



**Pat Vincent-Collawn**

Dear Fellow Shareholder,

For more than 100 years, our company has been delivering reliable and affordable energy to our customers and supporting the communities we serve. Through PNM and TNMP, PNM Resources has grown to become a trusted energy partner for residents and businesses across New Mexico and Texas. As technology and the needs of our customers evolve to support the transition to cleaner generation resources and more sustainable business practices, our company has responded by embracing change and innovation to meet those challenges in ways that build value for our customers and our shareholders.

I am proud to report that as a result of the hard work of our dedicated PNM Resources employees, the company remains strong and on track to achieve our financial goals while delivering on our unwavering commitment to our customers and our communities.

### 2017 HIGHLIGHTS

For PNM Resources, 2017 was a year of significant progress and landmark change as the company took meaningful steps toward implementing the plans for which we have been building the foundation over the past several years.

#### PNM

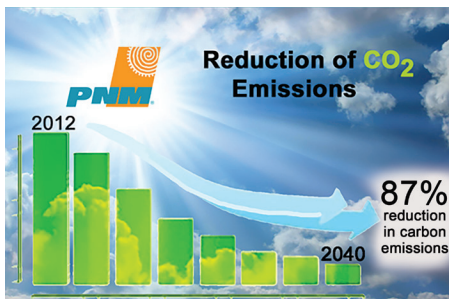
PNM achieved a settlement with a broad and diverse group of participants in the company's 2016 rate review. The filing included a number of actions relating to plans that had previously been approved regarding our coal-fired San Juan Generating Station (SJGS) and the steps required to meet federal regional haze regulations. While the process carried over into 2018, the result was a constructive New Mexico Public Regulation Commission (NMPRC) order that largely approved the company's roadmap for moving forward.

In December, PNM permanently retired Units 2 and 3 at SJGS. This resulted in an immediate 40 percent reduction in PNM carbon emissions from 2012 levels, exceeding the reduction for New Mexico that had been specified in the Clean Power Plan.

More significantly, in 2017 PNM released a new Integrated Resource Plan (IRP), which the company is required to develop every three years. The process utilizes a 20-year resource planning horizon and includes a more specific 4-year action plan that is developed after modeling thousands of potential scenarios. The 2017 PNM IRP showed that it would be most cost-effective for PNM to retire the remaining two units at SJGS after the coal supply agreement expires in 2022. In addition, the plan calls for PNM to exit its 13 percent participation in the Four Corners Power Plant after the owner participation and coal supply agreements expire there as well. Together, these actions would result in a coal-free PNM resource portfolio. PNM will then be utilizing a diverse mix of cleaner resources, including additional solar, natural gas, and existing carbon-free nuclear.

There is much work to be done before PNM can fully implement the IRP. Any specific actions by PNM to add or retire energy resources must be approved by the NMPRC. However, it's important to note that the IRP reflects the changing economics of energy resources. In addition, Climate Change continues to pose risk and demand answers. At PNM Resources, we are taking action to protect our environment and conserve our natural resources while working to create a clean, secure, and sustainable energy future.





*PNM expects to achieve an 87 percent reduction in carbon emissions by 2040 (over 2012 levels)*



*The TNMP office in Texas City was seriously damaged by flooding caused by Hurricane Harvey. TNMP crews worked tirelessly to restore power to impacted areas, despite the fact many were also dealing with personal challenges caused by the storm.*



*TNMP linemen put in new service for a commercial customer in League City, part of the growth continuing in the Gulf Coast region.*

The eventual retirement of SJGS and Four Corners Power Plant will deliver significant environmental benefits. It will also result in significant challenges to the economy of the region and the individuals, families, and businesses that depend on these plants. We are acutely aware of the potential consequences of the eventual closure of SJGS and other plants. PNM continues to work to help find ways to help mitigate the economic impact and support communities in the region, including the Navajo Nation.

