



Pat Vincent-Collawn

Dear Valued Shareholder,

Thanks to the investments of shareholders like you, PNM Resources has grown into a strong and diverse energy company, reliably delivering electricity to more than 760,000 homes and businesses in New Mexico and Texas. Our service territories for PNM and TNMP include metropolitan areas, rural and remote locations and virtually every size community in between. We are extremely proud of our record of service, volunteerism and giving in these communities, and we celebrate the wonderful people, unique cultures and natural beauty of both states.

In that spirit, I am pleased to say that PNM Resources will hold the 2016 shareholder meeting in Lewisville, Texas, where TNMP is headquartered. This is an opportunity to acknowledge TNMP's solid performance and significant contributions to the company's overall financial strength, and will also provide shareholders who live in Texas a more convenient opportunity to attend the annual meeting.

Both PNM and TNMP have long and proud histories. Next year, PNM will celebrate its 100th anniversary. The company that would eventually be named TNMP was founded in 1935, 81 years ago. From the early beginnings to the two modern utilities of today, we continue to build upon a wealth of knowledge and experience to focus on our primary mission- serving our customers. We do that by keeping the lights on, working to keep customer bills low, and by protecting the environment. Putting our customers first helps earn their trust and create value for them and for our shareholders.

A YEAR OF PROGRESS

In 2015, the company successfully overcame a number of challenges to achieve significant progress, building on the positive momentum we have established in recent years.



PNM will dramatically reduce the use of coal by retiring 2 units at San Juan Generating Station and replace the power with solar, cleaner burning natural gas and existing, emissions-free nuclear.

At PNM, the most important accomplishment was obtaining final approval for the San Juan Generating Station plan, which we received two years after we filed with the New Mexico Public Regulation Commission (NMPRC). It is the most cost-effective path forward and the best option for our customers, who are already seeing lower bills as a result of the new coal supply agreement. It will also benefit the entire state by supporting economic stability and providing meaningful environmental improvements.

PNM Resources also continued to build on its positive financial momentum. The company received an upgrade to credit ratings from Standard and Poor's, which is critical to accessing capital at favorable rates and helps to keep customer costs down. We continued to deliver above industry average dividend growth. In December 2015, the company's Board of Directors unanimously voted to increase the company's annual dividend payment by \$0.08, a 10 percent increase, to an indicated annual rate of \$0.88 per share of common stock. This is consistent with the company's target to pay out 50 to 60 percent of annual ongoing earnings.



PNM is adding electric vehicles to its corporate fleet.

¹On a GAAP (generally accepted accounting principles) basis, the Company reported 2015 earnings of \$.20 per diluted share, compared with \$1.45 per diluted share in 2014. The adjustments to 2015 GAAP earnings per diluted share to 2015 ongoing earnings per diluted share were: mark-to-market impact of economic hedges, \$0.04; net change in unrealized impairments of certain securities, \$0.03; regulatory disallowances and restructuring costs, \$1.26; federal and state tax credit, NOL, and charitable contribution impairments, \$0.12; and settlement of regulatory proceeding, \$(0.01). 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.

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 2015 Letter to Shareholders.

For the year, ongoing earnings totaled \$1.64 per diluted share, compared with \$1.49 per diluted share in 2014.¹

FOCUS ON CUSTOMERS

Across the company we are committed to putting our customers first in everything we do, and I'm proud to say that our efforts are showing results. In the January and February, 2016 survey period for the J.D. Power Customer Satisfaction Index, PNM achieved its highest score ever.

Our customers tell us that they value reliability above all else, and we take that responsibility very seriously. In 2015, PNM was recognized with a ReliabilityOne Award for outstanding Midsized Utility. TNMP also continued to deliver excellent reliability despite extreme weather throughout the year in Texas.

Once again, TNMP received Energy Star's Market Leader Award for its innovative energy efficiency programs. This is the eleventh consecutive year that TNMP has earned that honor, and we are very proud of this accomplishment.

Putting our customers first is the right thing to do, whether we're talking about homes or businesses, or transmission end users. It builds trust, it makes the company stronger, and it supports other important efforts including helping the communities we serve in meaningful ways and building sustainable value for you, our shareholders.

PROTECTING THE ENVIRONMENT

PNM Resources and its utility subsidiaries are dedicated to being responsible stewards of the environment and are consistently improving sustainability efforts, while at the same time fulfilling the core responsibility of delivering reliable and affordable energy to customers.

