

Sustainability Portal

At PNM Resources, we are committed to strengthening the communities we serve by helping others and making a difference in the lives of our customers. Our employees live, work and raise their families in these communities and we are proud to give back through investments that include grants, charitable contributions and employee volunteer time focused on supporting education, economic development and the environment.

We serve electricity to approximately 790,000 homes and businesses in New Mexico and Texas through our regulated utilities, PNM and TNMP. PNM Resources currently has a generation portfolio creating more than 2,761 megawatts through the use of traditional and cutting edge generation methods. In the coming years, PNM Resources has committed to revolutionizing our generation capabilities, developing a plan for the integration of ever-larger portions of emissions-free energy and renewable resources.

[Click to download the full report](#)



[Learn more about our sustainability story](#)

Our Sustainability Mission

At PNM Resources, our Vision and our Values create a compass which guides our company and our employees:

- ◆ Vision: Create a clean and bright energy future.
- ◆ Values: **Safety** for ourselves, our co-workers, our customers and our communities depends on every employee, every day; **Caring** about the welfare of others is a company tradition. It fosters a positive workplace, a focus on customers and dedicated community service; **Personal integrity and honest communication** guide our dealings and keep us accountable to our stakeholders and to each other.

We work diligently every day to do business in an ethical, open and transparent manner, and this portal is an extension of that commitment. Here you can access the key sustainability information related to the operations of PNM Resources' utilities- PNM in New Mexico and TNMP in Texas. The information is compiled under five main headings: Environment, Generation Portfolio, Social, Economic, and Governance.

At PNM Resources, the term "sustainability" encompasses a broad range of important actions. It starts with our responsibility to deliver safe, reliable, affordable and environmentally responsible energy to our customers, and extends to areas that include:

- ◆ Economic development- supporting job growth, workforce training and efforts to retain and recruit business to New Mexico
- ◆ Improving the quality of life- partnering with community nonprofit organizations that support economic vitality and provide a hand-up to the less fortunate. Encouraging the spirit of volunteerism among employees, and providing financial contributions targeted to create meaningful change
- ◆ Conservation and resource protection- going beyond increasing cleaner energy resources to include wildlife protection, conserving precious water resources and maintaining our infrastructure in ways that minimize the impact on the environment
- ◆ Corporate governance- demonstrating strong leadership, setting high expectations and insisting on accountability for ourselves and our business operations
- ◆ Efficiency- operating our businesses in ways that effectively serve our customers while minimizing costs

We are proud of our company and proud of the positive difference we make in the communities that we serve. Through the hard work and dedication of our employees, we have achieved strong results, although we know there is still much to do. We will continue to strive to improve, and to support the communities we serve across New Mexico and Texas.

[Learn more about our sustainability story](#)

Climate Change Report

Real Change | Real Results

Climate change continues to pose risk and demand answers. We hear the voices of our stakeholders, from investors and businesses to our customers and employees who are conscientious about reducing their own impact on the environment and are concerned about the greenhouse gas emissions associated with generating electricity. We agree, and at PNM Resources we are taking action to protect our environment and conserve our natural resources while building a clean, secure and sustainable energy future.

PNM Resources has a long history of environmental stewardship, balanced with cost conscientiousness. We advance the use of cleaner sources of energy as well as promote responsible conservation measures, including energy efficiency. We have made, and continue to make, significant investments to reduce the environmental impact of delivering power while minimizing the cost to our customers.

PNM, our New Mexico utility, previously announced its plan to completely exit coal generation by 2031 and has already significantly reduced overall power plant emissions:

- In 2018, after the shutdown of Units 2 and 3 at San Juan Generating Station, we reduced CO₂ emissions at this plant by 54% below 2005 levels (CO₂ comprises the vast majority of PNM greenhouse gas emissions) and
- As of December 31, 2019, about 37% of PNM generating capacity is carbon-free, including resources owned, leased and under purchase power agreements;

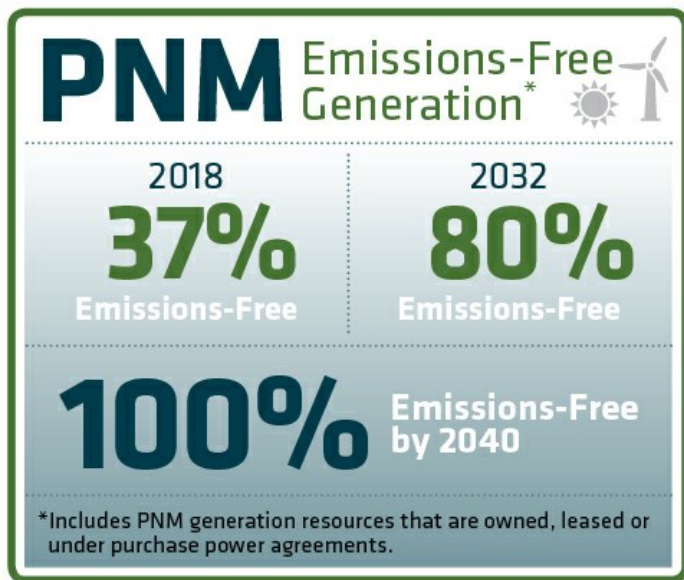
The Energy Transition Act, passed in the 2019 New Mexico legislative session, demonstrates the state's commitment to the further integration of cleaner energy sources. The new law sets more aggressive renewable standards and introduces a mandate of 100% carbon-free energy by 2045, while also protecting customers and workers in the transition to clean energy. Energy Transition Bonds are permitted to securitize the unrecovered costs on qualifying coal-fired generation facilities, reducing the cost to customers to retire these facilities earlier and allowing the utility to reinvest in cleaner energy resources.

