terminates Mr. Eldred's employment for Cause during or following the expiration of the Performance Period, all vested and unvested

Performance Shares shall be canceled and forfeited immediately, regardless of whether Mr. Eldred elects Retirement.

6. Solely as it pertains to Charles Eldred, Section 1(c) (Performance Share Awards – Form and Timing of Delivery of Stock) of Attachment D (2020 Long-Term Incentive Plan Terms and Conditions) of the Plan is hereby amended and restated in its entirety to read as follows:

> (c) **Form and Timing of Delivery of Stock**. All of the Performance Shares awarded and vested pursuant to the Plan will be paid in Stock on or before March 15 of the calendar year following the calendar year in which the Performance Period ends (in other words, by March 15, 2023). The Performance Shares granted under this Plan are intended to fit within the short-term deferral exception to Section 409A of the Code. If the Company determines that the Performance Shares do not qualify for the short-term deferral exception to Section 409A, the restrictions described in Section 18.3 of the PEP will apply to the Performance Shares. If the transaction contemplated by the Merger Agreement closes prior to the end of the Performance Period, pursuant to the Merger Agreement, the "Earned Performance Shares" (as defined in the Merger Agreement) shall be determined prior to the closing of the transaction contemplated by the Merger Agreement. In such instance, except as otherwise provided by Section 18.3 of the PEP, the Earned Performance Shares due to Mr. Eldred shall be delivered to him within thirty (30) days following the earliest of (1) his Qualifying Change in Control Termination, (2) his Disability following the closing of the Merger, (3) his termination of employment following the closing of the Merger due to death, Impaction, or Retirement or (4) between January 1, 2023 and March 15, 2023.

This Letter Amendment amends only the provisions of the Plan as set forth herein. Those provisions not expressly amended by this Letter Amendment shall continue in full force and effect. Notwithstanding the foregoing, this Letter Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions and the intent of this Letter Amendment.

If you are in agreement with the terms of this Letter Amendment, please so indicate by signing and returning to me a signed copy of this letter, which will constitute our binding agreement.

PNM RESOURCES, INC.

By: /s/ Joseph D. Tarry
Its: Senior Vice President and Chief Financial Officer

AGREED,

/s/ Charles Eldred
Charles Eldred

4/12/2022
Date

Human Resources, Corporate Headquarters, Albuquerque, NM 87158-0745
Phone: 505-241-2691 Toll-Free 800-640-4692 FAX 505-241-2389

Exhibit 10.6

March 1, 2022

Ms. Patricia K. Collawn
President and Chief Executive Officer
PNM Resources, Inc.
Corporate Headquarters
Albuquerque, NM 87158-1275

Re: **Amendment to the 2020 Long-Term Incentive Plan**

Dear Pat:

On March 30, 2020, PNM Resources, Inc. (the "Company") adopted the 2020 Long-Term Incentive Plan, which was amended for all employees on two occasions and by letter agreement dated December 17, 2020 solely with respect to your benefits (the "Plan"). The Plan was adopted pursuant to the PNM Resources, Inc. 2014 Performance Equity Plan (the "PEP"). As the Company's President and Chief Executive Officer, you are an eligible participant in the Plan and may be entitled to certain Performance Share Awards, depending on the achievement of the performance metrics during the Performance Period.

The Company entered into an Agreement and Plan of Merger, dated as of October 20, 2020, by and among Avangrid, Inc., NM Green Holdings, Inc. and PNM Resources, Inc. (the "Company"), which was subsequently amended on January 3, 2022 (the "Merger Agreement"). In light of the New Mexico Public Regulation Commission's December 8, 2021 ruling and the amended Merger Agreement, the Company has determined that it is appropriate to amend the Plan to restore the provision of Performance Shares under the Plan upon your Retirement.

Pursuant to the resolutions adopted by the Company's Board of Directors on March 1, 2022, the Company hereby amends the Plan as follows effective as of March 1, 2022:

1. The Amendment to the 2020 Long-Term Incentive Plan that was entered between the Company and Patricia K. Collawn on December 17, 2020 is hereby rescinded.

2. Solely as it pertains to Patricia K. Collawn, the fourth bullet point (out of 11 bullet points in the Section) under the "Other Provisions" Section of the First Amendment to the Plan is hereby amended and restated in its entirety to read as follows:

- A prorated Performance Share Award will be provided to an Officer who becomes Disabled during the second half of the Performance Period or who has a Separation from Service in the second half of the Performance Period due to death, Retirement, or Impaction. A prorated Performance Share Award will not be paid to an Officer who becomes Disabled or incurs a Separation from Service for any of these reasons

during the first half of the Performance Period. If an Officer incurs a Separation from Service prior to the last day of the Performance Period for any reason other than as set forth in this paragraph or due to a Qualifying Change in Control Termination, the Officer will not be entitled to receive an Award.

3. Solely as it pertains to Patricia K. Collawn, the eighth bullet point (out of 11 bullet points in the Section) under the "Other Provisions" Section of the Plan is hereby amended and restated in its entirety to read as follows:

- If an individual ceases to be an Officer during a Performance Period but remains employed by the Company or its Affiliates, the Committee may pay a prorated Performance Share Award to the former Officer on such terms and conditions as the Committee deems to be appropriate as long as the individual was an Officer for at least half of the Performance Period. If an individual ceases to be an Officer during the Performance Period and subsequently becomes Disabled or terminates employment due to death, Impaction, or Retirement, the Committee may pay a prorated Performance Share Award to the former Officer, provided the individual was an Officer for at least half of the Performance Period.

4. Solely as it pertains to Patricia K. Collawn, Section 1(b) (Performance Share Awards – Separation from Service; Forfeiture) of Attachment D (2020 Long-Term Incentive Plan Terms and Conditions) of the Plan is hereby amended and restated in its entirety to read as follows:

(b) **Separation from Service; Forfeiture**. Unless an Officer qualifies for a full or prorated Award as described in the Plan due to a Qualifying Change in Control Termination, Disability during the second half of the Performance Period or as the result of a Separation from Service during the second half of the Performance Period due to death, Impaction, or Retirement, or as otherwise described in the Plan, the Officer's Award will be forfeited upon the Officer's Separation from Service prior to the end of the Performance Period. If the Company terminates an Officer's employment for Cause during or following the expiration of the Performance Period, all vested and unvested Performance Shares shall be canceled and forfeited immediately, regardless of whether the Officer elects Retirement.

5. Solely as it pertains to Patricia K. Collawn, Section 1(c) (Performance Share Awards – Form and Timing of Delivery of Stock) of Attachment D (2020 Long-Term Incentive

Plan Terms and Conditions) of the Plan is hereby amended and restated in its entirety to read as follows:

> (c) **Form and Timing of Delivery of Stock**. All of the Performance Shares awarded and vested pursuant to the Plan will be paid in Stock on or before March 15 of the calendar year following the calendar year in which the Performance Period ends (in other words, by March 15, 2023). The Performance Shares granted under this Plan are intended to fit within the short-term deferral exception to Section 409A of the Code. If the Company determines that the Performance Shares do not qualify for the short-term deferral exception to Section 409A, the restrictions described in Section 18.3 of the PEP will apply to the Performance Shares. If the transaction contemplated by the Merger Agreement closes prior to the end of the Performance Period, pursuant to the Merger Agreement, the "Earned Performance Shares" (as defined in the Merger Agreement) shall be determined prior to the closing of the transaction contemplated by the Merger Agreement. In such instance, except as otherwise provided by Section 18.3 of the PEP, the Earned Performance Shares due to Ms. Collawn shall be delivered to her within thirty (30) days following the earliest of (1) her Qualifying Change in Control Termination, (2) her Disability following the closing of the Merger, (3) her termination of employment following the closing of the Merger due to death, Impaction, or Retirement or (4) between January 1, 2023 and March 15, 2023.

This Letter Amendment amends only the provisions of the Plan as set forth herein. Those provisions not expressly amended by this Letter Amendment shall continue in full force and effect. Notwithstanding the foregoing, this Letter Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions and the intent of this Letter Amendment.

If you are in agreement with the terms of this Letter Amendment, please so indicate by signing and returning to me a signed copy of this letter, which will constitute our binding agreement.

PNM RESOURCES, INC.

By: /s/ Joseph D. Tarry
Its: Senior Vice President and Chief Financial Officer

AGREED,

/s/ Patricia K. Collawn 4/12/2022
Patricia K. Collawn Date

Human Resources, Corporate Headquarters, Albuquerque, NM 87158-0745
Phone: 505-241-2691 Toll-Free 800-640-4692 FAX 505-241-2389

Exhibit 10.7

March 1, 2022

Mr. Patrick Apodaca
Senior Vice President and General Counsel
PNM Resources, Inc.
Corporate Headquarters
Albuquerque, NM 87158-1275

Re: **Amendment to the 2020 Long-Term Incentive Plan**

Dear Patrick:

On March 30, 2020, PNM Resources, Inc. (the "Company") adopted the 2020 Long-Term Incentive Plan, which was amended for all employees on two occasions and by letter agreement dated December 17, 2020 solely with respect to your benefits (the "Plan"). The Plan was adopted pursuant to the PNM Resources, Inc. 2014 Performance Equity Plan (the "PEP"). As the Company's Senior Vice President and General Counsel, you are an eligible participant in the Plan and may be entitled to certain Performance Share Awards, depending on the achievement of the performance metrics during the Performance Period.

The Company entered into an Agreement and Plan of Merger, dated as of October 20, 2020, by and among Avangrid, Inc., NM Green Holdings, Inc. and PNM Resources, Inc. (the "Company"), which was subsequently amended on January 3, 2022 (the "Merger Agreement"). In light of the New Mexico Public Regulation Commission's December 8, 2021 ruling and the amended Merger Agreement, the Company has determined that it is appropriate to amend the Plan to restore the provision of Performance Shares under the Plan upon your Retirement.

Pursuant to the resolutions adopted by the Company's Board of Directors on March 1, 2022, the Company hereby amends the Plan as follows effective as of March 1, 2022:

1. The Amendment to the 2020 Long-Term Incentive Plan that was entered between the Company and Patrick Apodaca on December 17, 2020 is hereby rescinded.

2. Solely as it pertains to Patrick Apodaca, the fourth bullet point (out of 11 bullet points in the Section) under the "Other Provisions" Section of the First Amendment to the Plan is hereby amended and restated in its entirety to read as follows:

- A prorated Performance Share Award will be provided to an Officer who becomes Disabled during the second half of the Performance Period or who has a Separation from Service in the second half of the Performance Period due to death, Retirement, or Impaction. A prorated Performance Share Award will not be paid to an Officer who becomes Disabled or incurs a Separation from Service for any of these reasons during the first half of the

Performance Period. If an Officer incurs a Separation from Service prior to the last day of the Performance Period for any reason other than as set forth in this paragraph or due to a Qualifying Change in Control Termination, the Officer will not be entitled to receive an Award.

3. Solely as it pertains to Patrick Apodaca, the eighth bullet point (out of 11 bullet points in the Section) under the "Other Provisions" Section of the Plan is hereby amended and restated in its entirety to read as follows:

- If an individual ceases to be an Officer during a Performance Period but remains employed by the Company or its Affiliates, the Committee may pay a prorated Performance Share Award to the former Officer on such terms and conditions as the Committee deems to be appropriate as long as the individual was an Officer for at least half of the Performance Period. If an individual ceases to be an Officer during the Performance Period and subsequently becomes Disabled or terminates employment due to death, Impaction, or Retirement, the Committee may pay a prorated Performance Share Award to the former Officer, provided the individual was an Officer for at least half of the Performance Period.

4. Solely as it pertains to Patrick Apodaca, Section 1(b) (Performance Share Awards – Separation from Service; Forfeiture) of Attachment D (2020 Long-Term Incentive Plan Terms and Conditions) of the Plan is hereby amended and restated in its entirety to read as follows:

(b) **Separation from Service; Forfeiture**. Unless an Officer qualifies for a full or prorated Award as described in the Plan due to a Qualifying Change in Control Termination, Disability during the second half of the Performance Period or as the result of a Separation from Service during the second half of the Performance Period due to death, Impaction, or Retirement, or as otherwise described in the Plan, the Officer's Award will be forfeited upon the Officer's Separation from Service prior to the end of the Performance Period. If the Company terminates an Officer's employment for Cause during or following the expiration of the Performance Period, all vested and unvested Performance Shares shall be canceled and forfeited immediately, regardless of whether the Officer elects Retirement.

5. Solely as it pertains to Patrick Apodaca, Section 1(c) (Performance Share Awards – Form and Timing of Delivery of Stock) of Attachment D (2020 Long-Term Incentive Plan Terms and Conditions) of the Plan is hereby amended and restated in its entirety to read as follows:

> (c) **Form and Timing of Delivery of Stock**. All of the Performance Shares awarded and vested pursuant to the Plan will be paid in Stock on or before March 15 of the calendar year following the calendar year in which the Performance Period ends (in other words, by March 15, 2023). The Performance Shares granted under this Plan are intended to fit within the short-term deferral exception to Section 409A of the Code. If the Company determines that the Performance Shares do not qualify for the short-term deferral exception to Section 409A, the restrictions described in Section 18.3 of the PEP will apply to the Performance Shares. If the transaction contemplated by the Merger Agreement closes prior to the end of the Performance Period, pursuant to the Merger Agreement, the "Earned Performance Shares" (as defined in the Merger Agreement) shall be determined prior to the closing of the transaction contemplated by the Merger Agreement. In such instance, except as otherwise provided by Section 18.3 of the PEP, the Earned Performance Shares due to Mr. Apodaca shall be delivered to him within thirty (30) days following the earliest of (1) his Qualifying Change in Control Termination, (2) his Disability following the closing of the Merger, (3) his termination of employment following the closing of the Merger due to death, Impaction, or Retirement or (4) between January 1, 2023 and March 15, 2023.

This Letter Amendment amends only the provisions of the Plan as set forth herein. Those provisions not expressly amended by this Letter Amendment shall continue in full force and effect. Notwithstanding the foregoing, this Letter Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions and the intent of this Letter Amendment.

If you are in agreement with the terms of this Letter Amendment, please so indicate by signing and returning to me a signed copy of this letter, which will constitute our binding agreement.

PNM RESOURCES, INC.

By: /s/ Joseph D. Tarry
Its: Senior Vice President and Chief Financial Officer

AGREED,

/s/ Patrick Apodaca 4/11/2022
Patrick Apodaca Date

Human Resources, Corporate Headquarters, Albuquerque, NM 87158-0745
Phone: 505-241-2691 Toll-Free 800-640-4692 FAX 505-241-2389

TRANSITION AND SEPARATION AGREEMENT

THIS TRANSITION AND SEPARATION AGREEMENT (this "Agreement") dated as of March 1, 2022 ("Effective Date") is entered into between **Charles N. Eldred** ("Executive") and **PNM Resources, Inc.** ("Company").

Recitals:

A. Executive is currently employed as the Company's Executive Vice President, Corporate Development and Finance ("Executive's Position").

B. Company intends to permanently eliminate Executive's Position on or about July 1, 2022 ("Separation Date"). Company and Executive have mutually agreed to a transition of Executive's employment with Company and termination of his employment with Company pursuant to the elimination of his position, effective as of the Separation Date; and

C. Company and Executive desire to enter into this Agreement to set forth the terms of their respective rights and obligations with respect to the termination of Executive's employment with Company.

In consideration of the foregoing premises, the mutual covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

Agreement

1. Transition Period and Separation of Employment.

A. Between the Effective Date and the Separation Date (the "Transition Period"), Executive will remain an employee of Company. Company shall continue to pay Executive the base salary, reimbursable business expenses and all employee benefits provided to Executive as of the Effective Date in accordance with Company's standard practices.

B. During the Transition Period, Executive will abide by the terms of this Agreement and all Company policies and procedures. Executive will likewise devote his best efforts to the performance of his job duties with Company.

C. Effective as of the close of business on the Separation Date, Executive's employment with Company will automatically be terminated by mutual agreement between Company and Executive. Effective as of the Separation Date, Executive shall be deemed to have resigned from all positions that Executive held as an officer, director and/or member of any committee of Company and of each of Company's subsidiaries; *provided, however*, Executive agrees to take all actions that are deemed reasonably necessary by Company to effectuate or evidence such resignations.

D. On the Separation Date, Executive agrees to execute and submit to Company an Updated and Restated Restrictive Covenant Agreement ("Restrictive Covenant Agreement") in substantially the form attached hereto as Exhibit A and which will be provided to Executive on or before the Separation Date. The Parties agree that consideration for the Restrictive Covenant Agreement includes a gross payment of $1,045,000.00, payable as follows:

- $522,500.00, less applicable withholding, within sixty (60) days following the Separation Date, and
- $522,500.00, less applicable withholding, on or after March 1, 2023 but not later than March 14, 2023.

E. The Parties further agree that Executive's separation will be an "Impaction," as defined in the PNM Resources, Inc. Non-Union Severance Pay Plan (the "Plan") and, provided Executive complies with all terms of the Plan, including his execution of a release of all claims to be provided to Executive on or around the Separation Date, Executive will be eligible for severance under the Plan.

2. Post-Termination Consulting/Cooperation. Commencing on the Separation Date and ending on the twelve (12) month anniversary thereof, Executive agrees to voluntarily make himself available to consult with Company as reasonably requested by Company from time to time for no additional compensation, save reimbursement for any actual and reasonable costs incurred by Executive.

3. Voluntary and Knowing: Executive enters into this Agreement knowingly and voluntarily and agrees that Company has made no other representations to induce or influence Executive's execution of this Agreement.

4. No Admissions. This Agreement is not intended to be, and should not be construed as, an admission of liability by either party.

Agreed and approved as follows:

/s/ Charles N. Eldred
Charles N. Eldred

Date: 4/19/2022

PNM Resources, Inc.

By: /s/ Patrciia K. Collawn

Printed Name: Patricia K. Collawn

Its: Chairman, President and CEO

Date: 4/20/2022

EXHIBIT A

UPDATED AND RESTATED RESTRICTIVE COVENANT AGREEMENT

UPDATED AND RESTATED RESTRICTIVE COVENANT AGREEMENT

This Updated and Restated Restrictive Covenant Agreement (this "Agreement"), is entered into effective as of July 1, 2022 by and between PNM Resources, Inc. (the "Company") and Charles N. Eldred ("Executive").

RECITALS

1. Executive is a highly compensated employee of the Company or its affiliates and was last employed as its Executive Vice President, Corporate Development and Finance.

2. Executive previously executed a Restrictive Covenant Agreement on or about May 15, 2012 ("Original Agreement").

3. Executive has agreed that, in exchange for the payment of $1,045,000 and other good and valuable consideration, the sufficiency of which is hereby acknowledged, Executive will comply with the terms set forth in this Agreement which modify and update the terms of the Original Agreement.

AGREEMENT

NOW, THEREFORE, Company and Executive agree as follows:

1. NON-COMPETITION. Executive agrees that for a period of eighteen (18) months following the termination of Executive's employment for any reason, Executive will not, without the prior written consent of Company: (1) engage in a "Competing Business" (as defined below) in the "Restricted Territory" (as defined below), and (2) act as an attorney, agent, consultant, advisor or employee to or of a business entity, non-profit organization or governmental entity with respect to any matter in which the Executive participated personally and substantially while employed by the Company.

For purposes of this Agreement, Executive shall be deemed to be engaged in a "Competing Business" if, in any capacity, including but not limited to, proprietor, shareholder, partner, officer, lender, guarantor of debts or obligations, director, employee, or agent, Executive engages or participates directly or indirectly in the operation, ownership or management of any proprietorship, partnership, corporation, limited liability company, or other business entity that engages in any Competing Business within the Restricted Territory. "Competing Business" includes any business in which the Company, including its Affiliates, is engaged, including but not limited to activities related to the provision of electricity and energy efficiency products and services and the generation, transmission and distribution of electricity.

2. NON-SOLICITATION OF CUSTOMERS. Executive agrees that for a period of eighteen (18) months following the termination of Executive's employment for any reason, Executive will not directly or indirectly, through Executive's own efforts or through the efforts of another person or entity, solicit business in the Restricted Territory for or in connection with any Competing Business from any Company Customer (as defined below). In addition, for a period of eighteen (18) months following the termination of Executive's employment for any reason, Executive will not solicit business for or in connection with a Competing Business from any individual or entity which may have been solicited by Executive on behalf of Company.

"Company Customer" shall include (1) any current customer of Company; (2) any former customer of Company whose business with Company ceased less than six months before the date of such solicitation; or (3) any prospective customer of Company which Executive was involved in soliciting or which Executive was aware that Company was soliciting. "Company Customer" also shall include, in addition to the corporate or entity customer itself, the individual representative of the corporate or entity customer and his or her successor or equivalent within the organizational subdivision of the corporate or entity customer on behalf of which he or she patronized Company, any organizational subdivision of the corporate or entity customer on behalf of which such individual representative has patronized Company, and any organizational subdivision of the corporate or entity customer referred to Executive by such individual representative.

