



Pat Vincent-Collawn

Dear valued shareholder,

The utility industry is rapidly evolving to meet the needs of customers and the changing expectations of society. Companies like PNM Resources are at the forefront of an energy revolution that is transforming how electricity is generated, delivered, and consumed. At the heart of this transformation is innovation driven by a skilled, dedicated, and caring workforce. For nearly 100 years, our employees have been our most valuable resource and the reason for the company's many important achievements. However, beyond technology and innovation, the true foundation of our success is our unbreakable commitment to serving our customers.

The velocity of change in the energy industry is powered by competition to respond to the needs of the people we serve. Delivering reliable, affordable, and environmentally responsible power is our core mandate. We strive to accomplish this in ways that meet the needs of our business and residential customers while earning their trust and developing strong relationships. At PNM Resources, we continue to build a culture that considers how every decision we make affects our customers. We believe this is the key to achieving continued growth and success, and delivering sustainable value to our customers and to you, our shareholders.

IMPROVING CUSTOMER SATISFACTION

It's no secret that companies with higher customer satisfaction numbers ultimately achieve stronger financial results. In this time of rapid change and increasing choice, customer trust and loyalty has never been more important. I'm pleased to say that at PNM in 2014 our research showed that customers' overall impression of and trust in PNM continued to increase, and we are working to do even better.

Our research also indicates that the most important thing to our customers – even more than price – is reliability. For three out of the last five years, both PNM and TNMP have ranked in the top quartile nationally for reliability. In 2014, PNM delivered its best reliability performance in the past seven years, and TNMP's reliability was its best in a decade.

CONTINUED STRONG EARNINGS AND DIVIDEND GROWTH

The Board of Directors continues to demonstrate its confidence in the company's performance. In December 2014, the board unanimously approved an 8.1 percent increase in the dividend payment to an indicated annual rate of \$0.80 per share of common stock. This is the fourth above industry average dividend increase in the past three years.

In 2014, the company achieved consolidated ongoing earnings of \$1.49 per diluted share, which is in the upper-end of the guidance range. This compares to \$1.41 per diluted share in 2013.

The company maintained its strong credit metrics in 2014. PNM Resources, PNM, and TNMP continue to be rated investment grade with a positive outlook by Moody's and Standard & Poor's. I have previously mentioned the importance of credit ratings in regard to accessing financing at more favorable rates, which in turn helps us keep customer costs down.

¹ On a GAAP (generally accepted accounting principles) basis, the Company reported 2014 earnings of \$1.45 per diluted share, compared with \$1.25 per diluted share in 2013. The adjustments to 2014 GAAP earnings per diluted share to 2014 ongoing earnings per diluted share were: mark-to-market impact of economic hedges, \$(0.05); net change in unrealized impairments of certain securities, \$0.01; process improvement initiatives, \$0.01; San Juan Coal Company audit arbitration, \$0.01; regulatory disallowance, \$0.01; and state tax credit and net operating loss carryforward impairment, \$0.05. The adjustments to 2013 GAAP earnings per diluted share to 2013 ongoing earnings per diluted share were: New Mexico corporate income tax rate change, \$0.02; mark-to-market impact of economic hedges, \$(0.01); net change in unrealized impairments of certain securities, \$(0.01); loss on reacquired debt, \$0.02; state tax credit impairment, \$0.05; and regulatory disallowance, \$0.09.



PNM's new solar generation facility at Meadowlake, NM uses state-of-the-art tracking technology to maximize electricity production.



By the end of 2015 PNM will have invested nearly \$270 million in community-scale solar generation.

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

Any statements made herein about future operating results or other future events are forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these forward looking statements. Additional information regarding forward-looking statements and factors that could cause actual results or events to differ is included on page 4 of the 2014 Letter to Shareholders.

FOCUS ON FUNDAMENTALS

There are many reasons for the company's consistent solid performance, but I believe it's primarily due to success with effectively managing our businesses. By staying the course and successfully executing our plan, in the past seven years we have restored the company's financial health and positioned PNM Resources to continue to deliver strong earnings and dividend growth going forward.

In New Mexico, PNM is successfully navigating an economy that is slowly finding a path to recovery. While electricity demand remains unpredictable, the company is experiencing modest but consistent customer growth. We continue to invest in the communities we serve, especially in important economic development initiatives. Together with other businesses and state and local government, we are finding creative strategies designed to retain and attract businesses that deliver economic based jobs.