**TNMP**

In August 2017, Hurricane Harvey caused massive flooding and devastated communities throughout the Texas Gulf Coast region, including areas served by TNMP. While damage to our system was less severe than with Hurricane Ike in 2008, there was significant localized damage that left many customers without power for more than a week. TNMP employees, many of whom were affected themselves by flooding and other challenges caused by Harvey, stepped up and worked safely and tirelessly for days to restore power. In addition, a number of TNMP employees volunteered to travel to Florida to help restore power to areas affected by Hurricane Irma. We are so proud of our employees, who truly deliver on our commitment to serve and to support others who need our help.

The strong Texas economy continued to drive increased business for TNMP, including new large customers in West Texas, as well as residential and commercial growth in parts of North Texas and Gulf Coast regions.

TNMP is scheduled to file a full rate review in 2018, the company’s first since current rates were approved in 2011.

**Protecting the Environment, Conserving Resources, and Rewarding Customers**

- Through 2017, PNM Energy Efficiency programs have helped save almost 3.1 billion kilowatt hours of electricity, kept an estimated 1.6 million metric tons of carbon dioxide out of the air, and provided more than \$67 million in customer rebates
- Through 2016, TNMP Energy Efficiency programs have helped save almost 177 million kilowatt hours of electricity, kept an estimated 131,880 metric tons of carbon dioxide out of the air, and provided \$30 million in customer incentives
- Energy Star honored TNMP with its 2018 “Energy Star Partner of the Year Sustained Excellence Award”

**FOCUSED ON CUSTOMERS**

At PNM and TNMP, we understand our primary responsibility is to ensure that the lights go on when a customer flips the switch. Our goal is to always deliver safe, reliable, affordable, and environmentally responsible energy. However, our commitment to serving our customers extends well beyond that basic principle.

As technology and energy resources evolve and customers seek to have more control over how much energy they use and how it is generated, we continue to develop and deliver solutions that meet their needs. In 2017, this proved as simple as streamlining the move-in, move-out process for customers on the PNM website, and as complicated as finding a way for PNM to serve a new data center with 100 percent renewable equivalent energy. At TNMP, this continues to include effectively answering the need to expand infrastructure to accommodate growth.

One improvement of which we are especially proud is how PNM responded to an increase in the number of customers adding private solar generation. The PNM solar team implemented a solution that cut the time required to process applications, gave customers real-time information about the progress of their application, and helped create a positive experience. Whether it is universal solar developed by PNM, or private solar generation, we are supporting customer decisions.

## ECONOMIC DEVELOPMENT

Our companies and our employees are active in the communities we serve. We know that supporting vibrant economies in these communities is critical to our shared success. Whenever possible, we participate in and support state and local economic development initiatives. We also work directly with business customers to find solutions to their energy needs.

An excellent example of these efforts is the new Facebook data center near Los Lunas, New Mexico. The social media giant required 100 percent renewable equivalent energy to power the facility. PNM worked with Facebook and other energy companies to secure the renewable resources and the infrastructure necessary to meet Facebook's needs, including the connection to the PNM grid to ensure reliable energy 24-7. This project has already helped to boost the local economy through the creation of hundreds of construction jobs and dozens of permanent positions, not to mention tax revenue.



*The new Facebook data center near Los Lunas, N.M. has about 1,200 construction workers on site daily. When fully constructed, the site is expected to employ about 300 full-time workers. (Credit: Facebook)*

Facebook has helped drive renewed interest in New Mexico. In 2017, PNM provided support for more than 30 prospective economic development projects, and the future continues to look bright. The majority of projects fell into two categories –Manufacturing and Data Centers. Projects which PNM supported helped create hundreds of new jobs, and we will continue our efforts. In addition, we are proud to have helped implement an economic development rate to encourage business relocation and expansion.

### Supporting the Communities We Serve

In 2017, PNM Resources, PNM and TNMP committed approximately \$4 million to support important local community projects, nonprofit organizations, and financially challenged customers.