3. NON-SOLICITATION OF COMPANY EMPLOYEES. Executive acknowledges that Company has a legitimate protectable interest in maintaining a stable and undisrupted workforce. Executive agrees that for a period of twenty-four (24) months following the termination of Executive's employment for any reason, Executive will not, directly or indirectly, on behalf of himself or on behalf of any other person, entity, or organization, and whether through Executive's own efforts or through the efforts of another person or entity employ, solicit for employment, or otherwise seek to employ or retain any employees of the Company who were employed with the Company at any time in the six months prior to Executive's termination of employment from the Company ("Company Employee"), or in any way assist or facilitate any such employment, solicitation, or retention effort.

Executive further agrees that for a period of twenty-four (24) months following the termination of Executive's employment for any reason, Executive shall not, directly or indirectly, engage in any conduct intended or reasonably calculated to induce or urge any Company Employee to discontinue, in whole or in part, his/her employment relationship with the Company.

4. RESTRICTED TERRITORY DEFINED. For purposes of Sections 1 and 2 (collectively, the "Restrictive Covenants"), the term "Restricted Territory" shall mean the States of New Mexico and Texas.

5. REMEDIES; REASONABLENESS. Executive acknowledges and agrees that a breach by Executive of the Restrictive Covenants of this Agreement will constitute irreparable damage to Company, the exact amount of which will be impossible to ascertain and, for that reason, agrees that Company will be entitled to an injunction to be issued by any court of competent jurisdiction restraining and enjoining Executive from violating the provisions of the Restrictive Covenants. The right to an injunction shall be in addition to and not in lieu of any other remedy available to Company for such breach or threatened breach, including the recovery of damages from Executive.

Executive expressly acknowledges and agrees that: (1) the provisions of the Restrictive Covenants contained herein are reasonable as to time and geographical area and do not place any unreasonable burden upon Executive, (2) the general public will not be harmed as a result of enforcement of these Restrictive Covenants, and (3) Executive understands and hereby agrees to each and every term and condition of the Restrictive Covenants set forth in this Agreement.

6. CONFIDENTIAL INFORMATION.

(a) Proprietary Information. Executive and Company hereby acknowledge and agree that in connection with the performance of Executive's services for Company, Executive shall be and has been provided with or shall otherwise be and has otherwise been exposed to or receive certain proprietary information of Company. Such proprietary information includes, without limitation, any written, oral, electronic or any other form of information including the following: (1) past, present and future customer lists, consultant lists, and customer information as compiled by Company, including proposals for services, pricing, customer contact information, customer lists, sale and contract terms and conditions, contract expirations, and other compiled customer information; (2) Company's own internal practices, procedures, and strategies; (3) Company's financial condition and financial results of operation; (4) credit information and technical environments concerning Company or Company's clients; (5) supply of material information, including sources and costs; (6) information in any form relating to Trade Secrets (as defined below), Intellectual Property (as defined below), confidential information, ideas, designs, products, descriptions, parts, test data, reports, recommendations, the Company's research and development, strategic planning, finance, marketing, and promotional activities and strategies, whether now existing, or planned, developed, or made available anytime in the future to the Company; (7) acquisition plans and other strategic plans; (8) all information which is designated as confidential, which the Executive has a reasonable basis to consider confidential or which is treated by the Company as confidential, including confidential or proprietary information from third parties, Company Customers, or Company vendors; and (9) any and all information that has independent economic value to the Company, that is not generally known to and not readily ascertainable by proper means by an individual or entity who can obtain economic value from its disclosure or use (all of the foregoing shall be deemed "Proprietary Information" for purposes of this Agreement). The term "Proprietary Information" does not include information which (1) becomes generally available to the public other than as a result of a disclosure by Executive contrary to the terms of this Agreement, (2) was available on a non-confidential basis prior to its disclosure, or (3) becomes available on a non-confidential basis from a source other than Executive, provided that such source is not contractually obligated to keep such information confidential. Executive hereby agrees that, without the prior written consent of Company, any and all Proprietary Information shall be and shall forever remain the property of Company, and that during and after the Executive's employment with Company, Executive shall not in any way disclose or reveal the Proprietary Information other than to Company's executives, officers and other employees and agents in the normal course of Executive's employment, or as required pursuant to an order issued by a court of competent jurisdiction or other governmental agency.

(b) Trade Secrets. Executive, prior to and during this Agreement, has had and will have access to and become acquainted with various trade secrets which are owned by Company and are regularly used in the operation of its business and which may give Company an opportunity to obtain an advantage over competitors who do not know or use such trade secrets. Executive agrees and acknowledges that Executive has been granted access to these valuable trade secrets only by virtue of the confidential relationship created by Executive's employment with Company. Executive shall not disclose any of the aforesaid trade secrets, directly or indirectly, or use them in any way, either during the Executive's employment with Company or at any time thereafter, except as required in the course of employment by Company and for its benefit, or as required pursuant to an order issued by a court of competent jurisdiction or other governmental agency.

(c) Intellectual Property. "Intellectual Property" shall include inventions (whether or not patentable), patents, copyrights, trademarks (together with the good will of the business symbolized by said trademarks), domain names, trade secrets, rights of publicity, database rights, works of authorship, mask works, moral rights, designs, discoveries, know-how, show-how, ideas and information made or conceived or reduced to practice and all related or other intellectual and industrial property rights of any sort throughout the world, including all improvements and/or derivative works growing out of or relating to the foregoing, in whole or in part, conceived, created, developed, discovered or reduced to practice during the term of employment with Company and, to the extent allowed by law, during any restricted period identified in ¶1, so far as it (1) relates, directly or indirectly, to Company's business, (2) results from or are suggested by any work assigned to or performed by Executive for Company, or (3) is used to develop or improve any Company equipment, supplies, facility, product, software, service, or trade secret, whether or not such Intellectual Property is developed entirely on Employee's own time and with or without use of Company property.

Executive acknowledges and agrees that all Intellectual Property, whether the same is derived from the use of Proprietary Information or otherwise developed or conceived of by Executive, shall be and shall remain the exclusive property of Company. Executive further agrees that for a period of 12 months after the employment period, there shall be an irrebuttable presumption that all Intellectual Property that relates to services rendered hereunder developed, formulated, created, or conceived of by Executive were derived from the use of Proprietary Information or were otherwise developed, formulated, created, or conceived of by Executive during the Executive's employment with Company, and, as such, the same shall be and shall remain the exclusive property of Company. Executive shall promptly disclose to Company all written and graphic materials, computer software, inventions, discoveries and improvements authored, prepared, conceived or made by, for or at the direction of Executive during the Executive's employment with Company and which are related to the Intellectual Property or the business of Company, and shall execute all such documents and instruments, including but not limited to any assignments and invention disclosure documents, as Company may reasonably determine are necessary or desirable in order to give effect to the preceding sentence or to preserve, protect or enforce Company's rights with respect to any such work and any Intellectual Property therein.

(d) Ownership of Documents. Company shall own all papers, records, books, drawings, documents, manuals, and anything of a similar nature (collectively, the "Documents") prepared by Executive in connection with the Executive's employment. The Documents shall be the property of Company and are not to be used on other projects except upon Company's prior written consent. Upon termination of the Executive's employment, Executive shall surrender to Company any and all Documents or other property of whatsoever kind now or hereafter in Executive's possession, custody, or control which contain or reflect in any manner whatsoever Proprietary Information or information which in any way relates to Company's business.

7. GENERAL PROVISIONS.

(a) No Conflicting Agreements. Executive acknowledges that he has no commitments or obligations inconsistent with this Agreement and hereby agrees to indemnify and hold the Company harmless against any and all loss, damage, liability, or expense arising from any claim based upon circumstances alleged to be inconsistent with such acknowledgement.

(b) **Severability.** In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any statute or public policy, then only the portions of this Agreement which violate such statute or public policy shall be stricken. All portions of this Agreement which do not violate any statute or public policy shall continue in full force and effect. Further, any court order striking any portion of this Agreement shall modify the stricken terms to give as much effect as possible to the intentions of the parties under this Agreement.

(c) **Governing Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New Mexico.

(d) **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

(e) **Survival of Terms.** The terms and conditions set forth in this Agreement shall survive this Agreement and continue to be binding upon Executive after the expiration or termination of this Agreement, whether by passage of time or otherwise.

(f) **Entire Agreement.** This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement of any kind not expressly set forth in this Agreement shall affect, or be used to interpret, change or restrict, the express terms and provisions of the Agreement.

(g) **Interpretative Matters.** No provision of this Agreement will be interpreted in favor of, or against, any of the parties hereto by reason of the extent to which any such party or its counsel participated in the drafting thereof or by reason of the extent to which any such provision is inconsistent with any prior draft hereof or thereof.

8. **"COMPANY" INCLUDES AFFILIATES.** For purposes of this Agreement, the term "Company" shall mean PNM Resources, Inc. and any Affiliate of PNM Resources, Inc. The term "Affiliate" shall be given the meaning ascribed to it in the PNM Resources, Inc. Officer Retention Plan.

IN WITNESS WHEREOF, the parties have executed and sealed this Agreement to be signed by its duly authorized representative and Executive has signed this Agreement as of the ____ day of July, 2022.

PNM RESOURCES, INC.

By:_____

Name: Patricia K. Collawn

Its: Chairman, President and CEO

EXECUTIVE

_____

Charles N. Eldred

Exhibit 10.9
Execution Version

TEXAS-NEW MEXICO POWER COMPANY

$160,000,000

$65,000,000 4.13% First Mortgage Bonds, due May 12, 2052, Series 2022A
$95,000,000 3.81% First Mortgage Bonds, due July 28, 2032, Series 2022C

_____

BOND PURCHASE AGREEMENT

_____

Dated April 27, 2022

TABLE OF CONTENTS

TEXAS-NEW MEXICO POWER COMPANY

$160,000,000
$65,000,000 4.13% FIRST MORTGAGE BONDS, DUE MAY 12, 2052, Series 2022A
$95,000,000 3.81% FIRST MORTGAGE BONDS, DUE JULY 28, 2032, Series 2022C

April 27, 2022

TO EACH OF THE PURCHASERS LISTED IN
SCHEDULE B HERETO:

Ladies and Gentlemen:

Texas-New Mexico Power Company, a Texas corporation (together with any successor thereto that becomes a party hereto, the **"Company"**), agrees with each of the Purchasers as follows:

SECTION 1. AUTHORIZATION OF BONDS.

The Company will authorize the issue and sale of $65,000,000 aggregate principal amount of its 4.13% First Mortgage Bonds, due May 12, 2052, Series 2022A (the "Series 2022A Bonds") and $95,000,000 aggregate principal amount of its 3.81% First Mortgage Bonds, due July 28, 2032, Series 2022C (the "**Series 2022C Bonds**"; together with the Series 2022A Bonds and as amended, restated or otherwise modified from time to time and including any such bonds issued in substitution therefor pursuant to the Indenture, the **"Bonds"**). The Bonds will be issued under and secured by that certain First Mortgage Indenture dated as of March 23, 2009 (the **"Original Indenture"**), from the Company, as grantor, to U.S. Bank Trust Company, National Association, as trustee (the **"Trustee"**), as previously amended and supplemented by a First Supplemental Indenture dated as of March 23, 2009, a Second Supplemental Indenture, dated as of March 25, 2009, a Third Supplemental Indenture, dated as of April 30, 2009, as amended by a First Amendment, dated as of December 16, 2010, a Fourth Supplemental Indenture dated as of September 30, 2011, a Fifth Supplemental Indenture, dated as of April 3, 2013, a Sixth Supplemental Indenture dated as of June 27, 2014, a Seventh Supplemental Indenture, dated as of February 10, 2016, an Eighth Supplemental Indenture, dated as of August 24, 2017, a Ninth Supplemental Indenture dated as of June 28, 2018, a Tenth Supplemental Indenture, dated as of March 29, 2019, an Eleventh Supplemental Indenture dated as of July 1, 2019, a Twelfth Supplemental Indenture dated as of April 24, 2020, a Thirteenth Supplemental Indenture dated as of July 15, 2020 and a Fourteenth Supplemental Indenture dated as of August 16, 2021, each such supplemental indenture being between the Company and the Trustee, and to be further supplemented by the Fifteenth Supplemental Indenture and the Seventeenth Supplemental

Indenture (such Fifteen Supplemental Indenture and Seventeenth Supplemental Indenture being referred to herein as the "**Supplements**") which will be substantially in the forms set out in Schedule C, with such changes therein, if any, as shall be approved by the Purchasers and the Company and including, prior to the Second Closing, by the Sixteenth Supplemental Indenture. The Original Indenture, as supplemented and amended by the aforementioned fourteen supplemental indentures and the Supplements, and as further supplemented or amended according to its terms, is hereinafter referred to as the "**Indenture**". Certain capitalized and other terms used in this Agreement are defined in Schedule A. Terms used herein by not defined herein shall have the meanings set forth in the Indenture unless otherwise specified. References to a "Schedule" are references to a Schedule attached to this Agreement unless otherwise specified. References to a "Section" are references to a Section of this Agreement unless otherwise specified.

SECTION 2. SALE AND PURCHASE OF BONDS.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at each Closing as provided for in Section 3, Bonds in the principal amount and series specified opposite such Purchaser's name in Schedule B at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

SECTION 3. CLOSINGS.

This Agreement shall be executed and delivered on April 27, 2022. The sale and purchase of the Series 2022A Bonds to be purchased by each Purchaser at the First Closing (as defined below) as reflected on Schedule B shall occur at the offices of Chapman and Cutler LLP, 320 S Canal Street, Chicago, Illinois 60606, at 7:00 a.m., Chicago time, at a closing (the "**First Closing**") on May 12, 2022. The sale and purchase of the Series 2022C Bonds to be purchased by each Purchaser at the Second Closing as reflected on Schedule B shall occur at the offices of Chapman and Cutler LLP, 320 S Canal Street, Chicago, Illinois 60606, at 7:00 a.m., Chicago time, at a closing (the "**Second Closing**") on July 28, 2022 or such earlier date at the Company's option; provided that (i) such earlier date must be a Business Day that is after the First Closing and (ii) the Company shall provide the Purchasers at least seven (7) Business Days' written notice of the date of the Second Closing pursuant to Section 4.14. The First Closing and Second Closing are each referred to herein as a "**Closing**". At each Closing, the Company will deliver to each Purchaser the Bonds to be purchased by such Purchaser at such Closing in the form of a single Bond (or such greater number of Bonds in denominations of at least $100,000 as such Purchaser may request) dated the date of the relevant Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company in accordance with the instructions delivered by the Company pursuant to Section 4.10. If at any such Closing the Company shall fail to tender such Bonds to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser's reasonable satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without

thereby waiving any rights such Purchaser may have by reason of any of the conditions specified in Section 4 not having been fulfilled to such Purchaser's satisfaction or such failure by the Company to tender such Bonds.

SECTION 4. CONDITIONS TO THE CLOSINGS.

Each Purchaser's obligation to purchase and pay for the Bonds to be sold to such Purchaser at a Closing is subject to the fulfillment to such Purchaser's reasonable satisfaction, prior to or at the applicable Closing, of the following conditions:

Section 4.1. Representations and Warranties. The representations and warranties of the Company in this Agreement shall be correct when made and at such Closing.

Section 4.2. Performance; No Event of Default or Bond Repurchase Event. The Company shall have performed and complied with all agreements and conditions contained in this Agreement and in the other Financing Agreements required to be performed or complied with by it prior to or at such Closing and from the date of this Agreement to such Closing. From the date of this Agreement until such Closing, before and after giving effect to the issue and sale of the Bonds (and the application of the proceeds thereof as contemplated by Section 5.14), no Bond Repurchase Event under the relevant Supplement or Event of Default under the Indenture or violation of Section 8 hereof, in each case assuming the Bonds had been issued as of the date hereof, shall have occurred and be continuing.

Section 4.3. Compliance Certificates.

(a) *Officer's Certificate*. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of such Closing, certifying that (i) the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled and (ii) the Indenture attached thereto (together with all amendments and supplements thereto, but exclusive of property exhibits, recording information and the like) is a true copy and in full force and effect.

(b) *Secretary's Certificate*. The Company shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated the date of such Closing, certifying as to (i) the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Bonds and this Agreement and the other Financing Agreements and (ii) the Company's organizational documents as then in effect.

Section 4.4. Opinions of Counsel. Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of such Closing (a) from Troutman Pepper Hamilton Sanders LLP, Jackson Walker L.L.P. and in-house legal counsel to the Company, each as counsel for the Company, covering the matters set forth in Schedule 4.4(a), covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request and containing assumptions, qualifications, limitations and exclusions reasonably acceptable to Purchasers and their special counsel (and the Company hereby instructs its counsel to deliver such opinion to the Purchasers) and (b) from Chapman and Cutler LLP, the Purchasers' special counsel in connection with such transactions, set forth in Schedule 4.4(b) and

covering such other matters incident to such transactions as such Purchaser may reasonably request.

Section 4.5. Purchase Permitted by Applicable Law, Etc. On the date of such Closing such Purchaser's purchase of Bonds shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date of such Closing. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6. Sale of Other Bonds. Contemporaneously with such Closing, the Company shall sell to each other Purchaser and each other Purchaser shall purchase the Bonds to be purchased by it at such Closing as specified in Schedule B.

Section 4.7. Payment of Special Counsel Fees. Without limiting Section 10.1, the Company shall have paid on or before the date of this Agreement and the date of such Closing the fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one (1) Business Day prior to the date of this Agreement or such Closing, as applicable.

Section 4.8. Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for each series of the Bonds.

Section 4.9. Changes in Corporate Structure. The Company shall not have changed its jurisdiction of incorporation or organization, as applicable, or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

Section 4.10. Funding Instructions. At least five (5) Business Days prior to the date of such Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company specifying (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number and (iii) the account name and number into which the purchase price for the applicable Bonds is to be deposited. Each Purchaser has the right, but not the obligation, upon written notice (which may be by email) to the Company, to elect to deliver a micro deposit (less than $50.00) to the account identified in the written instructions no later than two (2) Business Days prior to such Closing. If a Purchaser delivers a micro deposit, a Responsible Officer must verbally verify the receipt and amount of the micro deposit to such Purchaser on a telephone call initiated by such Purchaser prior to such Closing. The Company shall not be obligated to return the amount of the micro deposit, nor will the amount of the micro deposit be netted against the Purchaser's purchase price of the Bonds.

Section 4.11. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and the other Financing Agreements, and all documents and instruments incident to such transactions shall be reasonably satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

Section 4.12. Issuance of Bonds under Indenture; Execution and Delivery and Filing and Recording of the Supplements. The Company shall have taken all actions necessary under the Indenture to effect the issue of the Bonds thereunder. The relevant Supplement shall have been duly executed and delivered by the Company. The Indenture, as it exists as of the date hereof, has been duly recorded as a mortgage and deed of trust of real estate, and any required filings with respect to personal property and fixtures subject to the Lien of the Indenture, as it exists as of the date hereof, have been duly made in each place in which such recording or filing is required to protect, preserve and perfect the Lien of the Indenture, as it exists as of the date hereof. Prior to or contemporaneous with the First Closing, the Fifteenth Supplemental Indenture will be duly recorded with the applicable Governmental Authority. Prior to or contemporaneous with the Second Closing, the Seventeenth Supplemental Indenture will be duly recorded with the applicable Governmental Authority.

Section 4.13. Regulatory Approvals. The issue and sale of the Bonds shall have been duly authorized by each regulatory authority whose consent or approval shall be required for the issue and sale of the Bonds to the Purchasers and any orders issued pursuant thereto shall be in full force and effect as of the date of this Agreement and all appeal periods, if any, shall have expired; *provided, however,* that with respect to the registration requirements of section 5 of the Securities Act or to the registration requirements of any Securities or blue sky laws of any applicable jurisdiction, satisfaction of the foregoing condition assumes the accuracy of the representations and warranties of the Purchasers contained in Section 6.1 of this Agreement.

Section 4.14. Notice of Second Closing Date. If the Company has selected a date earlier than July 28, 2022 for the Second Closing pursuant to Section 3, then at least seven (7) Business Days prior to such date selected for the Second Closing, each Purchaser shall have received written notice signed by a Responsible Officer on letterhead of the Company confirming the date of the Second Closing.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser as the date of this Agreement and as of each Closing that:

Section 5.1. Organization; Power and Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own

or hold under lease, the properties it purports to own or hold under lease, to transact the business it transacts, to execute and deliver this Agreement, the Bonds and the Supplements (and had the corporate power and authority to execute and deliver the Indenture at the time of execution and delivery thereof) and to perform the provisions of this Agreement and the other Financing Agreements.