Aided by the Energy Transition Act, PNM will continue down the path of transitioning existing energy resources to carbon-free resources. Going forward, our resource planning will achieve dramatic reductions in carbon emissions and lead us to a clean portfolio of electricity generation:

- By 2023, PNM expects to far exceed the United States' voluntary commitment to the Paris Agreement⁽¹⁾ of a 26% to 28% reduction in carbon emissions below 2005 levels by 2025;
- PNM plans to exit all coal generation by the end of 2031 and reach 80% emissions-free energy by 2032; and
- **PNM has set a goal for its electricity generation to reach 100% emissions-free by 2040, five years ahead of the state mandate.**

In July 2019, PNM took the next step in the transition to carbon-free resources by filing its application to close the San Juan Generating Station and including different scenarios for the replacement resources necessary to provide New Mexico with affordable, reliable energy as we transition away from coal. The recommended replacement scenario reflects customer savings while maintaining reliability, reducing carbon emissions and giving preference to resources that provide property tax base for the San Juan school district, consistent with the Energy Transition Act. The filing also requested securitization financing treatment of the projected undepreciated investment in San Juan and approval of the recommended replacement power resources. Hearings were held before the New Mexico Public Regulation Commission (NMPRC) in December 2019 and January 2020. A decision is expected in 2020.

The following figure shows PNM's current level of emissions-free generation and its planned trajectory to achieve its goal to generate 100% emissions-free electricity by 2040 (subject to regulatory approval and based on current planning assumptions).



The roadmap for these important decisions is developed through a comprehensive research and planning process known as the Integrated Resource Plan (IRP).

The IRP is updated every three years and is filed with the NMPRC. Our most recently completed IRP, filed in 2017, is available at www.pnm.com/irp. The plan examines many scenarios with the purpose of defining the optimal portfolio for generating and transmitting electricity from the perspectives of reliability, customer cost and environmental impact.



The 2017 IRP outlines the responsible and cost-effective actions PNM is proposing to further reduce emissions and increase the use of cleaner energy resources. The PNM 2017 IRP considered, among many other things, the impact of exiting San Juan Generating Station when the ownership agreements and coal supply contract expire in 2022. If the actions in the plan are approved by the NMPRC, PNM will continue on the path to significantly reducing carbon emissions and other environmental impacts and will completely exit coal generation by the end of 2031. The plan in the 2017 IRP, which includes maintaining the existing carbon-free nuclear capacity in our resource portfolio, has

the lowest carbon emission projections (in addition to being the most cost-effective) of the many scenarios considered.



PNM will continue its collaborative work with customers, environmental organizations, businesses, and other stakeholders to develop the next long-term plan as part of the 2020 IRP. Public participation workshops which began in June 2019. The filing will ultimately provide the least cost plan, as mandated by law, but also include the consideration of alternatives that will include options for geographic placement of renewable energy resources, choices between emissions-free technologies and lower cost next generation natural gas.

PNM will utilize the IRP planning process to evaluate multiple pathways to reach its goal of 100% emissions-free energy by 2040. With passage of the Energy Transition Act, the State of New

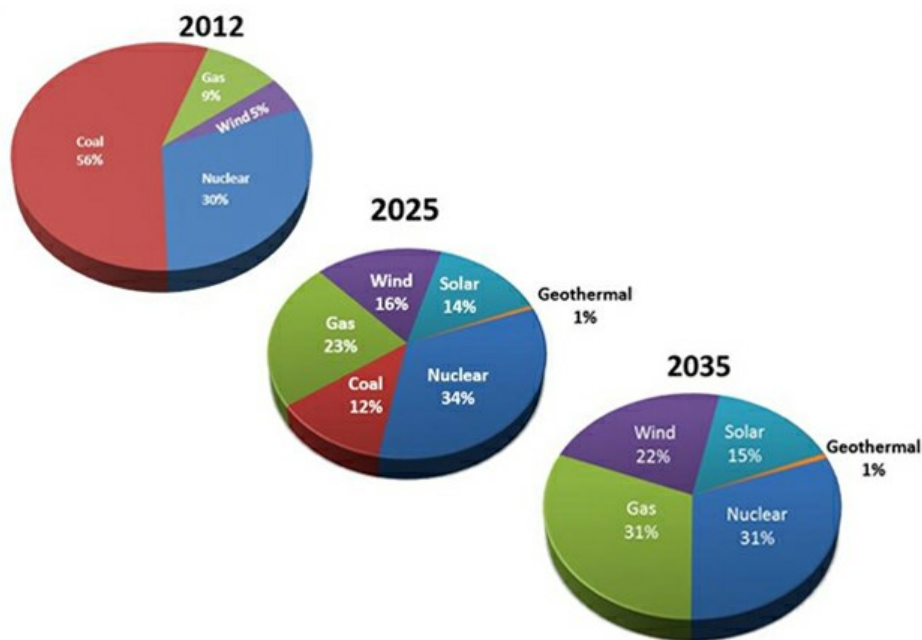
Mexico has put forth new mandates for all utilities to be 100% carbon free by 2045. As wind and solar generation costs have significantly decreased and the newer energy storage and other advanced technologies continue to progress, PNM can phase out natural gas emissions entirely and complete the transition to 100% carbon-free generation earlier than 2045 – by 2040.