At TNMP, we continue to benefit from the strong and diverse Texas economy, which shows signs it will continue to perform well despite the downturn in oil prices. We are seeing growth from larger, demand-based customers in our service territories adjacent to metropolitan areas such as Houston.

POSITIONING FOR THE FUTURE

2015 promises to be a defining year for PNM. The company is at an intersection where reliability, affordability, and environmental responsibility all come together. PNM's cornerstone initiative is the Revised State Implementation Plan for San Juan Generating Station. The plan has been approved by the Environmental Protection Agency and the New Mexico Environment Department, and the company reached a settlement agreement with several key stakeholders in the request for approval filed with the New Mexico Public Regulation Commission. During the hearing on the plan we made a very strong case for why it is the best path forward for our customers and for the state. It's important to note that from the time the plan was filed in 2013 through the completion of the hearing this past January, no group presented an alternative that is more cost effective or offers the same level of benefits as the Revised State Implementation Plan. A recommended decision from the hearing examiner is expected soon, with a final ruling from the commission anticipated in the second quarter.

In December of 2014, PNM filed a 2016 future test year general rate case requesting an increase of \$107 million, which if approved would take effect January 1, 2016. The company's proposal reflects \$2.4 billion in rate base, which is an increase of \$585 million since our last rate filing in 2010. That investment accounts for 92 percent of the proposal. It's not driven by O&M - we have held operating expenses to an annual average increase of just 0.2 percent.

The way electricity is generated and consumed has changed dramatically and continues to evolve, but the way utilities calculate rates hasn't kept up. Recovering fixed costs through volumetric charges no longer assures the recovery of utility infrastructure investments. PNM is proposing to update its rate structure, including a decoupling pilot program, revising charges across customer classes to better align prices with how customers actually use electricity. In addition, under the current system solar distributed generation customers don't pay their share of the costs to serve them when the sun doesn't shine or when they send power to the utility, we're asking to make changes to our distributed generation programs, including an access fee for new customers who apply for interconnection after January 1, 2016.

The company is addressing these important elements head-on, knowing that there will likely be vigorous opposition to certain elements of our proposals. We are confident the facts validate our plan, and PNM has delivered a robust filing. Taking this action now will benefit our customers, our community, and our shareholders going forward.



Providing excellent customer service is a priority at PNM, and the company considers how every decision will impact the people we serve.

PROTECTING THE ENVIRONMENT

As we work toward a constructive outcome to these critically important regulatory filings, PNM continues to diversify its portfolio and move toward cleaner generation resources. In 2014, we built three new solar plants, with four more planned for this year. By the end of the year, PNM will have invested almost \$270 million in solar power generation. This year we increased the wind energy on the PNM system by 50 percent, and recently started construction on a new natural gas facility. By 2016, annually our combined renewable resources will be able to power 150,000 average residential customers, save approximately 382 million gallons of water at power plants and reduce carbon emissions by the equivalent of taking 201,000 cars off the road.

INCORPORATING NEW TECHNOLOGY

The rapid evolution of the energy industry is driven in large part by technology, and both PNM and TNMP are involved in exciting initiatives that take advantage of new ways to better serve our customers while minimizing cost.

In Texas, TNMP is continuing with the installation of smart meters throughout its service territory, and a new outage management system is in the final stages of development. When fully implemented, these advances will position TNMP to more quickly respond to trouble on its system and to improve reliability.

PNM is utilizing the latest developments in solar technology to create more efficient power generation. Three of our eleven existing solar facilities incorporate tracking mechanisms to maximize the panels' exposure to the sun. Going forward, all of our solar plants will use this technology.

I'm also very proud of the fact that we are serving our customers with electricity from the state's first geothermal plant - a developing technology that we hope will expand in the future.

Thanks to the hard work and commitment of our talented and dedicated employees, PNM Resources is well positioned to meet these challenges and embrace the opportunities in front of us. I'm excited about what the future holds, and I'm confident that together, we will build on our momentum and continue to grow the company, provide exceptional service to our customers, support our communities, and deliver consistent value to our shareholders.

I could not be more proud to lead this world-class organization. Thank you again for your investment, and for your ongoing support.