Section 5.2. Authorization, Etc. Each Financing Agreement has been duly authorized by all necessary corporate action on the part of the Company, and each Financing Agreement (other than the Supplements and the Bonds) constitutes, and when the applicable Supplement is executed and delivered by the Company and the Trustee and when the applicable Bonds are executed, issued and delivered by the Company, authenticated by the Trustee and paid for by the Purchasers, such Supplement and each applicable Bond will constitute a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its respective terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. The Company, through its agent, MUFG Securities Americas Inc. and KeyBanc Capital Markets Inc., has delivered to each Purchaser a copy of an Investor Presentation, dated March 31, 2022 (the **"Presentation"**), relating to the transactions contemplated hereby. This Agreement, the Presentation, the financial statements listed in Schedule 5.5 and the documents, certificates or other writings (including the Company's annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K filed with the Securities and Exchange Commission) delivered or made available to the Purchasers by or on behalf of the Company prior to April 12, 2022 in connection with the transactions contemplated hereby and identified in Schedule 5.3 (collectively, the **"Disclosure Documents"**), taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Disclosure Documents, since December 31, 2021, there has been no change in the financial condition, operations, business or properties of the Company or any Subsidiary except changes that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 5.4. Organization and Ownership of Shares of Subsidiaries; Affiliates. (a) Schedule 5.4 contains (except as noted therein) complete and correct lists of (i) the Company's Subsidiaries, showing, as to each Subsidiary, the name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) the Company's Affiliates, other than Subsidiaries and (iii) the Company's directors and officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries, have been validly issued, are fully paid and non-assessable and are owned by the Company or another Subsidiary, free and clear of any Lien that is prohibited by this Agreement.

(c) Each Subsidiary is a corporation or other legal entity duly organized, validly existing and, where applicable, in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and, where applicable, is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease, the properties it purports to own or hold under lease and to transact the business it transacts.

Section 5.5. Financial Statements; Material Liabilities. The Company, through its agents, MUFG Securities Americas Inc. and KeyBanc Capital Markets Inc., has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of such financial statements (including in each case the related schedules and notes) fairly present in all material respects, the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company and its Subsidiaries do not have any Material liabilities that are not disclosed in the Disclosure Documents.

Section 5.6. Compliance with Laws, Other Instruments, Etc. The execution, delivery and performance by the Company of this Agreement and the other Financing Agreements (including the prior execution and delivery of the Indenture) will not (i) violate or conflict with any provision of the corporate charter or by-laws; (ii) result in the creation of any Lien, other than the Lien created under the Indenture, in respect of any property of the Company or any Subsidiary; (iii) violate, contravene or conflict with contractual provisions of, or cause an event of default under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, shareholders agreement or any other agreement or instrument to which the Company or any Subsidiary is bound, the violation of which would have or would be reasonably expected to have a Material Adverse Effect; (iv) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary; or (v) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

Section 5.7. Governmental Authorizations, Etc. No consent, approval or authorization of, or registration, notice, filing or declaration with, any Governmental Authority is required in connection with, or to ensure, the execution, delivery, legality, validity or performance or enforceability by the Company of this Agreement, the Bonds and the Supplements except for (i) the filing of the applicable Supplement in the Filing Office, (ii) such consents, approvals, authorizations, orders, notices, filings and registrations or qualifications as have been previously obtained, which such actions remain in full force and effect and for which appeal periods have expired and (iii) such consents, approvals, authorizations, orders and registrations or qualifications as may be required to enforce the Lien of the Indenture and the applicable Supplement and the priority and perfection thereof or exercise remedies under the Indenture and the applicable

Supplement that have been obtained and remain in full force and effect or will be obtained prior to or contemporaneous with the First Closing or the Second Closing, as the case may be; *provided, however,* that with respect to the registration requirements of section 5 of the Securities Act or to the registration requirements of any Securities or blue sky laws of any applicable jurisdiction, the foregoing representation and warranty assumes the accuracy of the representations and warranties of the Purchasers contained in Section 6.1 of this Agreement.

Section 5.8. Litigation; Observance of Statutes and Orders. Other than as disclosed in the Company's Form 10-K for the year ended December 31, 2021, (a) there are no actions, suits, investigations or proceedings pending or, to the best knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is (i) in violation of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or (ii) in violation of any applicable law, ordinance, rule or regulation of any Governmental Authority (including, without limitation, Environmental Laws, the USA PATRIOT Act or any of the other laws and regulations that are referred to in Section 5.16), which default or violation would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. The Company and its Subsidiaries have filed or caused to be filed, all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which, individually or in the aggregate, is not Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The U.S. federal income tax liabilities of the Company and its Subsidiaries have been finally determined (whether by reason of completed audits or the statute of limitations having run) for all fiscal years up to and including the fiscal year ended December 31, 2017.

Section 5.10. Title to Property; Leases. The Company and its Subsidiaries have good and sufficient title to their respective Material properties, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after such date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement or the Indenture, except for Permitted Liens and except for those defects in title and Liens that, individually or in the aggregate, would not have a Material Adverse Effect. All Material leases are valid and subsisting and are in full force and effect in all material respects.

Section 5.11. Licenses, Permits, Etc. The Company and its Subsidiaries own or possess all licenses, permits, franchises, certificates of conveyance and necessity, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that

individually or in the aggregate are Material, without known conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

Section 5.12. Compliance with ERISA. Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect:

(a) During the five-year period prior to the date hereof: (i) no ERISA Event has occurred, and, to the best knowledge of the Company, no event or condition has occurred or exists as a result of which any ERISA Event would be reasonably expected to occur, with respect to any Plan; (ii) each Plan has been maintained, operated, and funded in compliance with its own terms and in material compliance with the provisions of ERISA, the Code, and any other applicable federal or state laws; and (iii) no Lien in favor or the PBGC or a Plan has arisen or is reasonably likely to arise on account of any Plan.

(b) The actuarial present value of all "benefit liabilities" under each Single Employer Plan (determined within the meaning of Section 401(a)(2) of the Code, utilizing the actuarial assumptions used to fund such Plans), whether or not vested, did not, as of the last annual valuation date for which results have been certified prior to the date on which this representation is made or deemed made, exceed the current value of the assets of such Plan allocable to such accrued liabilities, except as disclosed in the Company's financial statement.

(c) Neither the Company nor any ERISA Affiliate has incurred, or, to the best knowledge of the Company, is reasonably expected to incur, any withdrawal liability (or any contingent withdrawal liabilities) under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither the Company nor any ERISA Affiliate has received any notification that any Multiemployer Plan is insolvent (within the meaning of section 4245 of ERISA), or has been terminated (within the meaning of Title IV of ERISA), and no Multiemployer Plan is, to the best knowledge of the Company, reasonably expected to be insolvent or terminated.

(d) No prohibited transaction (within the meaning of section 406 of ERISA or section 4975 of the Code) or breach of fiduciary responsibility has occurred with respect to a Plan which has subjected or would be reasonably likely to subject the Company or any ERISA Affiliate to any liability under sections 406, 409, 502(i), or 502(l) of ERISA or section 4975 of the Code, or under any agreement or other instrument pursuant to which the Company or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability.

(e) The present value (determined using actuarial and other assumptions which are reasonable with respect to the benefits provided and the employees participating) of the liability of the Company and each ERISA Affiliate for post-retirement welfare benefits to be provided to their current and former employees under Plans which are welfare benefit plans (as defined in section 3(1) of ERISA), net of all assets under all such Plans allocable to such benefits, are reflected on the financial statements referenced in Section 5.5 in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 715-60.

(f) Each Plan which is a welfare plan (as defined in section 3(1) of ERISA) to which sections 601-609 of ERISA and section 4980B of the Code apply has been administered in compliance in all material respects with such sections.

(g) The execution and delivery of this Agreement and the issuance and sale of the Bonds hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company to each Purchaser in the first sentence of this Section 5.12(g) is made in reliance upon and subject to the accuracy of such Purchaser's representation in Section 6.2 as to the sources of the funds to be used to pay the purchase price of the Bonds to be purchased by such Purchaser.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Bonds or any similar Securities for sale to, or solicited any offer to buy the Bonds or any similar Securities from, or otherwise approached or negotiated in respect thereof with, any Person other than 23 Institutional Investors (including the Purchasers), each of which has been offered the Bonds at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Bonds to the registration requirements of section 5 of the Securities Act or to the registration requirements of any Securities or blue sky laws of any applicable jurisdiction.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the Bonds for the repayment of existing debt and other general corporate purposes. No part of the proceeds from the sale of the Bonds hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any Securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 2% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 2% of the value of such assets. As used in this Section, the terms **"margin stock"** and **"purpose of buying or carrying"** shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Indebtedness. (a) Except as described therein, Schedule 5.15 sets forth a complete and correct list of each individual item of outstanding Indebtedness of the Company and its Subsidiaries that exceeds $5,000,000 (or in the case of Contingent Obligations, such Contingent Obligations guaranteeing or otherwise in respect of obligations that exceed $5,000,000 described in the definition of "Indebtedness") as of December 31, 2021 (including descriptions of the obligors and obligees, principal amounts outstanding, any collateral therefor and any Guaranties thereof), since which date there has been no Material change (other than with respect to the outstanding Indebtedness related to (i) the Credit Agreement, (ii) intercompany loans and (iii) the termination amount of hedges, which changes, in the case of the foregoing clauses (i), (ii) and (iii), are permitted under the Credit Agreement as of the date of this Agreement, could not reasonably be expected to have a Material Adverse Effect, and would be permitted under the Financing Agreements if the Bonds had been issued as of the date hereof) in the amounts, interest

rates, sinking funds, installment payments or maturities of the Indebtedness of the Company or its Subsidiaries. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary the outstanding principal amount of which exceeds $5,000,000 that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including, but not limited to, its charter or any other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company, except as disclosed in Schedule 5.15.

Section 5.16. Foreign Assets Control Regulations, Etc. (a) Neither the Company nor any Controlled Entity (i) is a Blocked Person, (ii) has been notified that its name appears or may in the future appear on a State Sanctions List or (iii) is a target of sanctions that have been imposed by the United Nations or the European Union.

(b) Neither the Company nor any Controlled Entity (i) has violated, been found in violation of, or been charged or convicted under, any applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws or (ii) to the Company's knowledge, is under investigation by any Governmental Authority for possible violation of any U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws.

(c) No part of the proceeds from the sale of the Bonds hereunder:

(i) constitutes or will constitute funds obtained on behalf of any Blocked Person in violation of applicable law or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (A) in connection with any investment in, or any transactions or dealings with, any Blocked Person or Sanctioned Jurisdiction in violation of applicable law, (B) for any purpose that would cause any Purchaser to be in violation of any U.S. Economic Sanctions Laws or (C) otherwise in violation of any U.S. Economic Sanctions Laws;

(ii) will be used, directly or indirectly, in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Money Laundering Laws; or

(iii) will be used, directly or indirectly, for the purpose of making any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage, in each case which would be in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Corruption Laws.

(d) The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws and Anti-Corruption Laws.

Section 5.17. Status under Certain Statutes. Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 2005, as amended, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

Section 5.18. Lien of Indenture. The Indenture (and, for avoidance of doubt, including the Supplements when executed and delivered by the parties thereto and filed in the Filing Office) constitutes a direct and valid Lien upon the Mortgaged Property, subject only to the exceptions referred to in the Indenture and Permitted Liens, and will create a similar Lien upon all properties and assets acquired by the Company after the date hereof which are required to be subjected to the Lien of the Indenture, when acquired by the Company, subject only to the exceptions referred to in the Indenture and Permitted Liens, and subject, further, as to real property interests, any requirement to the recordation of a supplement to the Indenture describing such after-acquired property or any requirement to file a notice relating to such after-acquired property; the descriptions of all such properties and assets contained in the granting clauses of the Indenture are correct and adequate for the purposes of the Indenture; the Indenture has been duly recorded as a "utility security instrument" under and as defined in the Utility Security Instrument Act, and any required filings with respect to personal property and fixtures subject to the Lien of the Indenture have been duly made in each place in which such recording or filing is required to protect, preserve and perfect the Lien of the Indenture; and all taxes and recording and filing fees required to be paid with respect to the execution, recording or filing of the Indenture, the filing of financing statements related thereto and similar documents and the issuance of the Bonds have been paid.

SECTION 6. REPRESENTATIONS OF THE PURCHASERS.

Section 6.1. Purchase for Investment. Each Purchaser severally represents that (a) it is purchasing the Bonds for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, *provided* that the disposition of such Purchaser's or their property shall at all times be within such Purchaser's or their control and (b) it is an "accredited investor" (as defined in Rule 501(a)(1), (2), (3), or (7) under the Securities Act). Each Purchaser understands that the Bonds have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available (or under circumstances where the law does not require registration or exemption thereto) and that the Company is not required to register the Bonds. Each Purchaser also represents that the Company has made available to it, a reasonable time prior to the consummation of the transactions contemplated hereby, the opportunity to ask questions and receive answers concerning the terms and conditions of the offering of the Bonds that it is purchasing or shall purchase and to obtain any additional information which the Company possesses or could acquire without unreasonable effort or expense.

Section 6.2. Source of Funds. Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a **"Source"**) to be used by such Purchaser to pay the purchase price of the Bonds to be purchased by such Purchaser hereunder:

(a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption (**"PTE"**) 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the NAIC (the **"NAIC Annual Statement"**)) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part VI of PTE 84-14 (the **"QPAM Exemption"**)) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part VI of the QPAM Exemption), no employee benefit plan's assets that are managed by the QPAM in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, represent more than 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM maintains an ownership interest in the Company that would cause the QPAM and the Company to be "related" within the meaning of Part VI(h) of the QPAM Exemption and (i) the identity of such QPAM and (ii) the names of any employee benefit plans whose assets in the investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of

Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization, represent 10% or more of the assets of such investment fund, have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a "plan(s)" (within the meaning of Part IV(h) of PTE 96-23 (the **"INHAM Exemption"**)) managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV(a) of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "control" in Part IV(d)(3) of the INHAM Exemption) owns a 10% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms **"employee benefit plan," "governmental plan,"** and **"separate account"** shall have the respective meanings assigned to such terms in section 3 of ERISA.

SECTION 7. INFORMATION AS TO COMPANY.

Section 7.1. Visitation. The Company shall permit the representatives of each Purchaser and each holder of a Bond that is an Institutional Investor:

(a) *No Default* — if no Event of Default or Bond Repurchase Event then exists, at the expense of such Purchaser or such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) *Default* — if an Event of Default or Bond Repurchase Event then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to

discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

SECTION 8. COVENANTS.

From the date of this Agreement until the First Closing and thereafter, so long as any of the Bonds are outstanding, the Company covenants that:

Section 8.1. Compliance with Laws. The Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, ERISA, Environmental Laws, the USA PATRIOT Act and the other laws and regulations that are referred to in Section 5.16, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 8.2. Books and Records. The Company will, and will cause each of its Subsidiaries to, maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over the Company or such Subsidiary, as the case may be. The Company will, and will cause each of its Subsidiaries to, keep books, records and accounts which, in reasonable detail, accurately reflect all transactions and dispositions of assets. The Company and its Subsidiaries have devised a system of internal accounting controls sufficient to provide reasonable assurances that their respective books, records, and accounts accurately reflect all transactions and dispositions of assets and the Company will, and will cause each of its Subsidiaries to, continue to maintain such system.

Section 8.3. Transactions with Affiliates. The Company will not, and will not permit any Subsidiary to, enter into directly or indirectly any Material transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person who is not an Affiliate.

Section 8.4. Line of Business. The Company will not, and will not permit any Subsidiary to, engage in any business if, as a result, the general nature of the business in which the Company and its Subsidiaries, taken as a whole, would then be engaged would be substantially changed from

the general nature of the business in which the Company and its Subsidiaries, taken as a whole, are engaged on the date of this Agreement as described in the Disclosure Documents.

SECTION 9. REMEDIES ON DEFAULT.

If the event of a breach or violation hereof has occurred and is continuing, the holders of the Bonds may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein, or for an injunction against a violation of any of the terms hereof and thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

SECTION 10. EXPENSES, ETC.

Section 10.1. Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required by the Required Holders, local or other counsel) incurred by the Purchasers and each other holder of a Bond in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement, any other Financing Agreement (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement, any other Financing Agreement or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement, any other Financing Agreement, or by reason of being a holder of any Bond, (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Bonds and (c) the costs and expenses incurred in connection with the initial filing of this Agreement and all related documents and financial information with the SVO *provided* that such costs and expenses under this clause (c) shall not in the aggregate exceed $5,000 for each series. The Company will pay, and will save each Purchaser and each other holder of a Bond harmless from, (i) all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Bonds) and (ii) any and all wire transfer fees that any bank deducts from any payment under such Bond to such holder or otherwise charges to a holder of a Bond with respect to a payment under such Bond.

Section 10.2. Survival. The obligations of the Company under this Section 10 will survive the payment or transfer of any Bond, the enforcement, amendment or waiver of any provision of this Agreement, any other Financing Agreement, and the termination of this Agreement or any other Financing Agreement.

SECTION 11. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Bonds, the purchase or transfer by any Purchaser of any Bond

or portion thereof or interest therein and the payment of any Bond, and may be relied upon by any subsequent holder of a Bond, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Bond. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Bonds embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 12. AMENDMENT AND WAIVER.

Section 12.1. Requirements. This Agreement may be amended, and the observance of any term hereof may be waived (either retroactively or prospectively), only with the written consent of the Company and the Required Holders, except that no amendment or waiver of any of Sections 1, 2, 3, 4, 5, 6 or 16 hereof, or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing.

Section 12.2. Solicitation of Holders of Bonds.

(a) *Solicitation.* The Company will provide each Purchaser and holder of a Bond with sufficient information, sufficiently far in advance of the date a decision is required, to enable such Purchaser and holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Bonds. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to this Section 12 to each Purchaser and each holder of a Bond promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite Purchasers or holders of Bonds.

(b) *Payment.* The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any Purchaser or holder of a Bond as consideration for or as an inducement to the entering into by such Purchaser or holder of any waiver or amendment of any of the terms and provisions hereof or any Bond unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each Purchaser and each holder of a Bond, even if such Purchaser or holder did not consent to such waiver or amendment.

Section 12.3. Binding Effect, Etc. Any amendment or waiver consented to as provided in this Section 12 or any other Financing Agreement, applies equally to all Purchasers and holders of Bonds and is binding upon them and upon each future holder of any Bond and upon the Company without regard to whether such Bond has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Event of Default or Bond Repurchase Event not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and any Purchaser or holder of a Bond and no delay in exercising any rights hereunder or under any other Financing Agreement shall operate as a waiver of any rights of any Purchaser or holder of such Bond.

Section 12.4. Bonds Held by Company, Etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Bonds then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement, any other Financing Agreement, or have directed the taking of any action provided herein or in any other Financing Agreement to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Bonds then outstanding, Bonds directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 13. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at either Closing (except the Bonds themselves) and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital, or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 13 shall not prohibit the Company or any other holder of Bonds from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 14. CONFIDENTIAL INFORMATION.

For the purposes of this Section 14, **"Confidential Information"** means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser, as being confidential information of the Company or such Subsidiary, *provided* that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser, any Person acting on such Purchaser's behalf, or any Person from whom such disclosure would, to the knowledge of such Purchaser, violate a duty of confidentiality to the Company or any Subsidiary, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company, any Subsidiary or any Person from whom such disclosure would, to the knowledge of such Purchaser, violate a duty of confidentiality to the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, *provided* that such Purchaser may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys, trustees and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Bonds); (ii) its auditors, financial

advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with this Section 14; (iii) any other holder of any Bond; (iv) any Institutional Investor to which it sells or offers to sell such Bond or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by this Section 14); (v) any Person from which it offers to purchase any Security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by this Section 14); (vi) any federal or state regulatory authority having jurisdiction over such Purchaser; (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio; or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser; (x) in response to any subpoena or other legal process; (y) in connection with any litigation to which such Purchaser is a party; or (z) if an Event of Default or Bond Repurchase Event has occurred and is continuing, to the extent such Purchaser may reasonably determine, such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's Bonds, this Agreement or any other Financing Agreement. Notwithstanding the foregoing, in the event that a Purchaser or Holder is compelled to disclose Confidential Information pursuant to clause (viii)(w) (except where disclosure of the purchase of the Bonds is to be made to any supervisory or regulatory body during the normal course of its exercise of its regulatory or supervisory function over such Purchaser and consistent with such Purchaser's usual practice), (viii)(x) or (viii)(y) of the preceding sentence, such Purchaser or Holder shall, so long as no Default, Event of Default or Bond Repurchase Event has occurred and is continuing, use its reasonable best efforts to give the Company prompt notice of such pending disclosure and, to the extent practicable, the opportunity to seek a protective order or to pursue such further legal action as may be necessary to preserve the privileged nature and confidentiality of the Confidential Information, *provided, however,* that nothing in this sentence shall require any holder of Bonds to take any action that would cause it to be in violation of any law, rule, regulation, court or regulatory authority order, subpoena or other legal process. Each holder of a Bond, by its acceptance of a Bond, will be deemed to have agreed to be bound by and to be entitled to, the benefits of this Section 14 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Bond of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying this Section 14.