In 2015, PNM significantly expanded its use of renewable resources, adding four new solar facilities and increasing the use of wind energy by more than 50 percent. PNM is also the first New Mexico energy provider to use electricity from geothermal generation. The company now delivers enough energy from renewable resources to power 150,000 average homes. PNM's use of renewable energy provides the added benefit of reducing freshwater usage at our power plants by about 382 million gallons annually. The company's robust energy conservation and efficiency programs helped customers reduce energy use by 79 gigawatt hours in 2015, and cut freshwater use at power plants by almost half a billion gallons since 2007. PNM currently meets New Mexico's requirement of 15 percent of power from renewable resources and is on track to meet the 2020 requirement of 20 percent.

PNM's plan to retire two units at San Juan Generating Station will reduce greenhouse gas emissions at the plant by about 50 percent. In addition, it will put the state in good position to comply with the federal Clean Power Plan, if it is ultimately upheld.

A BRIGHT FUTURE

Looking to the future, we are excited about the opportunities ahead and confident that by continuing to execute our plan, we will build upon the significant progress we have made. We remain focused on our core business of delivering reliable, affordable and environmentally responsible energy throughout our service territories. The company will continue to invest in critical capital projects to meet evolving customer demand and take advantage of developing technology, such as renewable energy, advanced meters, and transmission and distribution infrastructure.



Operation of TNMP's new outage management system is based in Alvin, Texas.

We are also well prepared to meet the challenges we are facing in a rapidly evolving business and regulatory environment. The company is working to strengthen relationships with stakeholders and finding new ways to collaborate to find constructive solutions to mutual needs and concerns. These relationships are critical in helping to create positive regulatory outcomes for our filings, including the pending PNM rate case and upcoming TNMP Transmission Cost of Service cases. At the same time, we will continue to responsibly manage operations and control costs, while consistently improving customer service and supporting our communities.

Collectively, our strategy supports the goals of earning our authorized return on our regulated businesses and continuing to deliver above industry average earnings and dividend growth. It helps ensure that we are always operating in a manner that best serves our customers and rewards our shareholders.

Our success is the result of the hard work of dedicated and skilled PNM Resources employees. They truly make this a great company, and one which I am genuinely proud to lead. Thank you for your trust and for your investment in PNM Resources.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat Vincent-Collawn". The signature is fluid and cursive.

Pat Vincent-Collawn
Chairman, President, and CEO

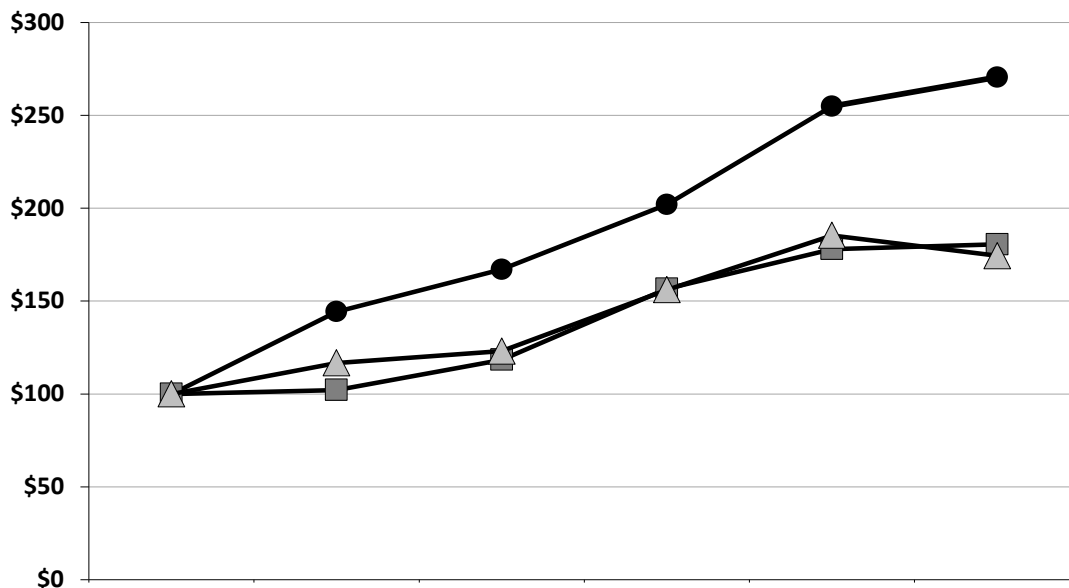


The Santa Fe Solar Energy Center is one of four PNM solar facilities that came online in 2015.

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



	2010	2011	2012	2013	2014	2015
● PNM Resources	\$100.00	\$144.31	\$167.06	\$201.98	\$254.85	\$270.55
■ S&P 500 Index	\$100.00	\$102.12	\$118.38	\$156.64	\$177.99	\$180.50
▲ S&P 400 MidCap Utilities Index	\$100.00	\$116.70	\$123.02	\$156.11	\$185.33	\$174.40

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, 2010, 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, Inc.'s ("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.