Employees volunteered more than 10,800 hours of their time to worthy causes.

## DIVIDEND INCREASE

In December 2017, the PNM Resources Board of Directors voted to increase the company's annual dividend payment by \$0.09 to an indicated annual rate of \$1.06 per share of common stock. This is an increase of 9.3 percent, and the dividend remains consistent with the company's target to pay out 50 to 60 percent of annual ongoing earnings.

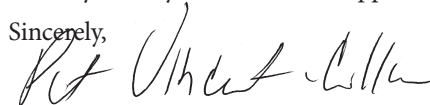
## MEETING THE CHALLENGES AHEAD

Looking ahead, we are excited about the future and confident we will successfully navigate the challenges ahead. PNM and TNMP are vital partners within their communities, and we are proud to deliver a service that improves the quality of life for all.

PNM Resources is helping to lead the way for our customers as the energy industry transitions to cleaner, more sustainable resources, and creates a more interconnected, efficient, and resilient energy grid. Getting there will require non-traditional collaboration, innovation, and working together with all stakeholders to turn our common vision for a strong energy future into reality. It's a challenge that we enthusiastically embrace.

Thank you for your continued support and for your investment in PNM Resources.

Sincerely,



Pat Vincent-Collawn  
Chairman, President, and CEO

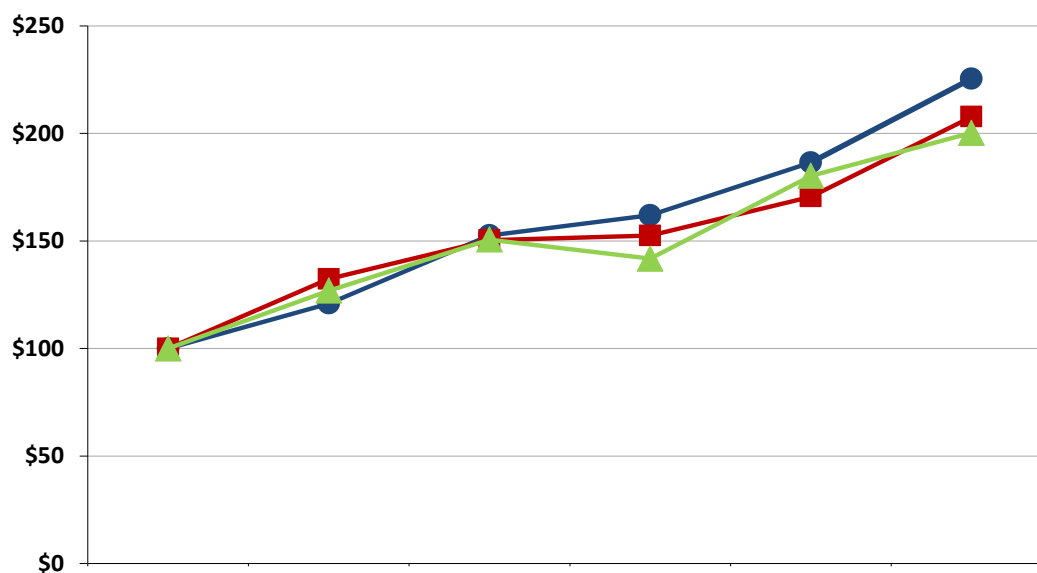
### Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

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 2017 Letter to Shareholders.

## 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



	2012	2013	2014	2015	2016	2017
● PNM Resources	\$100.00	\$120.90	\$152.55	\$161.94	\$186.45	\$225.41
■ S&P 500 Index	\$100.00	\$132.31	\$150.35	\$152.47	\$170.59	\$207.74
▲ S&P 400 MidCap Utilities Index	\$100.00	\$126.89	\$150.64	\$141.76	\$180.28	\$200.28

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, 2012, 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.

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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.