In the event that as a condition to receiving access to information relating to the Company or its Subsidiaries in connection with the transactions contemplated by or otherwise pursuant to this Agreement, any Purchaser or holder of a Bond is required to agree to a confidentiality undertaking (whether through IntraLinks, another secure website, a secure virtual workspace or otherwise) which is different from this Section 14, this Section 14 shall not be amended thereby and, as between such Purchaser or such holder and the Company, this Section 14 shall supersede any such other confidentiality undertaking.

The obligations under this Section 14 will survive the payment or transfer of any Bond, the enforcement, amendment or waiver of any provision of this Agreement, any other Financing Agreement, and the termination of this Agreement or any other Financing Agreement.

SECTION 15. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of its Affiliates or another Purchaser or any one of such other Purchaser's Affiliates (a **"Substitute Purchaser"**) as the purchaser of the Bonds that it has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Substitute Purchaser, shall contain such Substitute Purchaser's agreement to be bound by this Agreement and shall contain a confirmation by such Substitute Purchaser of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, any reference to such Purchaser in this Agreement (other than in this Section 15), shall be deemed to refer to such Substitute Purchaser in lieu of such original Purchaser. In the event that such Substitute Purchaser is so substituted as a Purchaser hereunder and such Substitute Purchaser thereafter transfers to such original Purchaser all of the Bonds then held by such Substitute Purchaser, upon receipt by the Company of notice of such transfer, any reference to such Substitute Purchaser as a "Purchaser" in this Agreement (other than in this Section 15), shall no longer be deemed to refer to such Substitute Purchaser, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original holder of the Bonds under this Agreement.

SECTION 16. MISCELLANEOUS.

Section 16.1. Successors and Assigns. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Bond) whether so expressed or not.

Section 16.2. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 16.3. Construction, Etc. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Section 16.4. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto. The parties agree to electronic contracting and signatures with respect to this Agreement and the documents delivered in connection with this Agreement (other than the Bonds). Delivery of an electronic signature to, or a signed copy of, this Agreement and such other documents (other than

the Bonds) by facsimile, email or other electronic transmission shall be fully binding on the parties to the same extent as the delivery of the signed originals and shall be admissible into evidence for all purposes. The words "execution," "execute", "signed," "signature," and words of like import in or related to any document to be signed in connection with this Agreement and the other documents (other than the Bonds) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Company, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act. Notwithstanding the foregoing, if any Purchaser shall request manually signed counterpart signatures to this Agreement or any document delivered in connection with this Agreement, the Company hereby agrees to use its reasonable endeavors to provide such manually signed signature pages as soon as reasonably practicable.

Section 16.5. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

Section 16.6. Jurisdiction and Process; Waiver of Jury Trial. (a) The Company irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, in the City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Bonds. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company consents to process being served by or on behalf of any holder of Bonds in any suit, action or proceeding of the nature referred to in Section 16.6(a) by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in Section 16.7 or at such other address of which such holder shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this Section 16.6 shall affect the right of any holder of a Bond to serve process in any manner permitted by law, or limit any right that the holders of any of the Bonds may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE BONDS OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH.

Section 16.7. Notices. All notices and communications provided for hereunder shall be in writing and sent (a) by registered or certified mail with return receipt requested (postage prepaid) or (b) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in Schedule B, or at such other address as such Purchaser or nominee shall have specified to the Company in writing,

(ii) if to any other holder of any Bond, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at 414 Silver Ave. SW, Albuquerque, New Mexico 87102-3289, to the attention of Treasurer, or at such other address as the Company shall have specified to the holder of each Bond in writing.

Notwithstanding the foregoing, any notices or communications to be provided by the Company hereunder may be delivered to each Purchaser or its nominee by electronic delivery at the e-mail address set forth for such Purchaser or nominee in Schedule B hereto, or, for each Purchaser or its nominee or any holder of a Bond, to the e-mail address as communicated from time to time in a separate writing delivered to the Company.

Notices under this Section 16.7 will be deemed given only when actually received.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

TEXAS-NEW MEXICO POWER COMPANY

By /s/ Elisabeth Eden
Name: Elisabeth Eden
Title: Vice President and Treasurer

This Agreement is hereby accepted and agreed to as of the date hereof.

THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY

By: Northwestern Mutual Investment Management Company, LLC, its investment adviser

By: /s/ Jeffrey M. Behring
Name: Jeffrey M. Behring
Title: Managing Director

THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY FOR ITS GROUP ANNUITY SEPARATE ACCOUNT

By: Northwestern Mutual Investment Management Company, LLC, its investment adviser

By: /s/ Jeffrey M. Behring
Name: Jeffrey M. Behring
Title: Managing Director

This Agreement is hereby accepted and agreed to as of the date hereof.

METROPOLITAN LIFE INSURANCE COMPANY
by MetLife Investment Management, LLC, its Investment Manager

METLIFE INSURANCE K.K.
by MetLife Investment Management, LLC, its Investment Manager

AMERICAN FIDELITY ASSURANCE COMPANY
by MetLife Investment Management, LLC, its Investment Manager

By: /s/ Frederic Sporer
Name: Frederic Sporer
Title: Authorized Signatory

This Agreement is hereby accepted and agreed to as of the date hereof.

HSBC LIFE (INTERNATIONAL) LIMITED

SIGNED, SEALED AND DELIVERED for and on behalf of **HSBC LIFE (INTERNATIONAL) LIMITED**

By: HSBC Asset Management (UK) Limited, as its duly appointed attorney

By: /s/ Simon Jardine
its duly authorised signatory
Name: Simon Jardine
Title: Senior Portfolio Manager, Head of Investment Grade Infrastructure Debt

HSBC INSURANCE (SINGAPORE) PTE. LIMITED

SIGNED, SEALED AND DELIVERED for and on behalf of **HSBC INSURANCE (SINGAPORE) PTE. LIMITED**

By: HSBC Asset Management (UK) Limited, as its duly appointed attorney

By: /s/ Simon Jardine
its duly authorised signatory
Name: Simon Jardine
Title: Senior Portfolio Manager, Head of Investment Grade Infrastructure Debt

This Agreement is hereby accepted and agreed to as of the date hereof.

NEW YORK LIFE INSURANCE COMPANY

By: /s/ Nicole Kincade
Name: Nicole Kincade
Title: Corporate Vice President

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
By: NYL Investors LLC, its Investment Manager

By: /s/ Nicole Kincade
Name: Nicole Kincade
Title: Director

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
INSTITUTIONALLY OWNED LIFE INSURANCE SEPARATE ACCOUNT
(BOLI 30C)
By: NYL Investors LLC, its Investment Manager

By: /s/ Nicole Kincade
Name: Nicole Kincade
Title: Director

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
INSTITUTIONALLY OWNED LIFE INSURANCE SEPARATE ACCOUNT
(BOLI 3-2)
By: NYL Investors LLC, its Investment Manager

By: /s/ Nicole Kincade
Name: Nicole Kincade
Title: Director

This Agreement is hereby accepted and agreed to as of the date hereof.

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
INSTITUTIONALLY OWNED LIFE INSURANCE SEPARATE ACCOUNT (BOLI 3)

By: NYL Investors LLC, its Investment Manager

By: /s/ Nicole Kincade
Name: Nicole Kincade
Title: Director

NEW YORK LIFE GROUP INSURANCE COMPANY OF NY

By: NYL Investors LLC, its Investment Manager

By: /s/ Nicole Kincade
Name: Nicole Kincade
Title: Director

This Agreement is hereby accepted and agreed to as of the date hereof.

THE BANK OF NEW YORK MELLON, A BANKING CORPORATION ORGANIZED UNDER THE LAWS OF NEW YORK, NOT IN ITS INDIVIDUAL CAPACITY BUT SOLELY AS TRUSTEE UNDER THAT CERTAIN TRUST AGREEMENT DATED AS OF JULY 1ST, 2015 BETWEEN NEW YORK LIFE INSURANCE COMPANY, AS GRANTOR, JOHN HANCOCK LIFE INSURANCE COMPANY (U. S. A.), AS BENEFICIARY, JOHN HANCOCK LIFE INSURANCE COMPANY OF NEW YORK, AS BENEFICIARY, AND THE BANK OF NEW YORK MELLON, AS TRUSTEE

By: New York Life Insurance Company, its attorney-in-fact

By: /s/ Nicole Kincade
Name: Nicole Kincade
Title: Corporate Vice President

THE BANK OF NEW YORK MELLON, NOT IN ITS INDIVIDUAL CAPACITY BUT SOLELY AS TRUSTEE UNDER THAT CERTAIN TRUST AGREEMENT DATED AS OF DECEMBER 30, 2020, BY AND AMONG LIFE INSURANCE COMPANY OF NORTH AMERICA, AS GRANTOR, CONNECTICUT GENERAL LIFE INSURANCE COMPANY, AS BENEFICIARY, AND THE BANK OF NEW YORK MELLON, AS TRUSTEE

By: NYL Investors LLC, its Investment Manager

By: /s/ Nicole Kincade
Name: Nicole Kincade
Title: Director

This Agreement is hereby accepted and agreed to as of the date hereof.

STATE FARM LIFE INSURANCE COMPANY

By: /s/ Jeffrey Attwood
Name: Jeffrey Attwood
Title: Investment Professional

By: /s/ Rebekah L. Holt
Name: Rebekah L. Holt
Title: Investment Professional

STATE FARM LIFE AND ACCIDENT ASSURANCE COMPANY

By: /s/ Jeffrey Attwood
Name: Jeffrey Attwood
Title: Investment Professional

By: /s/ Rebekah L. Holt
Name: Rebekah L. Holt
Title: Investment Professional

STATE FARM FIRE AND CASUALTY COMPANY

By: /s/ Jeffrey Attwood
Name: Jeffrey Attwood
Title: Investment Professional

By: /s/ Rebekah L. Holt
Name: Rebekah L. Holt
Title: Investment Professional

This Agreement is hereby accepted and agreed to as of the date hereof.

STATE FARM INSURANCE COMPANIES EMPLOYEE RETIREMENT TRUST

By: /s/ Jeffrey Attwood
Name: Jeffrey Attwood
Title: Investment Professional

By: /s/ Rebekah L. Holt
Name: Rebekah L. Holt
Title: Investment Professional

This Agreement is hereby accepted and agreed to as of the date hereof.

AMERICAN MEMORIAL LIFE INSURANCE COMPANY

By: MEMBERS Capital Advisors, Inc. acting as Investment Advisor

By: /s/ Stan J. Van Aartsen

Name: Stan J. Van Aartsen

Title: Managing Director, Investments

This Agreement is hereby accepted and agreed to as of the date hereof.

COUNTRY LIFE INSURANCE COMPANY

By: /s/ John A. Jacobs
Name: John A. Jacobs
Title: Director - Fixed Income

COUNTRY MUTUAL INSURANCE COMPANY

By: /s/ John A. Jacobs
Name: John A. Jacobs
Title: Director - Fixed Income

Defined Terms

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Affiliate" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, **"Control"** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"Agreement" means this Agreement, including all Schedules attached to this Agreement, as it may be amended, restated, supplemented or otherwise modified from time to time.

"Anti-Corruption Laws" means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding bribery or any other corrupt activity, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010.

"Anti-Money Laundering Laws" means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes, including the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act) and the USA PATRIOT Act.

"**Blocked Person**" means (a) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by OFAC, (b) a Person, entity or organization that is blocked or a target of sanctions that have been imposed under U.S. Economic Sanctions Laws, or (c) a Person that is an agent, department or instrumentality of, or otherwise beneficially owned fifty percent (50%) or more by, controlled by or acting on behalf of, directly or indirectly, any one or more Person(s), entity or organization described in clause (a) or (b) or a Sanctioned Jurisdiction.

"Bond Repurchase Event" is defined in section 2.07 of the applicable Supplement.

"Bonds" is defined in Section 1.

"Business Day" means for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York or Houston, Texas are required or authorized to be closed.

"Capital Stock" means (a) in the case of a corporation, all classes of capital stock of such corporation, (b) in the case of a partnership, partnership interests (whether general or limited), (c) in the case of a limited liability company, membership interests and (d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or

distributions of assets of, the issuing Person; including, in each case, all warrants, rights or options to purchase any of the foregoing.

"Closing" is defined in Section 3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Company" means Texas-New Mexico Power Company, a Texas corporation or any successor that becomes such in the manner prescribed in the Indenture.

"Confidential Information" is defined in Section 14.

"Contingent Obligation" means, with respect to any Person, any direct or indirect liability of such Person with respect to any Indebtedness, liability or other obligation (the "primary obligation") of another Person (the "primary obligor"), whether or not contingent, (a) to purchase, repurchase or otherwise acquire such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or provide funds (i) for the payment or discharge or any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor in respect thereof to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of any such primary obligation against loss or failure or inability to perform in respect thereof; *provided, however,* that, with respect to the Company and its Subsidiaries, the term Contingent Obligation shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Contingent Obligation of any Person shall be deemed to be an amount equal to the maximum amount of such Person's liability with respect to the stated or determinable amount of the primary obligation for which such Contingent Obligation is incurred or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder).

"Controlled Entity" means (i) any of the Subsidiaries of the Company and any of their or the Company's respective Controlled Affiliates and (ii) if the Company has a parent company, such parent company and its Controlled Affiliates. As used in this definition, **"Control"** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Disclosure Documents" is defined in Section 5.3.

"Environmental Laws" means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to Hazardous Materials.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"**ERISA Event**" means, with respect to the Company: (a) a Reportable Event with respect to a Plan or a Multiemployer Plan, (b) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan, or the receipt by the Company or any ERISA Affiliate of notice from a Multiemployer Plan that it is in insolvency pursuant to section 4245 of ERISA or that it intends to terminate or has terminated under section 4041A of ERISA, (c) the distribution by the Company or any ERISA Affiliate under section 4041 or 4041A of ERISA of a notice of intent to terminate any Single Employer Plan or the taking of any action to terminate any Single Employer Plan, (d) the commencement of proceedings by the PBGC under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Single Employer Plan, or the receipt by the Company or any ERISA Affiliate of a notice from any Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan, (e) the institution of a proceeding by any fiduciary of any Multiemployer Plan against the Company or any ERISA Affiliate to enforce section 515 of ERISA, which is not dismissed within thirty (30) days, (f) the imposition upon the Company or any ERISA Affiliate of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under section 4007 of ERISA, or the imposition or threatened imposition of any Lien upon any assets of the Company or any ERISA Affiliate as a result of any alleged failure to comply with the Code or ERISA in respect of any Single Employer Plan, (g) the engaging in or otherwise becoming liable for a nonexempt Prohibited Transaction by the Company or any ERISA Affiliate, (h) a violation of the applicable requirements of section 404 or 405 of ERISA or the exclusive benefit rule under section 401(a) of the Code by any fiduciary of any Single Employer Plan for which the Company or any ERISA Affiliate may be directly or indirectly liable, (i) the granting of a security interest in connection with the amendment of a Single Employer Plan or (j) the withdrawal of the Company or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan.

"Event of Default" is defined in the Indenture.

"Filing Office" means the Office of the Secretary of State of the State of Texas.

"Financing Agreements" means this Agreement, the Indenture (including without limitation, the Supplements) and the Bonds.

"First Closing" is defined in Section 3.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America, and, notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, provided that any election by the Company

to measure any financial liability using fair value (as permitted by Financial Accounting Standards Board Accounting Standards Codification Topic No. 825-10-25 – *Fair Value Option,* International Accounting Standard 39 – *Financial Instruments: Recognition and Measurement* or any similar accounting standard) shall be disregarded and such determination shall be made as if such election had not been made.

"Governmental Authority" means

(a) the government of

(i) the United States of America or any state or other political subdivision thereof, or

(ii) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Governmental Official" means any governmental official or employee, employee of any government-owned or government-controlled entity, political party, any official of a political party, candidate for political office, official of any public international organization or anyone else acting in an official capacity.

"Guaranty" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"Hazardous Materials" means any and all pollutants, toxic or hazardous wastes or other substances that might pose a hazard to health and safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be restricted, prohibited or penalized by any applicable law including, but not limited to, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances.

"Hedging Agreements" means, collectively, interest rate protection agreements, equity index agreements, foreign currency exchange agreements, option agreements or other interest or exchange rate or commodity price hedging agreements (other than forward contracts for the delivery of power or gas written by the Company to its jurisdictional and wholesale customers in the ordinary course of business).

"holder" means, with respect to any Bond, the Person in whose name such Bond is registered in the register maintained by the Company pursuant to section 3.05 of the Indenture, *provided, however,* that if such Person is a nominee, then for the purposes of Sections 7, 15 and 16 and any related definitions in this Schedule A, "holder" shall mean the beneficial owner of such Bond whose name and address appears in such register.

"INHAM Exemption" is defined in Section 6.2(e).

"Indebtedness" means, with respect to any Person (without duplication), (a) all indebtedness and obligations of such Person for borrowed money or in respect of loans or advances of any kind; (b) all obligations of such Person evidenced by notes, bonds, debentures or similar instruments; (c) all reimbursement obligations of such Person with respect to surety bonds, letters of credit and bankers' acceptance (in each case, whether or not drawn or matured and in the stated amount thereof); (d) all obligations of such Person to pay for the deferred purchase price of property or services; (e) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person; (f) all obligations of such Person as lessee under leases that are or are required to be, in accordance with GAAP, recorded as capital leases, to the extent such obligations are required to be so recorded; (g) the net termination obligations of such Person under any Hedging Agreements, calculated as of any date as if such agreement or arrangement were terminated as of such date in accordance with the applicable rules under GAAP; (h) all Contingent Obligations of such Person; (i) all obligations and liabilities of such Person incurred in connection with any transaction or series of transactions providing for the financing of assets through one or more securitizations or in connection with, or pursuant to, any synthetic lease or similar off-balance sheet financing; (j) the aggregate amount of uncollected accounts receivable of such Person subject at the time of determination to a sale of receivables (or similar transaction) to the extent such transaction is effected with recourse to such Person (whether or not such transaction would be reflected on the balance sheet of such Person in accordance with GAAP); (k) all Specified Securities; and (l) all indebtedness referred to in clauses (a) through (k)

above secured by any Lien on any property or asset owned or held by such Person regardless of whether the indebtedness secured thereby shall have been assumed by such Person or is nonrecourse to the credit of such Person.

"Institutional Investor" means (a) any Purchaser of a Bond, (b) any holder of a Bond holding (together with one or more of its affiliates) more than 5% of the aggregate principal amount of the Bonds then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form and (d) any Related Fund of any holder of any Bond.

"Lien" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or capital lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Material" means material in relation to the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, (b) the ability of the Company to perform its obligations under this Agreement and the Bonds, or (c) the validity or enforceability of this Agreement or any other Financing Agreement.

"Mortgaged Property" is defined in the Indenture.

"Multiemployer Plan" means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"**Multiple Employer Plan**" means, with respect to the Company, a Single Employer Plan to which the Company or any ERISA Affiliate and at least one employer other than the Company or any ERISA Affiliate are contributing sponsors.

"NAIC" means the National Association of Insurance Commissioners or any successor thereto.

"OFAC" means the U.S. Department of Treasury's Office of Foreign Assets Control.

"OFAC Sanctions Program" means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx.

"Officer's Certificate" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Permitted Liens" is defined in the Indenture.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

"Plan" means an "employee benefit plan" (as defined in section 3(3) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"Presentation" is defined in Section 5.3.

"property" or **"properties"** means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"PTE" is defined in Section 6.2(a).

"**Prohibited Transaction**" means any transaction described in (a) section 406 of ERISA that is not exempt by reason of section 408 of ERISA or by reason of a Department of Labor prohibited transaction individual or class exemption or (b) section 4975(c) of the Code that is not exempt by reason of section 4975(c)(2) or 4975(d) of the Code.

"Purchaser" or **"Purchasers"** means each of the purchasers that has executed and delivered this Agreement to the Company and such Purchaser's successors and assigns, *provided, however,* that any Purchaser of a Bond that ceases to be the registered holder or a beneficial owner (through a nominee) of such Bond as the result of a transfer thereof pursuant to the Indenture shall cease to be included within the meaning of "Purchaser" of such Bond for the purposes of this Agreement upon such transfer.

"QPAM Exemption" is defined in Section 6.2(d).

"Related Fund" means, with respect to any holder of any Bond, any fund or entity that (i) invests in Securities or bank loans and (ii) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

"**Reportable Event**" means (a) any "reportable event" within the meaning of section 4043(c) of ERISA for which the notice under section 4043(a) of ERISA has not been waived by the PBGC (including any failure to meet the minimum funding standard of, or timely make any required installment under, section 412 of the Code or section 302 of ERISA, regardless of the issuance of any waivers in accordance with section 412(d) of the Code), (b) any such "reportable event" subject to advance notice to the PBGC under section 4043(b)(3) of ERISA, (c) any

application for a funding waiver or an extension of any amortization period pursuant to section 412 of the Code and (d) a cessation of operations described in section 4062(e) of ERISA.

