

2006

Reconciliation of Ongoing Earnings to GAAP Net Earnings  
For the Year Ended December 31, 2006  
(in \$ millions)

|  | PNM Gas         | PNM Electric        | Wholesale       |                 | TNMP            | FCP             | EnergyCo | Corp/Other             |                 | PNMR             |
|--|-----------------|---------------------|-----------------|-----------------|-----------------|-----------------|----------|------------------------|-----------------|------------------|
|  |                 |                     | PNM Wholesale   | Altura          |                 |                 |          | PNM Corp/Other         | PNMR Corp/Other |                  |
| <b>Ongoing Earnings - Previous Segments</b>  | \$5,956         | \$38,981            | \$19,371        | \$23,909        | \$15,713        | \$41,363        | \$0      | \$5,958                | (\$25,825)      | \$125,426        |
| <b>Electric Segment Changes</b>  |                 |                     |                 |                 |                 |                 |          |                        |                 |                  |
| Combine PNM Electric (Retail) and PNM Wholesale  |                 | 19,371              | (19,371)        |                 |                 |                 |          |                        |                 | 0                |
| Reclass PNM Corporate/Other  | 569             | 5,389               |                 |                 |                 |                 |          | (5,958)                |                 | 0                |
| <b>After Electric Segment Changes</b>  | <b>6,525</b>    | <b>63,741</b>       | <b>0</b>        | <b>23,909</b>   | <b>15,713</b>   | <b>41,363</b>   | <b>0</b> | <b>0</b>               | <b>(25,825)</b> | <b>125,426</b>   |
|  | <b>PNM Gas</b>  | <b>PNM Electric</b> | <b>Altura</b>   | <b>TNMP</b>     | <b>FCP</b>      | <b>EnergyCo</b> |          | <b>PNMR Corp/Other</b> |                 | <b>PNMR</b>      |
|  | 6,525           | 63,741              | 23,909          | 15,713          | 41,363          | 0               |          | (25,825)               |                 | 125,426          |
| Corporate items allocated to PNM Gas that are not considered discontinued operations under GAAP: | 6,337           | (6,337)             | 0               | 0               | 0               | 0               |          | 0                      |                 | 0                |
| <b>Ongoing Earnings</b>  | <b>12,862</b>   | <b>57,404</b>       | <b>23,909</b>   | <b>15,713</b>   | <b>41,363</b>   | <b>0</b>        |          | <b>(25,825)</b>        |                 | <b>125,426</b>   |
| <b>Non-Recurring Items</b>   |                 |                     |                 |                 |                 |                 |          |                        |                 |                  |
| Acquisition Integration Costs  | (4)             | (10)                |                 | (14)            | (1,396)         |                 |          | (1,276)                |                 | (2,700)          |
| JV Formation Costs   |                 |                     |                 |                 |                 |                 |          | (2,079)                |                 | (2,079)          |
| Economic Mark-to-Market  |                 | 171                 |                 |                 |                 |                 |          |                        |                 | 171              |
| <b>Total Non-Recurring Items</b>   | <b>(4)</b>      | <b>161</b>          | <b>0</b>        | <b>(14)</b>     | <b>(1,396)</b>  | <b>0</b>        |          | <b>(3,355)</b>         |                 | <b>(4,608)</b>   |
| <b>GAAP Earnings from Continuing Operations</b>  |                 | <b>57,565</b>       | <b>23,909</b>   | <b>15,699</b>   | <b>39,967</b>   | <b>0</b>        |          | <b>(29,180)</b>        |                 | <b>107,960</b>   |
| <b>GAAP Earnings from Discontinued Operations</b>  | <b>12,858</b>   |                     |                 |                 |                 |                 |          |                        |                 | <b>12,858</b>    |
| <b>GAAP Net Earnings</b>   | <b>\$12,858</b> | <b>\$57,565</b>     | <b>\$23,909</b> | <b>\$15,699</b> | <b>\$39,967</b> | <b>\$0</b>      |          | <b>(\$29,180)</b>      |                 | <b>\$120,818</b> |