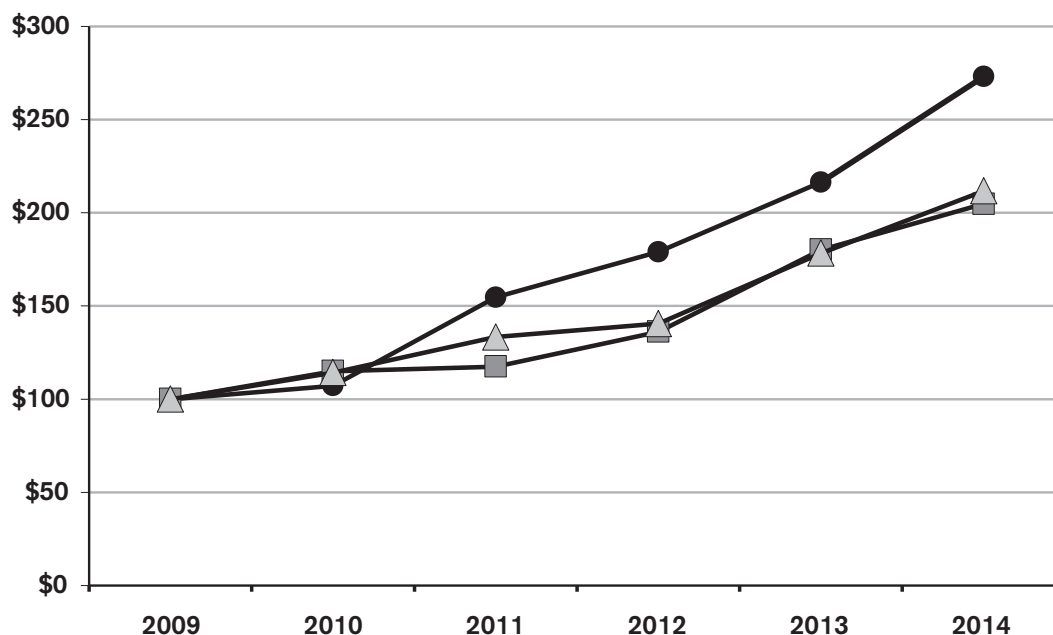
Sincerely,

Pat Vincent-Collawn
Chairman, President, and CEO

PNM RESOURCES, INC. AND SUBSIDIARIES

PNM Resources is an investor-owned holding company of two electric utilities, PNM and TNMP. PNM is a regulated utility in New Mexico with operations primarily engaged in the generation, transmission and distribution of electricity. TNMP is a regulated utility operating in Texas, providing transmission and distribution services.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN



	2009	2010	2011	2012	2013	2014
● PNM Resources	\$100.00	\$107.15	\$154.62	\$179.00	\$216.42	\$273.07
■ S&P 500 Index	\$100.00	\$115.03	\$117.47	\$136.18	\$180.18	\$204.75
▲ S&P 400 MidCap Utilities Index	\$100.00	\$114.24	\$133.32	\$140.55	\$178.34	\$211.72

Data Source: Bloomberg.

Historical performance does not necessarily predict future results. PNM Resources' common stock is traded on the NYSE.

STOCK PERFORMANCE

The graph above assumes that \$100 was invested on Dec. 31, 2009, in PNM Resources common stock, the S&P 500 Stock Index and the S&P Midcap 400 Utilities Index, and that all dividends were reinvested.

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

Statements made in the letter to shareholders that relate to future events or PNM Resources' ("PNMR"), Public Service Company of New Mexico's ("PNM"), or Texas-New Mexico Power Company's ("TNMP") (collectively, the "Company") 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. PNMR, PNM, and TNMP assume no obligation to update this information. Because actual results may differ materially from those expressed or implied by these forward-looking statements, PNMR, PNM, and TNMP caution readers not to place undue reliance on these statements. PNMR's, PNM's, and TNMP's business, financial condition, cash flow, and operating results are influenced by many factors, which are often beyond their control that can cause actual results to differ from those expressed or implied by the forward-looking statements. For a discussion of risk factors and other important factors affecting forward-looking statements, please see the Company's Form 10-K and Form 10-Q filings with the Securities and Exchange Commission, which factors are specifically incorporated by reference herein.