"Required Holders" means, at any time, (a) prior to the First Closing, the Purchasers, (b) from the date of the First Closing but prior to the Second Closing, (i) the holders of more than 50% in principal amount of the Bonds which were issued at the First Closing at the time outstanding (exclusive of any Bonds then owned by the Company or any of its Affiliates) and (ii) the Purchasers of the Bonds to be issued at the Second Closing as set forth in Schedule B; and (c) on or after the date of the Second Closing, the holders of more than 50% in principal amount of the Bonds at the time outstanding (exclusive of any Bonds then owned by the Company or any of its Affiliates).

"Responsible Officer" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"**Sanctioned Jurisdiction**" means, at any time, a country or territory which is itself subject to or the target of any comprehensive country-wide sanctions under U.S. Economic Sanctions (as opposed to individual, entity or other list-based Sanctions) (at the time of this Agreement, the Crimea Region of Ukraine, Cuba, Iran, North Korea, Sudan and Syria).

"Second Closing" is defined in Section 3.

"Securities" or **"Security"** shall have the meaning specified in section 2(1) of the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of the Company.

"Series 2022A Bonds" is defined in Section 1.

"Series 2022C Bonds" is defined in Section 1.

"**Single Employer Plan**" means any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan or Multiple Employer Plan.

"Source" is defined in Section 6.2.

"Specified Securities" means, with respect to any Person, (a) all preferred Capital Stock issued by such Person and required by the terms thereof to be redeemed or for which mandatory sinking fund payments are due, (b) all securities issued by such Person that contain two distinct components, typically medium-term debt and a forward contract for the issuance of common stock prior to the debt maturity, including such securities commonly referred to by their tradenames as "FELINE PRIDES", "PEPS", "HITS", "SPACES" and "DECS" and generally referred to as

"equity units" and (c) all other securities issued by such Person that are similar to those described in the forgoing clauses (a) and (b).

"**State Sanctions List**" means a list that is adopted by any state Governmental Authority within the United States of America pertaining to Persons that engage in investment or other commercial activities in Iran or any other country that is a target of economic sanctions imposed under U.S. Economic Sanctions Laws.

"Subsidiary" and "Subsidiaries" means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Any reference to a Subsidiary of the Company herein shall not include a Subsidiary that is inactive, has minimal or no assets and does not generate revenues. Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Substitute Purchaser" is defined in Section 15.

"SVO" means the Securities Valuation Office of the NAIC or any successor to such Office.

"**United States Person**" has the meaning set forth in Section 7701(a)(30) of the Code.

"USA PATRIOT Act" means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"**U.S. Economic Sanctions Laws**" means those laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Iran Sanctions Act, the Sudan Accountability and Divestment Act and any other OFAC Sanctions Program.

"**Utility Security Instrument Act**" means Title 8, Chapter 261 of the Texas Business & Commerce Code.

OPINIONS OF VARIOUS COUNSEL
TO THE COMPANY

Such opinions to be provided subject to assumptions, qualifications, limitations and exclusions reasonably acceptable to Purchasers and their special counsel

OPINIONS REQUESTED OF TROUTMAN PEPPER HAMILTON SANDERS

1. Execution and Delivery. Each of the Bond Purchase Agreement, the Indenture, the Supplemental Indenture and the Bonds has been duly authorized, executed and delivered by the Company.

2. Validity and Enforceability. Each of the Bond Purchase Agreement, the Indenture, the Supplemental Indenture and the Bonds constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

3. Noncontravention. Neither the execution and delivery by the Company of any Subject Document to which it is a party, nor the performance by the Company of its obligations thereunder: (a) violates any statute or regulation of Applicable Law that, in each case, is applicable to the Company; (b) violates any provision of the Organizational Documents of the Company; or (c) violates, results in any breach of any of the terms of, or constitutes a default under, any Reviewed Document.

4. Governmental Approvals. No consent, approval or authorization of, filing with, or order of any federal or New York court or governmental agency or body, is required for (a) the issuance and sale of the Bonds, or (b) the execution and delivery of the Subject Documents, except in each case as have previously been made or obtained or except such as may be required under the blue sky laws of any jurisdiction (as to which we express no opinion).

5. Proceedings. To our knowledge, there is no outstanding judgment, action, suit or proceeding pending against the Company before any court, governmental agency or arbitrator which challenges the validity of any Subject Document to which the Company is a party.

6. Investment Company Act. The Company is not required to be registered under the Investment Company Act of 1940, as amended.

7. Registration. No registration under the Securities Act of 1933, as amended, of the Bonds and no qualification of the Indenture or the Supplemental Indenture under the Trust Indenture Act of 1939, as amended, is required for the offer and sale of the Bonds in the manner contemplated by the Bond Purchase Agreement, the Indenture and the Supplemental Indenture, it being understood that no opinion is expressed as to any subsequent resale of any Bonds.

OPINIONS REQUESTED OF JACKSON WALKER, L.L.P.

(a) The Base Indenture and the applicable Supplemental Indenture have each been received for filing in the State Filing Office, and the Notices have been received for recording by the County Filing Offices, which State Filing Office and County Filing Offices constitute each jurisdiction in which the Base Indenture, such Supplemental Indenture and the Notices,

respectively, are required to be filed or recorded, and such receipt for filing or recording makes effective the Lien intended to be created by the Indenture.

(a) The Bonds, when issued, authenticated and delivered in the manner provided for in the Indenture, will be entitled to the benefit of the Lien of the Indenture equally and ratably with all other Securities then Outstanding.

(b) The Indenture constitutes a Lien on the Designated Property Additions, and, based solely upon the Lien Search, the Designated Property Additions are subject to no Lien prior to the Lien of the Indenture except Permitted Liens.

OPINIONS REQUESTED OF IN-HOUSE LEGAL COUNSEL TO THE COMPANY, SCOTT SEAMSTER, ESQ.

1. The Company is a corporation validly existing and in good standing under the laws of the State of Texas. The Company has the corporate power and authority to own its properties and conduct its business as described in the Disclosure Documents. The Company is duly qualified to do business as a foreign corporation and in good standing under the laws of each jurisdiction which requires such qualification, other than in those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

2. The Company has the corporate power to issue and sell the Bonds, execute, deliver and perform its obligations under the Agreement, the Indenture and the Bonds, and the Company has taken all necessary corporate action to authorize the issuance and sale of the Bonds and the execution, delivery and performance by it of the Agreement, Indenture and the Bonds.

3. Each of the Base Indenture, the Agreement and the Supplemental Indenture has been duly authorized, executed and delivered by the Company. The Bonds have been duly authorized and executed by the Company.

4. Neither the execution and delivery by the Company of the Agreement, the Indenture and the Bonds, nor the performance by the Company of its obligations thereunder: (a) violates any applicable law or regulation of the State of Texas that, in each case, is applicable to the Company; (b) violates any provision of the articles of incorporation or bylaws of the Company; or (c) violates, results in any breach of any of the terms of, or constitutes a default under any indenture, credit agreement, mortgage, or deed of trust, or any other material contract, agreement or instrument to which the Company is a party or by which the Company or its properties may be bound (each a "Company Agreement").

5. No consent, approval or authorization, filing with or order of any Texas governmental agency, or Texas court, is required to be obtained by the Company for the issuance and sale of the Bonds.

6. To my knowledge, there is no outstanding judgment, action, suit or proceeding pending against the Company before any court, governmental agency or arbitrator which challenges the validity of the Agreement, the Indenture or the Bonds.

FORM OF OPINION OF SPECIAL COUNSEL
TO THE PURCHASERS

[To Be Provided on a Case by Case Basis]

SCHEDULE 4.4(b)
(to Bond Purchase Agreement)

SCHEDULE 5.3

DISCLOSURE MATERIALS
TEXAS-NEW MEXICO POWER COMPANY

IntraLinks Items:	**Document Title**
TNMP Cover Letter	TNMP Cover Letter 2022
TNMP Bond Purchase Agreement	Bond Purchase Agreement – TNMP v12
TNMP Investor Call Presentation	TNMP 2022 PP Investor Presentation – Draft vFinal

Financial Statements Listed in Schedule 5.5

SEC Filings: TNMP's Annual Reports on Form 10-K for the years ended December 31, 2019-2021 and Current Reports on Form 8-K filed to date in 2022 prior to April 12, 2022 are all available on the following link:

https://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000022767&owner=exclude&count=40&hidefilings=0

SCHEDULE 5.4

Organization and Ownership of Shares of Subsidiaries; Affiliates
As of March 1, 2022

i) The Company's Subsidiaries (as defined):

None

ii) The Company's Affiliates[1], other than Subsidiaries:

a) PNM Resources, Inc.
b) TNP Enterprises, Inc.
c) Public Service Company of New Mexico
d) PNMR Services Company
e) PNMR Development and Management Corporation
f) NM Renewable Development, LLC
g) NMRD Data Center, LLC
h) NMRD Data Center II, LLC
i) NMRD Data Center II-Britton, LLC
j) NMRD Data Center III, LLC
k) NMRD Data Center III-Encino, LLC

iii) The Company's Directors and Officers:

a) Directors:
Patricia K. Collawn, Chairman
Ronald N. Darnell, Director
Charles N. Eldred, Director
Chris M. Olson, Director
Joseph D. Tarry, Director
James N. Walker, Director

b) Officers:
Patrick V. Apodaca, Senior Vice President, General Counsel and Secretary
Patricia K. Collawn, Chief Executive Officer
Elisabeth A. Eden, Vice President and Treasurer
Charles N. Eldred, Executive Vice President, Corporate Development and Finance
Michael P. Mertz, Vice President and Chief Information Officer

[1] List does not include inactive Affiliates.

Henry E. Monroy, Vice President and Corporate Controller
Keith C. Nix, Vice President, Engineering and Technical Services
Chris M. Olson, Senior Vice President, Utility Operations
Evans Spanos, Vice President, Operations
Joseph D. Tarry, Senior Vice President and Chief Financial Officer
Becky R. Teague, Vice President, Human Resources
James N. Walker, President
Stacy R. Whitehurst, Vice President, Regulatory Affairs

SCHEDULE 5.5

Financial Statements of Texas-New Mexico Power Company
contained in the following SEC Filings:

Date Filed	SEC Filings	Description
03/02/2020	10-K	Annual Report for year ended 12/31/19
03/01/2021	10-K	Annual Report for year ended 12/31/20
03/01/2022	10-K	Annual Report for year ended 12/31/21

Available on the following link:

https://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000022767&owner=exclude&count=40&hidefilings=0

SCHEDULE 5.15

EXISTING INDEBTEDNESS OF TEXAS-NEW MEXICO POWER COMPANY

Texas- New Mexico Company – Fixed Rate Bonds as of 12/31/21

Description of Bonds	Principal Outstanding (in $000)	Interest Rates	Year Issued	Due Date
FMBs, 2014 Series	$80,000	4.030%	2014	7/1/2024
FMBs, 2016 Series	$60,000	3.530%	2016	2/10/2026
FMBs, 2017 Series	$60,000	3.220%	2017	8/24/2027
FMBs, 2018 Series	$60,000	3.850%	2018	6/28/2028
FMBs, 2019 Series A	$80,000	3.600%	2019	7/1/2029
FMBs, 2020 Series A	$85,000	2.730%	2020	4/24/2030
FMBs, 2019 Series B	$75,000	3.790%	2019	3/29/2034
FMBs, 2020 Series C	$25,000	2.930%	2020	7/15/2035
FMBs, 2019 Series C	$75,000	3.920%	2019	3/29/2039
FMBs, 2013 Series	$93,198	6.950%	2013	4/1/2043
FMBs, 2019 Series D	$75,000	4.060%	2019	3/29/2044
FMBs, 2020 Series B	$25,000	3.360%	2020	4/24/2050
FMBs, 2020 Series D	$50,000	3.360%	2020	7/15/2050
FMBs, 2021 Series A	$65,000	2.440%	2021	8/15/2035
TOTAL	**$908,198**			

Bank Credit Facilities: Variable Rate Revolvers and Term Loans

Credit Facility	Effective Date	Expiration Date	Drawn Credit Facility Pricing (revolver grid pricing for current rating)	Principal Outstanding* 3/11/22; (in $000)	Borrowing Rate as of 3/11/22
TNMP $75M Revolver[2]	03/11/22	9/23/2024 (two one-year extension options to 9/23/26)	SOFR+CSA+87.5 bps	$71,600	1.19%
TNMP $150M Inter-company Loan Agreement with PNMR	9/30/21	9/30/22 (renewed yearly)	Function of PNMR's Revolver borrowing rate, at the time of borrowing	$0	0.00%

*Excludes $0.00 letters of credit

[2] Reflects terms of Fourth Amended and Restated Credit Agreement entered into March 11, 2022. The Credit Agreement provides the Company with an option to increase capacity up to $100,000,000. The Company may elect to exercise such option prior to the Second Closing.

Form of [Fifteenth]/[Seventeenth] Supplemental Indenture

TEXAS-NEW MEXICO POWER COMPANY

To

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

[FIFTEENTH]/[SEVENTEENTH] SUPPLEMENTAL INDENTURE
dated as of [May 12, 2022]/[July 28, 2022]

Supplemental to the First Mortgage Indenture
dated as of March 23, 2009

(file no.: [ ])

Establishing a series of Securities designated

[4.13% FIRST MORTGAGE BONDS, DUE MAY 12, 2052, SERIES 2022A]/[3.81% FIRST MORTGAGE BONDS, DUE JULY 28, 2032, SERIES 2022C]

THIS INSTRUMENT GRANTS A SECURITY INTEREST BY A UTILITY

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS

SCHEDULE C
(to Bond Purchase Agreement)

Address of Debtor:
Texas-New Mexico Power Company
Attention: Treasurer
414 Silver Ave. SW, MS 0905
Albuquerque, New Mexico 87102-3289

Address of Secured Party:
U.S. Bank Trust Company, National Association, as Trustee
101 North First Avenue, Suite 1600
Phoenix, Arizona 85003
Attention: Global Corporate Trust

[FIFTEENTH]/[SEVENTEENTH]SUPPLEMENTAL INDENTURE, dated as of [_____], 2022, between **TEXAS-NEW MEXICO POWER COMPANY**, a corporation organized and existing under the laws of the State of Texas (the "Company"), and **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, a national banking association (ultimate successor as trustee to The Bank of New York Mellon Trust Company, N.A.), as Trustee under the Indenture hereinafter referred to (the "Trustee").

RECITALS OF THE COMPANY

WHEREAS, the Company has heretofore executed and delivered to the Trustee a First Mortgage Indenture dated as of March 23, 2009 (the "Original Indenture"), providing for the issuance by the Company from time to time of its bonds, notes or other evidence of indebtedness to be issued in one or more series (in the Original Indenture and herein called the "Securities") and to provide security for the payment of the principal of and premium, if any, and interest, if any, on the Securities and the performance and observance of the other obligations of the Company thereunder; and

WHEREAS, the Company has also heretofore executed and delivered to the Trustee a First Supplemental Indenture, dated as of March 23, 2009, a Second Supplemental Indenture, dated as of March 25, 2009, a Third Supplemental Indenture, dated as of April 30, 2009, as amended by a First Amendment, dated as of December 16, 2010, a Fourth Supplemental Indenture, dated as of September 30, 2011, a Fifth Supplemental Indenture, dated as of April 3, 2013, a Sixth Supplemental Indenture, dated as of June 27, 2014, a Seventh Supplemental Indenture, dated as of February 10, 2016, an Eighth Supplemental Indenture, dated as of August 24, 2017, a Ninth Supplemental Indenture, dated as of June 28, 2018, a Tenth Supplemental Indenture, dated March 29, 2019, an Eleventh Supplemental dated as of July 1, 2019, a Twelfth Supplemental Indenture dated as of April 24, 2020, a Thirteenth Supplemental Indenture dated as of July 15, 2020, [and] a Fourteenth Supplemental Indenture dated as of August 16, 2021, [and a Fifteenth Supplemental Indenture dated as of May 12, 2022 and Sixteenth Supplemental Indenture dated as of [_____, 2022][3]], each such supplemental indenture being between the Company and the Trustee, each providing for the establishment of the terms of one or more series of Securities (the Original Indenture, as supplemented by said First Supplemental Indenture, said Second Supplemental Indenture, said Third Supplemental Indenture (as amended), said Fourth Supplemental Indenture, said Fifth Supplemental Indenture, said Sixth Supplemental Indenture, as supplemented and amended by said Seventh Supplemental Indenture, as supplemented by said Eighth Supplemental Indenture, said Ninth Supplemental Indenture, said Tenth Supplemental Indenture, said Eleventh Supplemental Indenture, said Twelfth Supplemental Indenture, said Thirteenth Supplemental Indenture, [and] said Fourteenth Supplemental Indenture[, and said Fifteenth Supplemental Indenture and Sixteenth Supplemental Indenture], the "Indenture"); and

WHEREAS, on June 1, 2011, MUFG Union Bank, N.A. (under its then name, Union Bank, N.A.) succeeded to The Bank of New York Mellon Trust Company, N.A. as Trustee under the Indenture; effective March 15, 2021, U.S. Bank National Association succeeded to MUFG

[3] A Sixteenth Supplemental Indenture may be entered into prior to the Second Closing for the purpose of issuing additional Securities in connection with an increase in borrowing capacity under the Company's revolving credit facility.

Union Bank, N.A. as Trustee under the Indenture; and effective January 29, 2022, U.S. Bank Trust Company, National Association succeeded to U.S. Bank National Association as Trustee under the Indenture; and

WHEREAS, the Company, in the exercise of the power and authority conferred upon and reserved to it under the provisions of the Indenture and pursuant to appropriate resolutions of the Board of Directors, has duly determined to make, execute and deliver to the Trustee this [Fifteenth]/[Seventeenth] Supplemental Indenture to the Indenture as permitted by Sections 2.01, 3.01 and 14.01 of the Original Indenture in order to establish the form and terms of, and to provide for the creation and issuance of, a new series of Securities under the Indenture to be known as its ["4.13% First Mortgage Bonds, due May 12, 2052, Series 2022A" in an aggregate principal amount of $65,000,000]/["3.81% First Mortgage Bonds, due July 28, 2032, Series 2022C" in an aggregate principal amount of $95,000,000] (the "2022 Bonds"); and

WHEREAS, all things necessary to make the 2022 Bonds, when executed by the Company and authenticated and delivered by the Trustee or any Authenticating Agent and issued upon the terms and subject to the conditions hereinafter and in the Indenture set forth, the valid, binding and legal obligations of the Company and to make this [Fifteenth]/[Seventeenth] Supplemental Indenture a valid, binding and legal agreement of the Company, have been done.

NOW, THEREFORE, THIS [FIFTEENTH]/[SEVENTEENTH] SUPPLEMENTAL INDENTURE WITNESSETH that, in order to establish the terms of the 2022 Bonds and for and in consideration of the premises and of the covenants contained in the Indenture and in this [Fifteenth]/[Seventeenth] Supplemental Indenture and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, intending to be legally bound, it is mutually covenanted and agreed as follows:

ARTICLE ONE

DEFINITIONS

Section 1.01 Certain Definitions. Each capitalized term that is used herein and is defined in the Original Indenture shall have the meaning specified in the Original Indenture unless such term is otherwise defined in this [Fifteenth]/[Seventeenth] Supplemental Indenture. Unless the context otherwise requires, any reference herein to a "Section" or an "Exhibit" means a Section of, or an Exhibit to, this [Fifteenth]/[Seventeenth] Supplemental Indenture, as the case may be. The words "herein," "hereof" and "hereunder" and words of similar import refer to this [Fifteenth]/[Seventeenth] Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision.

The following terms have the meanings given to them in this Article One and, for purposes of this [Fifteenth]/[Seventeenth] Supplemental Indenture, such meanings shall supersede and replace the meanings given them, if any, in the Original Indenture:

Certain terms, used principally in Article Two, are defined in that Article.

"Blocked Person**"** means (a) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by OFAC, (b) a Person, entity or organization that is blocked or a target of sanctions that have been imposed under U.S. Economic Sanctions Laws, or (c) a Person that is an agent, department or instrumentality of, or otherwise beneficially owned fifty percent (50%) or more by, controlled by or acting on behalf of, directly or indirectly, any one or more Person(s), entity or organization described in clause (a) or (b) or a Sanctioned Jurisdiction.

"Bond Repurchase Amount**"** is defined in Section 2.07 hereof.

"Bond Repurchase Requirement**"** is defined in Section 2.07 hereof.

"Capital Stock**"** means (a) in the case of a corporation, all classes of capital stock of such corporation, (b) in the case of a partnership, partnership interests (whether general or limited), (c) in the case of a limited liability company, membership interests and (d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person; including, in each case, all warrants, rights or options to purchase any of the foregoing.

"Change in Control**"** means the occurrence of any of the following: (a) other than in connection with the Agreement and Plan of Merger, dated as of October 20, 2020, by and among Parent, Avangrid, Inc. and NM Green Holdings, Inc. as may be amended, and the transactions contemplated thereby (the "Avangrid Merger"), any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all Capital Stock that such person or group has the right to acquire (such right, an "option right"), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of twenty-five percent (25%) of the Capital Stock of the Parent entitled to vote for members of the board of directors or equivalent governing body of the Parent on a fully diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right); (b) other than in connection with the Avangrid Merger, during any period of twenty-four (24) consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Parent cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body; (c) other than in connection with the Avangrid Merger, any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation thereof, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of the Parent, or control over the Voting Stock of the Parent on a fully-diluted basis (and

taking into account all such Voting Stock that such Person or group has the right to acquire pursuant to any option right) representing twenty-five percent (25%) or more of the combined voting power of such Voting Stock; or (d) the Parent shall cease to own, directly or indirectly, and free and clear of all Liens or other encumbrances (other than any Lien in favor of the administrative agent for the benefit of the lenders under any Material Credit Facility (as it may be amended, restated, supplemented, refinanced or otherwise modified from time to time) securing Indebtedness thereunder), at least one-hundred percent (100%) of the outstanding Voting Stock of the Company on a fully diluted basis.

"Change in Control Notice**"** is defined in Section 2.06(a) hereof.

"Code**"** means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Consolidated Capitalization**"** means, with respect to any Person, the sum of (a) all of the shareholders' equity or net worth of such Person and its Subsidiaries, as determined in accordance with GAAP plus (b) Consolidated Indebtedness of such Person and its Subsidiaries plus (c) the outstanding principal amount of Preferred Stock plus (d) seventy-five percent (75%) of the outstanding principal amount of Specified Securities of such Person and its Subsidiaries.

"Consolidated Indebtedness**"** means, as of any date of determination, with respect to any Person and its Subsidiaries on a consolidated basis, an amount equal to (a) all Indebtedness of such Person and its Subsidiaries as of such date minus (b) the outstanding principal amount of stranded cost securitization bonds of such Person and its Subsidiaries minus (c) an amount equal to the lesser of (i) seventy-five percent (75%) of the outstanding principal amount of Specified Securities of such Person and its Subsidiaries and (ii) ten percent (10%) of Consolidated Capitalization (calculated assuming clause (i) above is applicable).

"Contingent Obligation**"** means, with respect to any Person, any direct or indirect liability of such Person with respect to any Indebtedness, liability or other obligation (the "primary obligation") of another Person (the "primary obligor"), whether or not contingent, (a) to purchase, repurchase or otherwise acquire such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or provide funds (i) for the payment or discharge or any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor in respect thereof to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of any such primary obligation against loss or failure or inability to perform in respect thereof; *provided, however,* that, with respect to the Company and its Subsidiaries, the term Contingent Obligation shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Contingent Obligation of any Person shall be deemed to be an amount equal to the maximum amount of such Person's liability with respect to the stated or determinable amount of the primary obligation for which such Contingent Obligation is incurred or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder).

"Controlled Entity**"** means (i) any of the Subsidiaries of the Company and any of their or the Company's respective Controlled Affiliates and (ii) if the Company has a parent company, such parent company and its Controlled Affiliates. As used in this definition, **"**Control**"** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Corporate Trust Office**"** has the meaning given to it in the Original Indenture and for the purposes of such term in the Indenture and this [Fifteenth]/[Seventeenth] Supplemental Indenture, the principal corporate trust office of the Trustee is 101 North First Avenue, Suite 1600, Phoenix, Arizona 85003, Attention: Global Corporate Trust, unless and until the Trustee shall have designated such other address as contemplated by such term.

"Coupon Rate" is defined in Section 2.02 hereof.

"Default Rate**"** means, with respect to the 2022 Bonds, as of any date, that rate of interest that is the greater of (i) two percent (2%) per annum above the Coupon Rate for the 2022 Bonds or (ii) two percent (2%) over the rate of interest publicly announced from time to time by U.S. Bank Trust Company, National Association in Phoenix, Arizona as its "base" or "prime" rate, as in effect on such date.

"ERISA**"** means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate**"** means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"ERISA Event" means, with respect to the Company: (a) a Reportable Event with respect to a Plan or a Multiemployer Plan, (b) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan, or the receipt by the Company or any ERISA Affiliate of notice from a Multiemployer Plan that it is in insolvency pursuant to section 4245 of ERISA or that it intends to terminate or has terminated under section 4041A of ERISA, (c) the distribution by the Company or any ERISA Affiliate under section 4041 or 4041A of ERISA of a notice of intent to terminate any Single Employer Plan or the taking of any action to terminate any Single Employer Plan, (d) the commencement of proceedings by the PBGC under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Single Employer Plan, or the receipt by the Company or any ERISA Affiliate of a notice from any Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan, (e) the institution of a proceeding by any fiduciary of any Multiemployer Plan against the Company or any ERISA Affiliate to enforce section 515 of ERISA, which is not dismissed within thirty (30) days, (f) the imposition upon the Company or any ERISA Affiliate of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under section 4007 of ERISA, or the imposition or threatened imposition of any Lien upon any assets of the Company or any ERISA Affiliate as a result of any alleged failure to comply with the Code or ERISA in respect of any Single Employer Plan, (g) the engaging in or otherwise becoming liable for a nonexempt Prohibited Transaction by the Company or any ERISA Affiliate, (h) a violation of the applicable requirements of section 404 or 405 of ERISA or the exclusive benefit rule under section 401(a) of

the Code by any fiduciary of any Single Employer Plan for which the Company or any ERISA Affiliate may be directly or indirectly liable, (i) the granting of a security interest in connection with the amendment of a Single Employer Plan or (j) the withdrawal of the Company or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan.

"FATCA" means Foreign Account Tax Compliance Act.

"Fiscal Quarter**"** means each of the calendar quarters ending as of the last day of each March, June, September and December.

"GAAP**"** means generally accepted accounting principles as in effect from time to time in the United States of America, and, notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Financial Accounting Standards Board Accounting Standards Codification Topic No. 825-10-25 – *Fair Value Option,* International Accounting Standard 39 – *Financial Instruments: Recognition and Measurement* (or any other Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of the Company or any Subsidiary at "fair value", as defined therein."

"Hedging Agreements**"** means, collectively, interest rate protection agreements, equity index agreements, foreign currency exchange agreements, option agreements or other interest or exchange rate or commodity price hedging agreements (other than forward contracts for the delivery of power or gas written by the Company to its jurisdictional and wholesale customers in the ordinary course of business).

"Indebtedness**"** means, with respect to any Person (without duplication), (a) all indebtedness and obligations of such Person for borrowed money or in respect of loans or advances of any kind, (b) all obligations of such Person evidenced by notes, bonds, debentures or similar instruments, (c) all reimbursement obligations of such Person with respect to surety bonds, letters of credit and bankers' acceptance (in each case, whether or not drawn or matured and in the stated amount thereof), (d) all obligations of such Person to pay for the deferred purchase price of property or services, (e) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, (f) all obligations of such Person as lessee under leases that are or are required to be, in accordance with GAAP, recorded as capital leases, to the extent such obligations are required to be so recorded, (g) the net termination obligations of such Person under any Hedging Agreements, calculated as of any date as if such agreement or arrangement were terminated as of such date in accordance with the applicable rules under GAAP, (h) all Contingent Obligations of such Person, (i) all obligations and liabilities of such Person incurred in connection with any transaction or series of transactions providing for the financing of assets through one or more securitizations or in connection with, or pursuant to, any synthetic lease or similar off-balance sheet financing, (j) the aggregate amount of uncollected accounts receivable of such Person subject at the time of determination to a sale of receivables (or similar transaction) to the extent such transaction is effected with recourse to such Person (whether or not such transaction would be reflected on the balance sheet of such Person in accordance with

GAAP), (k) all Specified Securities and (l) all indebtedness referred to in clauses (a) through (k) above secured by any Lien on any property or asset owned or held by such Person regardless of whether the indebtedness secured thereby shall have been assumed by such Person or is nonrecourse to the credit of such Person.

"Interest Payment Date**"** is defined in Section 2.02 hereof.

"Institutional Investor**"** means (a) any Holder of a 2022 Bond on the date hereof, (b) any Holder of a 2022 Bond holding (together with one or more of its affiliates) more than 5% of the aggregate principal amount of the 2022 Bonds then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any Holder of any 2022 Bond.

"Lien**"** means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or capital lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Material Adverse Effect**"** means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, (b) the ability of the Company to perform its obligations under the Indenture and the 2022 Bonds, or (c) the validity or enforceability of the Indenture and the 2022 Bonds.

"Material Credit Facility**"** means, as to the Company and its Subsidiaries,

(a) the $75,000,000 Fourth Amended and Restated Credit Agreement among the Company, certain lenders identified therein and certain agents identified therein dated as of March 11, 2022 including any renewals, extensions, amendments, supplements, restatements, replacements or refinancing thereof (the **"**Credit Agreement**"**); and

(b) any other agreement(s) creating or evidencing indebtedness for borrowed money, entered into on or after April 27, 2022, by the Company or any Subsidiary of the Company, or in respect of which the Company or any Subsidiary of the Company is an obligor or otherwise provides a guarantee or other credit support (**"**Credit Facility**"**), in a principal amount outstanding or available for borrowing equal to or greater than $60,000,000 (or the equivalent of such amount in the relevant currency of payment, determined as of the date of the closing of such facility based on the exchange rate of such other currency).

"Multiemployer Plan**"** means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"Multiple Employer Plan" means, with respect to the Company, a Single Employer Plan to which the Company or any ERISA Affiliate and at least one employer other than the Company or any ERISA Affiliate are contributing sponsors.

"OFAC Sanctions Program**"** means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx.

"Parent**"** means PNM Resources, Inc., a New Mexico corporation, together with its successors.

"PBGC**"** means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Plan**"** means an "employee benefit plan" (as defined in section 3(3) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"Preferred Stock**"** means, with respect to any Person, all preferred Capital Stock issued by such Person in which the terms thereof do not require such Capital Stock to be redeemed or to make mandatory sinking fund payments.

"Proposed Prepayment Date**"** is defined in Section 2.06(b) hereof.

"Regular Record Date**"** is defined in Section 2.02 hereof.

"Related Fund**"** means, with respect to any Holder of any 2022 Bond, any fund or entity that (i) invests in securities or bank loans, and (ii) is advised or managed by such Holder, the same investment advisor as such Holder or by an Affiliate of such Holder or such investment advisor.

"Responsible Officer of the Company**"** means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of the matters set forth in the Indenture as supplemented and amended.

"Restrictive Legend**"** means the legend set forth on the form of the First Mortgage Bonds in Exhibit A hereto.

"Rule 144**"** means Rule 144 (or any successor rule) under the Securities Act.

"Sanctioned Jurisdiction" means, at any time, a country or territory which is itself subject to or the target of any comprehensive country-wide sanctions under U.S. Economic Sanctions (as opposed to individual, entity or other list-based Sanctions) (at the time of this Agreement, the Crimea Region of Ukraine, Cuba, Iran, North Korea, Sudan and Syria).

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"Senior Financial Officer**"** means the chief financial officer, principal accounting officer, treasurer or controller of the Company.

"Single Employer Plan" means any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan or Multiple Employer Plan.

"Special Record Date**"** is defined in Section 2.02 hereof.

"Specified Prior Supplements" means (i) the Sixth Supplemental Indenture dated as of June 27, 2014, (ii) the Seventh Supplemental Indenture, dated as of February 10, 2016 and (iii) the Eighth Supplemental Indenture, dated as of August 24, 2017; each among the Company and the Trustee and pursuant to the Original Indenture.

"Specified Securities**"** means, with respect to any Person, (a) all preferred Capital Stock issued by such Person and required by the terms thereof to be redeemed or for which mandatory sinking fund payments are due, (b) all securities issued by such Person that contain two distinct components, typically medium-term debt and a forward contract for the issuance of common stock prior to the debt maturity, including such securities commonly referred to by their tradenames as "FELINE PRIDES", "PEPS", "HITS", "SPACES" and "DECS" and generally referred to as "equity units" and (c) all other securities issued by such Person that are similar to those described in the forgoing clauses (a) and (b).

"Subsidiary**"** and **"**Subsidiaries**"** means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a fifty percent (50%) interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Any reference to a Subsidiary of the Company herein shall not include a Subsidiary that is inactive, has minimal or no assets and does not generate revenues. Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"TBCC**"** is defined in Section 4.01 hereof.

"Total Assets**"** means all assets of the Company and its Subsidiaries as shown on its most recent quarterly consolidated balance sheet, as determined in accordance with GAAP.

"U.S. Economic Sanctions Laws**"** means those laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Iran Sanctions Act, the Sudan Accountability and Divestment Act and any other OFAC Sanctions Program.

"Voting Stock**"** means the Capital Stock of a Person that is then outstanding and normally entitled to vote in the election of directors and other securities of such Person convertible into or exercisable for such Capital Stock (whether or not such securities are then currently convertible or exercisable).

ARTICLE TWO

TITLE, FORM AND TERMS OF THE 2022 BONDS

Section 2.01 Title of the First Mortgage Bonds. This [Fifteenth]/[Seventeenth] Supplemental Indenture hereby creates a series of Securities designated as the ["4.13% First Mortgage Bonds, due May 12, 2052, Series 2022A"]/["3.81% First Mortgage Bonds, due July 28, 2032, Series 2022C"]. The 2022 Bonds shall be executed, authenticated and delivered in accordance with the provisions of, and, except as hereinafter provided, shall in all respects be subject to all of the terms, conditions and covenants of, the Indenture as supplemented by this [Fifteenth]/[Seventeenth] Supplemental Indenture. For purposes of the Indenture, the 2022 Bonds shall constitute a single series of Securities and (subject to the limitations set forth in Article IV of the Original Indenture) shall be issued in an aggregate principal amount of [$65,000,000/ $95,000,000].

Section 2.02 Form and Terms of the 2022 Bonds. The form and terms of the 2022 Bonds pursuant to the authority granted by this [Fifteenth]/[Seventeenth] Supplemental Indenture in accordance with Sections 2.01 and 3.01 of the Original Indenture are set forth herein. The 2022 Bonds shall be issued in registered form without coupons in the denominations of $100,000 and integral multiples of $1,000 in excess thereof, appropriately numbered and substantially in the form set forth in Exhibit A hereto. The terms of the 2022 Bonds contained in the form thereof set forth in Exhibit A hereto are hereby incorporated herein by reference and made a part hereof as if set forth in full herein.

The 2022 Bonds shall mature on [May 12, 2052]/[July 28, 2032] and shall bear interest at the rate of [4.13%]/[3.81%] per annum (the **"**Coupon Rate**"**) from [May 12, 2022]/[July 28, 2022] through Maturity, payable semi-annually on the [12th day of May and the 12th day of November in each year, commencing November 12, 2022][28th day of January and the 28th day of July in each year, commencing January 28, 2023], and on the Maturity Date (each such [May 12, November 12]/[January 28, July 28] and Maturity Date, hereinafter called an "Interest Payment Date") until the principal thereof is paid or made available for payment.

If any Interest Payment Date falls on a day that is not a Business Day, the Interest Payment Date will be the next succeeding Business Day (and no interest or other payment shall be payable in respect of any such delay, provided that any payment of principal of or Make-Whole Amount on any 2022 Bond (including principal due upon Maturity) that is due on a date that is not a Business Day shall be due and payable on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable at such next succeeding Business Day). Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The 2022 Bonds shall be payable as to principal, Make-Whole Amount, if any, and interest (including interest on overdue principal and on overdue installments of interest to the extent

lawful) in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and shall be payable as provided for in the Indenture.

To the extent lawful, the Company shall pay interest on overdue principal and Make-Whole Amount, if any, at the Default Rate (instead of the Coupon Rate), from the day any such payment was due until the amount is paid or made available for payment and it shall pay interest on overdue installments of interest at the Default Rate (instead of the Coupon Rate) from the applicable Interest Payment Date until such interest is paid or made available for payment.

The interest so payable on any Interest Payment Date shall be paid to the Persons in whose names the 2022 Bonds are registered at the close of business on the regular record date for such Interest Payment Date, which shall be the fifteenth (15th) day of the month immediately preceding the month in which such Interest Payment Date occurs (hereinafter called a **"**Regular Record Date**"**); except that if the Company shall default in the payment of any interest due on such Interest Payment Date, the Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a date (herein called a **"**Special Record Date**"**) established to determine the Holders of record who will receive such Defaulted Interest (which shall be fixed in accordance with Section 3.07 of the Original Indenture), which Special Record Date shall not be more than fifteen (15) days or less than ten (10) days prior to the date proposed by the Company for payment of such Defaulted Interest.

Anything in the Indenture or herein to the contrary notwithstanding, the Trustee shall have the right to accept and act upon any notice, instruction, or other communication, including any funds transfer instruction, (each, a "Notice") received pursuant to the Indenture or this [Fifteenth]/[Seventeenth] Supplemental Indenture by electronic transmission (including by e-mail, facsimile transmission, web portal or other electronic methods) and shall not have any duty to confirm that the person sending such Notice is, in fact, a person authorized to do so. Electronic signatures believed by the Trustee to comply with the ESIGN Act of 2000 or other applicable law (including electronic images of handwritten signatures and digital signatures provided by DocuSign, Orbit, Adobe Sign or any other digital signature provider identified by any other party hereto and acceptable to the Trustee) shall be deemed original signatures for all purposes. Each other party to this [Fifteenth]/[Seventeenth] Supplemental Indenture assumes all risks arising out of the use of electronic signatures and electronic methods to send Notices to the Trustee, including without limitation the risk of the Trustee acting on an unauthorized Notice and the risk of interception or misuse by third parties. Notwithstanding the foregoing, the Trustee may in any instance and in its sole discretion require that a Notice in the form of an original document bearing a manual signature be delivered to the Trustee in lieu of, or in addition to, any such electronic Notice.

Section 2.03 Optional Prepayments with Make-Whole Amount. The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the 2022 Bonds, in an amount not less than ten percent (10%) of the aggregate principal amount of the 2022 Bonds to be prepaid then outstanding in the case of a partial prepayment, at one-hundred percent (100%) of the principal amount so prepaid, together with accrued and unpaid interest thereon, and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each Holder of the 2022 Bonds written notice,

with a copy to the Trustee, of each optional prepayment under this Section 2.03 not less than ten (10) days and not more than sixty (60) days prior to the date fixed for such prepayment unless the Company and the Holders of more than fifty percent (50%) of the principal amount of the 2022 Bonds then outstanding agree in writing to another time period. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of the 2022 Bonds on such date, the principal amount of each 2022 Bond held by such Holder (determined in accordance with Section 2.03(a)), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount with respect to the 2022 Bonds to be prepaid due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two (2) Business Days prior to such prepayment, the Company shall deliver to each Holder of 2022 Bonds a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

(a) *Allocation of Partial Prepayments*. In the case of each partial prepayment of the 2022 Bonds pursuant to Section 2.03, the principal amount of the 2022 Bonds to be prepaid shall be allocated among all of the 2022 Bonds at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment, after giving effect to minimum authorized denominations of $100,000.

(b) *Maturity; Surrender, Etc.* In the case of each optional prepayment of 2022 Bonds pursuant to this Section 2.03, the principal amount of each 2022 Bond to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any 2022 Bond paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no 2022 Bond shall be issued in lieu of any prepaid principal amount of any 2022 Bond.

Section 2.04 Purchase of Bonds. The Company will not and will not permit any Subsidiary of the Company to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding 2022 Bonds except (a) upon the payment or prepayment of the 2022 Bonds in accordance with this [Fifteenth]/[Seventeenth] Supplemental Indenture and the 2022 Bonds or (b) pursuant to an offer to purchase made by the Company or a Subsidiary of the Company pro rata to the Holders of all 2022 Bonds at the time outstanding upon the same terms and conditions. Any such offer shall provide each Holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least ten (10) Business Days. If the Holders of more than fifty percent (50%) of the principal amount of the 2022 Bonds then outstanding accept such offer, the Company shall promptly notify the remaining Holders of 2022 Bonds of such fact and the expiration date for the acceptance by Holders of 2022 Bonds of such offer shall be extended by the number of days necessary to give each such remaining Holder at least five (5) Business Days from its receipt of such notice to accept such offer. The Company will promptly cancel all 2022 Bonds acquired by it or any Subsidiary of the Company pursuant to any payment, prepayment or purchase of 2022 Bonds pursuant to this

[Fifteenth]/[Seventeenth] Supplemental Indenture and no 2022 Bonds may be issued in substitution or exchange for any such 2022 Bonds.

Section 2.05 Make-Whole Amount.

"Make-Whole Amount**"** means, with respect to any 2022 Bond, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such 2022 Bond over the amount of such Called Principal, *provided* that the Make-Whole Amount may in no event be less than zero; *provided further* that the Make-Whole Amount shall equal zero if such prepayment occurs on or after [November 12, 2051]/[April 28, 2032]. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Called Principal**"** means, with respect to any 2022 Bond, the principal of such 2022 Bond that is to be prepaid pursuant to Section 2.03 or Section 2.07 or is declared to be due and payable pursuant to Section 10.02 of the Original Indenture.

"Discounted Value**"** means, with respect to the Called Principal of any 2022 Bond, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the 2022 Bonds is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield**"** means, with respect to the Called Principal of any 2022 Bond, 0.50% over the yield to maturity implied by the yield(s) reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on-the-run U.S. Treasury securities ("Reported") having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there are no such U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between the yields Reported for the applicable most recently issued actively traded on-the-run U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the 2022 Bond.

If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then "Reinvestment Yield" means, with respect to the Called Principal of any 2022 Bond, 0.50% over the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a

term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable 2022 Bond.

"Remaining Average Life**"** means, with respect to any Called Principal, the number of years obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years, computed on the basis of a 360-day year composed of twelve 30-day months and calculated to two decimal places, that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments**"** means, with respect to the Called Principal of any 2022 Bond, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, *provided* that if such Settlement Date is not a date on which interest payments are due to be made under the 2022 Bonds, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 2.03 or Section 2.07 or is declared to be due and payable pursuant to Section 10.02 of the Original Indenture.

"Settlement Date**"** means, with respect to the Called Principal of any 2022 Bond, the date on which such Called Principal is to be prepaid pursuant to Section 2.03 or Section 2.07 or is declared to be due and payable pursuant to Section 10.02 of the Original Indenture.

Section 2.06 Change in Control.

(a) *Notice of Change in Control.* The Company will, within thirty (30) Business Days after the occurrence of any Change in Control, give written notice (the **"**Change in Control Notice**"**) of such Change in Control to each Holder of 2022 Bonds, with a copy to the Trustee. Such Change in Control Notice shall contain and constitute an offer to prepay the 2022 Bonds as described in Section 2.06(b) hereof and shall be accompanied by the certificate described in Section 2.06(e).

(b) *Offer to Prepay Bonds.* The offer to prepay 2022 Bonds contemplated by Section 2.06(a) shall be an offer to prepay, in accordance with and subject to this Section 2.06, all, but not less than all, the 2022 Bonds held by each Holder (in this case only, "Holder" in respect of any 2022 Bond registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date (which shall be a Business Day) specified in such Change in Control Notice (the **"**Proposed Prepayment Date**"**). Such date shall be not fewer than thirty (30) days and not more than sixty (60) days after the date of delivery of the Change in Control Notice.

(c) *Acceptance; Rejection.* Any Holder of 2022 Bonds may accept or reject the offer to prepay made pursuant to this Section 2.06 by causing a notice of such acceptance or

rejection to be delivered to the Company not fewer than then ten (10) days prior to the Proposed Prepayment Date. A failure by a Holder of 2022 Bonds to respond to an offer to prepay made pursuant to this Section 2.06 shall be deemed to constitute a rejection of such offer by such Holder.

(d) *Prepayment.* Prepayment of the 2022 Bonds to be prepaid pursuant to this Section 2.06 shall be at one-hundred percent (100%) of the principal amount of the 2022 Bonds together with accrued and unpaid interest thereon but without any Make-Whole Amount or other premium. The prepayment shall be made on the Proposed Prepayment Date.

(e) *Company Certificate.* Each Change in Control Notice delivered pursuant to Section 2.06(a) shall be accompanied by a certificate, executed by a Senior Financial Officer and dated the date of delivery of the Change in Control Notice, stating: (i) the Proposed Prepayment Date; (ii) that such offer is made pursuant to this Section 2.06; (iii) the principal amount of each 2022 Bond offered to be prepaid (which shall be one-hundred percent (100%) of the outstanding principal balance of each such 2022 Bond); (iv) the amount of accrued interest that would be due and payable on each 2022 Bond offered to be prepaid, accrued to the Proposed Prepayment Date; (v) that the conditions of this Section 2.06 required to be fulfilled prior to the giving of notice have been fulfilled; and (vi) in reasonable detail, a general description of the events that resulted in, and date of occurrence of, the Change in Control.

Section 2.07 Bond Repurchase Event.

On the Bond Repurchase Date, the Company shall repurchase (the **"**Bond Repurchase Requirement**"**) the 2022 Bonds for a purchase price equal to the aggregate principal amount of 2022 Bonds then Outstanding, all accrued and unpaid interest thereon, and the Make-Whole Amount determined for the Bond Repurchase Date with respect to such principal amount (the **"**Bond Repurchase Amount**"**). On the Bond Repurchase Date, the Company will deposit with the Trustee immediately available funds in an amount equal to the Bond Repurchase Amount and the Trustee shall pay such amount as soon as practicable after receipt thereof to the Holders of 2022 Bonds. Payment of a Bond Repurchase Amount shall be deemed to satisfy and discharge in full the principal of, and Make-Whole Amount, and accrued and unpaid interest on, the 2022 Bonds.

The Company's obligation to satisfy a Bond Repurchase Requirement shall be mandatory upon the occurrence of a Bond Repurchase Event.

Any 2022 Bonds surrendered to the Trustee in connection with a Bond Repurchase Requirement shall promptly be cancelled in accordance with Section 3.09 of the Original Indenture.

For the purposes of this Section 2.07, the following terms will have the meanings set forth below:

"Bond Repurchase Date**"** means the date of the occurrence of a Bond Repurchase Event with respect to the 2022 Bonds while any of the 2022 Bonds are Outstanding.

A **"**Bond Repurchase Event**"** with respect to 2022 Bonds shall exist if any of the conditions or events described in any of paragraphs (1) through (7) below shall be continuing fifteen (15) days following the first to occur of (i) a Responsible Officer of the Company obtaining actual

knowledge of such occurrence or (ii) the Company's receipt of a written notice from any Holder of a 2022 Bond of such occurrence:

(1) *Economic Sanctions, Etc*. The Company does, or permits any Controlled Entity to, (a) become (including by virtue of being owned or controlled by a Blocked Person), own or control a Blocked Person or (b) directly or indirectly have any investment in or engage in any dealing or transaction (including any investment, dealing or transaction involving the proceeds of the 2022 Bonds) with any Person if such investment, dealing or transaction (i) would cause any holder or any affiliate of such holder to be in violation of any law or regulation applicable to such holder, or (ii) is prohibited by any U.S. Economic Sanctions Laws.

(2) *Sale or Lease of Assets*. The Company sells, leases, transfers or otherwise disposes of, any of its assets (including, without limitation, all or substantially all of its assets, whether in one transaction or a series of related transactions) except (a) sales or other transfers of assets for fair value, if the aggregate value of all such transactions in any calendar year does not exceed twenty-five percent (25%) of the book value of Total Assets of the Company, as calculated as of the end of the most recent Fiscal Quarter, and (b) sales, leases, transfers or other dispositions, at less than fair value, of any other assets of the Company and its Subsidiaries, provided that the aggregate book value of such assets shall not exceed $25,000,000 in any calendar year.

(3) *Debt Capitalization*. The ratio of (i) Consolidated Indebtedness of the Company to (ii) Consolidated Capitalization of the Company is greater than 0.65 to 1.0 (a) as of the last day of any fiscal quarter of the Company or (b) at any time if any first mortgage bonds issued under Specified Prior Supplements remain outstanding.

(4) *Financial and Business Information*. The Company fails to deliver to each Holder of 2022 Bonds that is an Institutional Investor the documents set forth below in paragraphs (a) *Quarterly Statements*, (b) *Annual Statements,* (c) *SEC and other Reports* (if any), (d) *Notice of Event of Default or Bond Repurchase Event* (if any), and (e) *ERISA Matters* (if any) by either (i) within the time periods set forth in such paragraphs (a), (b), (c), (d) and (e) (x) delivering paper copies, to the address, if any, specifically designated therefore by such Holder, by hand-delivery or by overnight courier or (y) delivering electronic copies by email or (ii) with respect to the documents set forth in paragraphs (a), (b) and (c), giving written notice within fifteen (15) Business Days after the timely filing on EDGAR or posting on its home page or on its Parent's home page on the internet or on Intralinks or on any similar website to which each Holder of the 2022 Bonds has free access, by the Company of a Form 10-K (or such annual financial statements satisfying the requirements of paragraph (b) below), Form 10-Q (or such quarterly financial statements satisfying the requirements of paragraph (a) below), Form 8-K or any proxy statement, as the case may be:

(a) *Quarterly Statements* — within sixty (60) days (or such shorter period as is the earlier of (x) fifteen (15) days greater than the period applicable to the filing of the Company's Quarterly Report on Form 10-Q (the **"**Form 10-Q**"**) with the SEC regardless of whether the Company is subject to the filing requirements thereof and (y) the date by which such financial statements are required to be delivered under any Material Credit Facility or the date on which such corresponding financial statements are delivered under any Material Credit Facility if such delivery occurs earlier than such required delivery date) after the end of each quarterly fiscal period

in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, *provided* that delivery within the time period specified above of copies of the Company's Form 10-Q prepared in compliance with the requirements therefor and filed with the SEC shall be deemed to satisfy the requirements of this paragraph (a) - *Quarterly Statements*;

(b) *Annual Statements* — within one hundred twenty (120) days (or such shorter period as is the earlier of (x) fifteen (15) days greater than the period applicable to the filing of the Company's Annual Report on Form 10-K (the **"**Form 10-K**"**) with the SEC regardless of whether the Company is subject to the filing requirements thereof and (y) the date by which such financial statements are required to be delivered under any Material Credit Facility or the date on which such corresponding financial statements are delivered under any Material Credit Facility if such delivery occurs earlier than such required delivery date) after the end of each fiscal year of the Company, duplicate copies of:

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon (without a "going concern" or similar qualification or exception and without any qualification or exception as to the scope of the audit on which such opinion is based) of independent public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, *provided* that the delivery within the time period specified above of the Company's Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Securities Exchange Act of 1934) prepared in accordance with the requirements therefor and filed with the SEC, shall be deemed to satisfy the requirements of this paragraph (b)-*Annual Statements*;

(c) *SEC and Other Reports* — promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary of the Company to its principal lending banks as a whole (excluding information sent to such banks in the ordinary course of administration of a bank facility, such as information relating to pricing and borrowing availability) or to its public securities holders generally, and (ii) each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such Holder), and each final prospectus and all amendments thereto filed by the Company or any Subsidiary of the Company with the SEC;

(d) *Notice of Event of Default or Bond Repurchase Event* — promptly, and in any event within five (5) Business Days after a Responsible Officer of the Company becomes aware of the existence of any Event of Default or any Bond Repurchase Event, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto; and

(e) *ERISA Matters* — promptly, and in any event within ten (10) days after a Responsible Officer of the Company becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any Reportable Event would reasonably be expected to result in a Material Adverse Effect; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Single Employer Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan, which in either event would reasonably be expected to result in a Material Adverse Effect; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect.

(5) *Officer's Certificate*. The Company fails to deliver to each Holder of 2022 Bonds that is an Institutional Investor, in the manner and at the time periods set forth above in paragraph 4(a)-*Quarterly Statements* and paragraph 4(b)-*Annual Statements*, a certificate of a Senior Financial Officer certifying that such Senior Financial Officer has reviewed the relevant terms of this [Fifteenth]/[Seventeenth] Supplemental Indenture and of the Indenture and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes an Event of Default or Bond

Repurchase Event with respect to the 2022 Bonds or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

(6) *Material Credit Facilities*. With respect to any Material Credit Facility (a) the Company or any Subsidiary of the Company defaults in the payment of any principal of or premium or make-whole amount or interest that is outstanding in an aggregate principal amount of at least $20,000,000 beyond any period of grace with respect thereto, or (b) the Company or any Subsidiary of the Company is in default in the performance of or compliance with any term of any Material Credit Facility in an aggregate outstanding principal amount of at least $20,000,000 or any other condition exists, and as a consequence of such default such Material Credit Facility has become, or has been declared (or one or more Persons are entitled to declare such Material Credit Facility to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (c) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder or lender of any Material Credit Facility to convert such indebtedness into equity interests), (i) the Company or any Subsidiary of the Company has become obligated to purchase or repay such indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least $20,000,000, or (ii) one or more Persons have the right to require the Company or any Subsidiary of the Company so to purchase or repay such indebtedness.

(7) *Material Misrepresentation*. Any representation or warranty made in writing by or on behalf of the Company in this [Fifteenth]/[Seventeenth] Supplemental Indenture or in any writing furnished to the Holders of the 2022 Bonds in connection with such 2022 Bonds proves to have been false or incorrect in any material respect on the date made.

Section 2.08 Withholding. By acceptance of any 2022 Bond, the Holder thereof agrees that such Holder will with reasonable promptness duly complete and deliver to the Company, or to such other Person as may be reasonably requested by the Company, from time to time (a) in the case of any such Holder that is a United States Person, such Holder's United States tax identification number or other forms reasonably requested by the Company necessary to establish such Holder's status as a United States Person under FATCA and as may otherwise be necessary for the Company to comply with its obligations under FATCA and (b) in the case of any such Holder that is not a United States Person, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation as may be necessary for the Company to comply with its obligations under FATCA and to determine that such Holder has complied with such Holder's obligations under FATCA or to determine the amount (if any) to deduct and withhold or cause to be deducted and withheld from any such payment made to such Holder (and the Company agrees that under current FATCA regulations in place as of the date of this [Fifteenth]/[Seventeenth] Supplemental Indenture as originally executed, executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, as well as a U.S. Tax Compliance Certificate substantially in the form of Schedule 2.08 attached hereto, in both cases completed and executed, shall satisfy this requirement). Nothing in this Section 2.08 shall require any Holder to provide information that is confidential or proprietary to such Holder unless the Company is required to obtain such information under FATCA and, in such event, the Company shall treat any such information it receives as confidential.

Notwithstanding any other provision of this [Fifteenth]/[Seventeenth] Supplemental Indenture, the Trustee or any Paying Agent shall be entitled to make a deduction or withholding from any payment which it makes under this [Fifteenth]/[Seventeenth] Supplemental Indenture for or on account of any present or future taxes, duties or charges if and to the extent so required by any applicable law and any current or future regulations or agreements thereunder or official interpretations thereof or any law implementing an intergovernmental approach thereto or by virtue of the relevant Holder failing to satisfy any certification or other requirements in respect of the 2022 Bonds, in which event the Trustee or such Paying Agent shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so withheld or deducted and shall have no obligation to gross up any payment hereunder or pay any additional amount as a result of such withholding tax.

Section 2.09 Payment on Bonds.

(a) *Place of Payment, etc.* Subject to Section 2.09(b), payments of principal, Make-Whole Amount, if any, and interest due and payable on the 2022 Bonds shall be made in Phoenix, Arizona at the Corporate Trust Office of U.S. Bank Trust Company, National Association. Registration of transfer and exchange of the 2022 Bonds shall be effected, in accordance with Section 3.05 of the Indenture, in Phoenix, Arizona at the Corporate Trust Office of U.S. Bank Trust Company, National Association. Notice and demands to or upon the Company in respect of the 2022 Bonds and the Indenture, as supplemented and amended, may be served, in addition to the provisions of Section 1.08 of the Indenture, in Phoenix, Arizona at the Corporate Trust Office of U.S. Bank Trust Company, National Association. The Company may at any time, by notice to each Holder of a 2022 Bond, change the place of payment of the 2022 Bonds, place where registration or exchange may be effected and where such notices and demands shall be served so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal corporate trust office of a bank or trust company in such city. U.S. Bank Trust Company, National Association will be the Paying Agent and Security Registrar for the 2022 Bonds.

(b) *Home Office Payment*. With respect to all Holders of the 2022 Bonds on the date hereof and any Institutional Investor that subsequently becomes a Holder of a 2022 Bond and complies with the provisions of this Section 2.09(b), all sums becoming due on the 2022 Bonds for principal, Make-Whole Amount, if any, interest and all other amounts due hereunder to each Holder of a 2022 Bond shall be paid to each such Holder by the method and at the address of such Holder in the Security Register, without the presentation or surrender of such 2022 Bond or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any 2022 Bond, such Holder shall surrender such 2022 Bond for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 2.09(a). Prior to any sale, transfer or other disposition of any 2022 Bond held on the date hereof by a Holder or its nominee, such Holder will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such 2022 Bond to the Company in exchange for a new 2022 Bond or 2022 Bonds pursuant to Section 3.05 of the Original Indenture.

Section 2.10 Consent in Contemplation of Transfer. Any consent given pursuant to Section 14.02 of the Original Indenture by a Holder of a 2022 Bond that has transferred or has agreed to transfer its 2022 Bond to the Company, any Subsidiary of the Company or any Affiliate of the Company in connection with such consent shall be void and of no force or effect except solely as to such Holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other Holders of 2022 Bonds that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such Holder.

Section 2.11 Restrictions on Transfer. The 2022 Bonds and any related documents may be amended or supplemented from time to time by the Company without the consent of any Holder to modify the restrictions on and procedures for resales and other transfers of the 2022 Bonds to reflect any change in applicable law or regulation (or the interpretation thereof) or in practices relating to the resale or transfer of restricted securities generally. Holders of the 2022 Bonds are deemed by the acceptance of such 2022 Bonds to have agreed to any such amendment or supplement.

The Company shall issue a 2022 Bond that does not bear the Restrictive Legend in replacement of a 2022 Bond bearing the Restrictive Legend at the request of any Holder following such request if (i) the Holder shall have obtained an opinion of counsel reasonably acceptable to the Company in form and substance reasonably satisfactory to the Company to the effect that the First Mortgage Bond may lawfully be disposed of without registration, qualification or legend pursuant to Rule 144, or (ii) the Holder sells or otherwise transfers the First Mortgage Bond pursuant to Rule 144 or an effective registration statement.

Section 2.12 Sinking Fund. The 2022 Bonds are not subject to any sinking fund.

Section 2.13 Calculations, etc. The Trustee may conclusively presume that no optional prepayment pursuant to Section 2.03, Change in Control or Bond Repurchase Event shall have occurred unless and until a Responsible Officer of the Trustee shall have received at the Corporate Trust Office of the Trustee a certificate executed by a Senior Financial Officer specifying the following:

1. in the case of an optional prepayment pursuant to Section 2.03, the name of each Holder to which such payments will be made, the amount of each such payment (including the applicable Make-Whole Amount and accrued interest), and the date of such payment and;

2. in the case of a Change in Control, the name of each Holder that accepts the related offer to prepay, the amount of each such payment (including accrued interest), and the date of such payment; and

3. in the case of a Bond Repurchase Event, the name of each Holder to which the Bond Repurchase Amount is to be paid, the amount of such Bond Repurchase Amount payment and the Bond Repurchase Date.

The Trustee shall be under no duty to inquire into, may conclusively presume the correctness of, shall be fully protected in relying upon the Company's calculation of any optional

prepayment amount, Change in Control repurchase payment or Bond Repurchase Amount, including interest and, if and to the extent applicable, any Make-Whole Amount, and shall have no responsibility for such calculation.

ARTICLE THREE

ISSUANCE OF THE 2022 BONDS

Section 3.01 Authentication. The 2022 Bonds in the aggregate principal amount of [$65,000,000 /$95,000,000] may forthwith be executed by the Company and delivered to the Trustee and shall be authenticated and delivered by the Trustee (either before or after the filing or recording hereof) pursuant to and in accordance with a Company Order delivered pursuant to, and upon compliance by the Company with the other applicable provisions and requirements of, Article IV of the Original Indenture.

ARTICLE FOUR

MISCELLANEOUS PROVISIONS

Section 4.01 Utility and Transmitting Utility. The Company is a utility as defined in Section 261.001(a) of the Texas Business and Commerce Code (the "TBCC"). The Company intends to subject the Original Indenture, as heretofore supplemented and amended and as supplemented by this [Fifteenth]/[Seventeenth] Supplemental Indenture, to the requirements and benefits of Chapter 261 of the TBCC. The perfection of and notice provided by the Original Indenture, as heretofore supplemented and amended and as supplemented by this [Fifteenth]/[Seventeenth] Supplemental Indenture, under Section 261.004 of the TBCC with respect to the interest in property granted as security thereunder shall be effective from its date of deposit for filing until and to the extent such interest in property is released by the filing of a termination statement or a release of such interest in property, in each case signed or authorized in writing by the Trustee, and no renewal, refiling or continuation statement shall be required to continue such effectiveness. The Company is also a transmitting utility as defined in Section 9.102 of the TBCC. The Original Indenture, as heretofore supplemented and amended and as supplemented by this [Fifteenth]/[Seventeenth] Supplemental Indenture, shall remain effective as (a) a financing statement until a termination statement is filed, as provided in Section 9.515(f) of the TBCC, and (b) a financing statement filed as a fixture filing until the Original Indenture (as heretofore supplemented and amended and as supplemented by this [Fifteenth]/[Seventeenth] Supplemental Indenture) is released in full or satisfied of record or its effectiveness otherwise terminates as to the real property covered thereby, as provided in Section 9.515(g) of the TBCC.

Section 4.02 Ratification. The Indenture, as supplemented by this [Fifteenth]/[Seventeenth] Supplemental Indenture, is in all respects ratified and confirmed, and this [Fifteenth]/[Seventeenth] Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

Section 4.03 Trustee. The Trustee hereby accepts the trust hereby declared and provided, and agrees to perform the same upon the terms and conditions set forth in the Indenture, as supplemented by this [Fifteenth]/[Seventeenth] Supplemental Indenture. The Trustee shall not be

responsible in any manner whatsoever for or in respect of the validity or sufficiency of this [Fifteenth]/[Seventeenth] Supplemental Indenture or of the 2022 Bonds or the due execution hereof or thereof by the Company or for or in respect of the recitals contained herein or therein (except the Trustee's certificate of authentication) or the statements contained in Section 4.01, all of which recitals and statements are made by the Company solely.

Section 4.04 Governing Law. This [Fifteenth]/[Seventeenth] Supplemental Indenture and the 2022 Bonds shall be governed by and construed in accordance with the law of the State of New York (including without limitation Section 5-1401 of the New York General Obligations Law or any successor to such statute), except to the extent that the Trust Indenture Act would be applicable were this [Fifteenth]/[Seventeenth] Supplemental Indenture qualified under the Trust Indenture Act and except to the extent that the law of any other jurisdiction shall mandatorily govern the creation, perfection, priority or enforcement of the Lien of the Indenture, as supplemented by this [Fifteenth]/[Seventeenth] Supplemental Indenture or the exercise of remedies with respect to the Mortgaged Property.

Section 4.05 Counterparts. The [Fifteenth]/[Seventeenth] Supplemental Indenture referred to herein is an indenture supplemental to the Indenture. This [Fifteenth]/[Seventeenth] Supplemental Indenture may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original; but such counterparts shall together constitute but one and the same instrument.

Section 4.06 USA PATRIOT Act. The parties hereto acknowledge that in accordance with Section 326 of the USA PATRIOT Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this [Fifteenth]/[Seventeenth] Supplemental Indenture agree that they shall provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the USA PATRIOT Act.

Section 4.07 Notices to the Trustee. Notice is hereby given that the address of the Trustee for purposes of Section 1.08 of the Indenture is:

If to the Trustee, to:

U.S. Bank Trust Company, National Association
101 North First Avenue, Suite 1600
Phoenix, Arizona 85003
Attention: Global Corporate Trust
Telecopy: 602-257-5433

or such other address as the Trustee may from time to time designate pursuant to said Section 1.08.

IN WITNESS WHEREOF, said TEXAS-NEW MEXICO POWER COMPANY has caused this [Fifteenth]/[Seventeenth] Supplemental Indenture to be executed on its behalf and said U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee as aforesaid, in evidence of its acceptance of the trust hereby created, has caused this [Fifteenth]/[Seventeenth] Supplemental Indenture to be executed on its behalf, to be effective as of the date first written above.

TEXAS-NEW MEXICO POWER COMPANY

By: _____
Name:
Title:

ACKNOWLEDGMENT

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO)

This instrument was acknowledged before me on this ____ day of _____, 2022, by ____, ____ of TEXAS-NEW MEXICO POWER COMPANY, a Texas corporation, on behalf of said corporation.

_____
Notary Public in and for the State of New Mexico

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By: _____
Name:
Title:

STATE OF ARIZONA)
COUNTY OF MARICOPA)

Before me, the undersigned notary, on this day personally appeared _____, known to me (or proved to me through _____ (description of identity card or other document)) to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he/she executed the same, in his/her capacity as _____ _____ of U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, acting in its capacity as Trustee, for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, A.D., 2022.

Signature:__ (seal)

Schedule 2.08 to the [Fifteenth]/[Seventeenth] Supplemental Indenture

[FORM OF]

U.S. TAX COMPLIANCE CERTIFICATE

Reference is hereby made to that certain First Mortgage Indenture dated as of March 23, 2009 (the **"Original Indenture"**), from Texas New-Mexico Power Company (the "**Company**") to U.S. Bank Trust Company, National Association, as trustee (the **"Trustee"**), as previously amended and supplemented by certain supplemental indentures including the [Fifteenth]/[Seventeenth] Supplemental Indenture (the **"Supplement"**, and the Original Indenture as supplemented and amended by such other supplemental indentures and the Supplement, the **"Indenture")**. Certain capitalized and other terms used in this Agreement are defined in the Indenture.

The undersigned hereby certifies that:

(i) it is the sole record and beneficial owner of the 2022 Bonds in respect of which it is providing this certificate;

(ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code;

(iii) it is not a ten percent shareholder of the Company within the meaning of Section 871(h)(3)(B) of the Code; and

(iv) it is not a controlled foreign corporation related to the Company as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Company with a certificate of its non-U.S. Person status on IRS W-8BEN-E.

[Purchaser Name]
By: _____
Name:
Title:

Date: _____

Exhibit A

[FORM OF 4.13% FIRST MORTGAGE BOND, DUE MAY 12, 2052, SERIES 2022A]/ [FORM OF 3.81% FIRST MORTGAGE BOND, DUE JULY 28, 2032, SERIES 2022C]

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OF THE UNITED STATES OF AMERICA AND MAY NOT BE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SUCH ACT, EXCEPT UNDER CIRCUMSTANCES WHERE NEITHER SUCH REGISTRATION NOR SUCH EXEMPTION IS REQUIRED BY LAW.

TEXAS-NEW MEXICO POWER COMPANY

(Incorporated under the laws of the State of Texas)

[4.13% First Mortgage Bond, due May 12, 2052, Series 2022A]/
[3.81% First Mortgage Bond, due July 28, 2032, Series 2022C]/

No. [Date]
$[_____] PPN: [882884 D#3]/[882884 E*6]

TEXAS-NEW MEXICO POWER COMPANY, a corporation organized and existing under the laws of the State of Texas (hereinafter called the "Company", which term shall include any Successor Corporation under the Indenture), for value received, hereby promises to pay to _____, or registered assigns, on [May 12, 2052]/[July 28, 2032] (the "Maturity"), the principal sum of [_____ dollars ($_____)]/[_____ dollars ($_____)] (or so much thereof as shall not have been prepaid), in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest on said principal sum in like coin or currency from the date hereof, or from the most recent [May 12 or November 12]/[January 28 or July 28] to which interest has been paid or duly provided for, at the rate of [four and 13/100th percent (4.13%)]/[three and 81/100th percent (3.81%)] per annum (the "Coupon Rate"), payable semi-annually, on the [twelfth (12th) day of May and the twelfth (12th) day of November]/[twenty-eighth (28th) of January and the twenty-eighth (28th) of July] in each year, commencing [November 12, 2022]/[January 28, 2023] until Maturity, and at Maturity (each an "Interest Payment Date"). To the extent permitted by law, the Company shall pay interest on any overdue principal or Make-Whole Amount, if any, at the Default Rate (instead of the Coupon Rate), from the day such principal or Make-Whole

Amount was due until paid or made available for payment and it shall pay interest on any overdue

installments of interest at the Default Rate (instead of the Coupon Rate), from the applicable Interest Payment Date until such interest is paid or made available for payment. For purposes of the [Fifteenth]/[Seventeenth] Supplemental Indenture and this Security, the term "interest" shall be deemed to include interest provided for in the first and second immediately preceding sentences. If any Interest Payment Date falls on a day that is not a Business Day then payment of interest payable on such date will be made on the next succeeding Business Day (and no interest or other payment shall be payable in respect of any such delay, provided that any payment of principal of or Make-Whole Amount on this Security (including principal due upon Maturity) that is due on a date that is not a Business Day shall be due and payable on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable at such next succeeding Business Day). Interest will be computed on the basis of a 360 day year consisting of twelve (12) thirty (30)-day months.

The interest so payable on any Interest Payment Date will, subject to certain exceptions provided in such Indenture, be paid to the Person in whose name this Security is registered at the close of business on the Regular Record Date for such Interest Payment Date, which shall be the fifteenth (15th) day of the month immediately preceding the month in which such Interest Payment Date occurs; except that if the Company shall default in the payment of any interest due on such Interest Payment Date, such defaulted interest shall be paid to the Holder of this Security as of the close of business on a date selected by the Trustee (in accordance with Section 3.07 of the Indenture) (a "Special Record Date"), which Special Record Date shall not be more than fifteen (15) days or less than ten (10) days prior to the date proposed by the Company for payment of such defaulted interest.

Principal of, and Make-Whole Amount (if any) and interest on this Security are payable at the Corporate Trust Office of the Trustee, in Phoenix, Arizona, as Paying Agent for the Company; provided however, that the Company may at any time, by notice to the Holder of this Security, change the place of payment so long as the place of payment shall be either the principal office of the Company in such city or the principal Corporate Trust Office of a bank or trust company in such city and further provided that if the Holder of this Security shall have specified by written notice to the Company an address and reasonable method for such payment pursuant to and in compliance with Section 2.09(b) of the [Fifteenth]/[Seventeenth] Supplemental Indenture, the Company shall make such payment at the address and by the reasonable method set forth in such written notice.

This Security is subject to (1) prepayment at the option of the Company in whole at any time, or in part from time to time, (2) prepayment in whole at the option of the Holder hereof in connection with a Change in Control and (3) mandatory repurchase in whole upon the occurrence of a Bond Repurchase Event, in each case at the times, in the amounts and upon the terms specified in Sections 2.03, 2.06 and 2.07, respectively, of the [Fifteenth]/[Seventeenth] Supplemental Indenture. This Security is not otherwise subject to optional redemption.

The provisions of this Security are continued on the reverse hereof, and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This Security shall not be entitled to any benefit under the Indenture or any indenture supplemental thereto, or be valid or obligatory for any purpose, unless U.S. Bank Trust Company, National Association, the Trustee under the Indenture, or a successor trustee thereto under the Indenture, shall have manually signed the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, TEXAS-NEW MEXICO POWER COMPANY has caused the signature of its duly authorized officer to be hereto affixed.

Dated: _____

TEXAS-NEW MEXICO POWER COMPANY

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture, as supplemented and amended, including as supplemented by the [Fifteenth]/[Seventeenth] Supplemental Indenture.

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Officer

[FORM OF REVERSE OF
4.13% FIRST MORTGAGE BOND, DUE MAY 12, 2052, SERIES 2022A]/[FORM OF REVERSE OF
3.81% FIRST MORTGAGE BOND, DUE JULY 28, 2032, SERIES 2022C]

This Security is one of a duly authorized issue of Securities of the Company (herein called the "First Mortgage Bonds"), unlimited in aggregate principal amount, of the series hereinafter specified, all issued and to be issued under and equally secured by an indenture, dated as of March 23, 2009, executed by the Company to U.S. Bank Trust Company, National Association (ultimate successor as trustee to The Bank of New York Mellon Trust Company, N.A.), as Trustee (herein called the "Trustee") (said indenture being herein called the "Indenture"), to which Indenture and all indentures supplemental thereto (including the [Fifteenth]/[Seventeenth] Supplemental Indenture hereinafter referred to) reference is hereby made for a description of the properties mortgaged and pledged, the nature and extent of the security, the rights of the registered owners of the First Mortgage Bonds and of the Trustee in respect thereto, and the terms and conditions upon which the First Mortgage Bonds are, and are to be, secured, and for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the First Mortgage Bonds and of the terms upon which the First Mortgage Bonds are, and are to be, authenticated and delivered. To the extent permitted by, and as provided in, the Indenture, modifications or alterations of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the Holders of the First Mortgage Bonds may be made, in certain cases without the consent of the Holders of the First Mortgage Bonds, as set forth in Section 14.01 of the Indenture, and otherwise with the consent of the Company by an affirmative vote of not less than a majority in amount of the First Mortgage Bonds entitled to vote then outstanding, at a meeting of Holders of the First Mortgage Bonds called and held as provided in the Indenture, or by an affirmative vote of not less than a majority in amount of the First Mortgage Bonds of any series entitled to vote then outstanding and affected by such modifications or alterations, in case one or more but less than all of the series of First Mortgage Bonds then outstanding under the Indenture are so affected; *provided, however*, that no such modifications or alterations shall be made which will affect the terms of payment of the principal of, or interest on, this Security, which are unconditional. The First Mortgage Bonds may be issued in series, for various principal sums, may mature at different times, may bear interest at different rates and may otherwise vary as provided in the Indenture. This Security is one of a series designated as ["4.13% First Mortgage Bonds, due May 12, 2052, Series 2022A"]/["3.81% First Mortgage Bonds, due July 28, 2032, Series 2022C"]of the Company, issued under and secured by the Indenture and all indentures supplemental thereto and described in an indenture supplemental thereto (herein called the "[Fifteenth]/[Seventeenth] Supplemental Indenture"), dated as of [May 12]/[July 28], 2022, executed by the Company to the Trustee.

The Company, at its option, may redeem all, or from time to time, any part of the First Mortgage Bonds of this series on not less than ten (10) days' nor more than sixty (60) days' notice by first-class mail, postage prepaid as provided in the Indenture at a Redemption Price equal to the sum of the principal amount so prepaid plus the Make-Whole Amount as defined in the [Fifteenth]/[Seventeenth] Supplemental Indenture and upon the other terms and conditions therein and in the Indenture provided.

The Trustee shall be under no duty to inquire into, may conclusively presume the correctness of, shall be fully protected in relying upon the Company's calculation of any optional prepayment amount, Change in Control repurchase payment or Bond Repurchase Amount, including interest and, if and to the extent applicable, any Make-Whole Amount, and shall have no responsibility for such calculation.

In the event of prepayment of the First Mortgage Bonds of this series in part only, a new Security of First Mortgage Bonds of this series and of like tenor for the non-prepaid portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

The Indenture contains provisions for satisfaction and discharge of the entire indebtedness of the First Mortgage Bonds of this series.

In case an Event of Default shall occur, the principal of all the First Mortgage Bonds at any such time Outstanding under the Indenture may be declared or may become due and payable, upon the conditions and in the manner and with the effect provided in the Indenture. The Indenture provides that such declaration may in certain events be waived by the Holders of a majority in principal amount of the First Mortgage Bonds outstanding. In the event of any declaration of acceleration of the maturity of the First Mortgage Bonds, the amount due and payable on this Security (and for all outstanding First Mortgage Bonds of this series) shall consist of the unpaid principal and accrued and unpaid interest thereon plus the Make-Whole Amount (as defined in Section 2.05 of the [Fifteenth]/[Seventeenth] Supplemental Indenture), which Make-Whole Amount shall be determined as of the date of such declaration.

No recourse shall be had for the payment of the principal of, or Make-Whole Amount, if any, or the interest on, this Security, or for any claim based hereon or on the Indenture or any indenture supplemental thereto, against any incorporator, or against any stockholder, director or officer, past, present or future, of the Company, as such, or of any predecessor or successor corporation, either directly or through the Company or any such predecessor or successor corporation, whether for amounts unpaid on stock subscriptions or by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitution, statute or otherwise, of incorporators, stockholders, directors or officers being released by every owner hereof by the acceptance of this First Mortgage Bond and as part of the consideration for the issue hereof, and being likewise released by the terms of the Indenture.

This Security is transferable by the registered owner hereof, in person or by duly authorized attorney, on the books of the Company to be kept for that purpose as provided for in the Indenture upon surrender and cancellation of this Security and on presentation of a duly executed written instrument of transfer, and thereupon a new Security of the same series of First Mortgage Bonds, of the same aggregate principal amount and in authorized denominations will be issued to the transferee or transferees in exchange therefor; and this Security, with or without others of like series, may in like manner be exchanged for one or more new First Mortgage Bonds of the same series of other authorized denominations but of the same aggregate principal amount; all upon payment of the charges and subject to the terms and conditions set forth in the Indenture.

This Security shall be subject to certain restrictions on transfer as set forth in the Indenture and the [Fifteenth]/[Seventeenth] Supplemental Indenture.

This Security shall be governed by, and construed in accordance with, the laws of the State of New York (including without limitation Section 5-1401 of the New York General Obligations Law or any successor to such statute), except to the extent that the Trust Indenture Act would be applicable were the [Fifteenth]/[Seventeenth] Supplemental Indenture qualified under the Trust Indenture Act and except to the extent that the law of any other jurisdiction shall mandatorily govern the creation, perfection, priority or enforcement of the Lien of the Indenture, as supplemented and amended by all indentures supplemental thereto (including the [Fifteenth]/[Seventeenth] Supplemental Indenture), or the exercise of remedies with respect to the Mortgaged Property.

All capitalized terms used but not defined in this Security shall have the meanings assigned to them in the Indenture or the [Fifteenth]/[Seventeenth] Supplemental Indenture, as applicable.

PNM Resources
414 Silver Ave. SW
Albuquerque, NM 87102-3289

EXHIBIT 31.1
CERTIFICATION

I, Patricia K. Collawn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PNM Resources, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (each registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2022

By: /s/ Patricia K. Collawn
Patricia K. Collawn
Chairman, President and Chief Executive Officer
PNM Resources, Inc.

PNM Resources
414 Silver Ave. SW
Albuquerque, NM 87102-3289

EXHIBIT 31.2
CERTIFICATION

I, Joseph D. Tarry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PNM Resources, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (each registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2022

By: /s/ Joseph D. Tarry
Joseph D. Tarry
Senior Vice President and
Chief Financial Officer
PNM Resources, Inc.

Public Service Company of New Mexico
414 Silver Ave. SW
Albuquerque, NM 87102-3289

EXHIBIT 31.3
CERTIFICATION

I, Patricia K. Collawn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Public Service Company of New Mexico;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (each registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2022

By: /s/ Patricia K. Collawn

Patricia K. Collawn
President and Chief Executive Officer
Public Service Company of New Mexico

Public Service Company of New Mexico
414 Silver Ave. SW
Albuquerque, NM 87102-3289

EXHIBIT 31.4
CERTIFICATION

I, Joseph D. Tarry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Public Service Company of New Mexico;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (each registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2022

By: /s/ Joseph D. Tarry
Joseph D. Tarry
Senior Vice President and
Chief Financial Officer

Public Service Company of New Mexico

Texas-New Mexico Power Company
577 N. Garden Ridge Blvd.
Lewisville, Texas 75067

EXHIBIT 31.5
CERTIFICATION

I, Patricia K. Collawn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Texas-New Mexico Power Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (each registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2022

By: /s/ Patricia K. Collawn

Patricia K. Collawn
Chief Executive Officer
Texas-New Mexico Power Company

Texas-New Mexico Power Company
577 N. Garden Ridge Blvd.
Lewisville, Texas 75067

EXHIBIT 31.6
CERTIFICATION

I, Joseph D. Tarry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Texas-New Mexico Power Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (each registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2022

By: /s/ Joseph D. Tarry
Joseph D. Tarry
Senior Vice President and
Chief Financial Officer
Texas-New Mexico Power Company

PNM Resources
414 Silver Ave. SW
Albuquerque, NM 87102-3289
www.pnmresources.com

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2022, for PNM Resources, Inc. ("Company"), as filed with the Securities and Exchange Commission on April 28, 2022 ("Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of § 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2022

By: /s/ Patricia K. Collawn
Patricia K. Collawn
Chairman, President and Chief Executive Officer
PNM Resources, Inc.

By: /s/ Joseph D. Tarry
Joseph D. Tarry
Senior Vice President and
Chief Financial Officer
PNM Resources, Inc.

Public Service Company of New Mexico
414 Silver Ave. SW
Albuquerque, NM 87102-3289

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2022, for Public Service Company of New Mexico ("Company"), as filed with the Securities and Exchange Commission on April 28, 2022 ("Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of § 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2022

By: /s/ Patricia K. Collawn
Patricia K. Collawn
President and Chief Executive Officer
Public Service Company of New Mexico

By: /s/ Joseph D. Tarry
Joseph D. Tarry
Senior Vice President and
Chief Financial Officer
Public Service Company of New Mexico

Texas-New Mexico Power Company
577 N. Garden Ridge Blvd.
Lewisville, Texas 75067

EXHIBIT 32.3

CERTIFICATION PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2022, for Texas-New Mexico Power Company ("Company"), as filed with the Securities and Exchange Commission on April 28, 2022 ("Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of § 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2022

By: /s/ Patricia K. Collawn
Patricia K. Collawn
Chief Executive Officer
Texas-New Mexico Power Company

By: /s/ Joseph D. Tarry
Joseph D. Tarry
Senior Vice President and
Chief Financial Officer
Texas-New Mexico Power Company