Climate/2 Degree Scenario Planning

PNM has advanced our understanding of climate/2 degree scenario planning by participating in the Electric Power Research Institute's (EPRI) Understanding Climate Scenarios & Goal Setting Activities program. The program is focused on characterizing and analyzing current scientific understanding of the relationship of individual electric utilities' carbon emissions and global temperature goals. Activities include analyzing current scientific understanding, identifying technical issues and insights to assist companies in evaluating various proposals, developing approaches to climate scenario planning, informing decision-making and engaging

stakeholders. As PNM expands its sustainability story, EPRI's work has also been informational in gaining a better understanding of how to implement the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations for sustainability reporting. While PNM has not conducted a 2 degree scenario analysis, our commitment to becoming 100% carbon-free by 2040 produces a carbon emissions reduction trajectory that tracks with the ranges of climate scenario pathways consistent with limiting the global average warming to less than 2 degrees Celsius.

PNM Energy Mix - 2017 IRP



Energy Efficiency

Another important and effective focus of our efforts is energy efficiency, which is included in the IRP and embedded in our overall strategy for the future. Reducing energy usage through organic technological evolution and as a result of strong and effective energy efficiency programs at both PNM and TNMP (our Texas utility) is perhaps the best way to avoid emissions and reduce the need for new generation resources.

Since 2007, PNM energy efficiency programs have saved almost 4.5 billion kilowatt hours of

electricity - enough to power approximately 660,000 homes for a year. These programs have kept an estimated 2.7 million metric tons of carbon dioxide out of the air and saved over 1.5 billion gallons of water.



TNMP has been honored by Energy Star four consecutive years for successful energy efficiency programs. In April 2019, TNMP was honored with its second consecutive Partner of the Year Sustained Excellence Award for its High-Performance Homes Program.

TNMP energy efficiency programs began in 2002, and have helped save more than 194 million kilowatt hours of electricity – enough to power approximately 23,271 homes for a year. These programs have also provided \$38 million in customer incentives and kept an estimated 137,451 metric tons of CO₂ out of the air.

Working Together to Effect Real Change

Real change is possible. But, it is not easy. In order to accomplish meaningful results, we will be working to partner even more closely with our stakeholders. We have many things to accomplish to reach these important goals, including obtaining regulatory approval for each significant element of our plan. By working together, we can achieve real change and transition to 80% emissions-free energy by 2032, 100% emissions-free energy by 2040, and implement an energy mix that will benefit our customers and our communities for generations to come.

(1) The Paris Agreement's goal is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.

Forward-Looking Statements

Statements made in this Report that relate to future events or our 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. We assume no obligation to update this information.

Because actual results may differ materially from those expressed or implied by these forward-looking statements, we caution readers not to place undue reliance on these statements. Our business, financial condition, cash flows, and operating results are influenced by many factors, which are often beyond our control, that can cause actual results to differ from those expressed or implied by the forward-looking statements. These factors include the risks and uncertainties described in the "Risk Factors," "Quantitative and Qualitative Disclosures about Market Risk," and "Management's Discussion and Analysis" sections of our Forms 10-K and 10-Q filed with the SEC.

Environment

PNM Resources is committed to the responsible use and protection of our natural resources. We have a long-standing record of environmental stewardship. The focus of our efforts to provide environmentally responsible power centers on four key areas:

- continuing to develop strategies to provide reliable and affordable power;
- transforming the PNM generation portfolio to 100% carbon-free resources by 2040. (see our [Climate Change Report](#));
- preparing PNM's system to meet New Mexico's increasing renewable energy resources as cost-effectively as possible; and
- increasing energy efficiency participation.

New Energy Policy in New Mexico - Energy Transition Act

In March 2019, New Mexico's Governor signed the Energy Transition Act into law. This was a result of two years' worth of thoughtful and realistic planning by diverse stakeholders. As we move forward into 2020, the Energy Transition Act supports the PNM long-term strategic plan and provides new tools and benchmarks to help us achieve success.

This landmark legislation received broad support from stakeholders across the state including environmental groups and labor, tribal, community, and business leaders. The Energy Transition Act gives PNM a new financial tool to allow for the responsible closure of the San Juan Generating Station (SJGS) in June of 2022 and the exit of the Four Corners Power Plant in 2031.

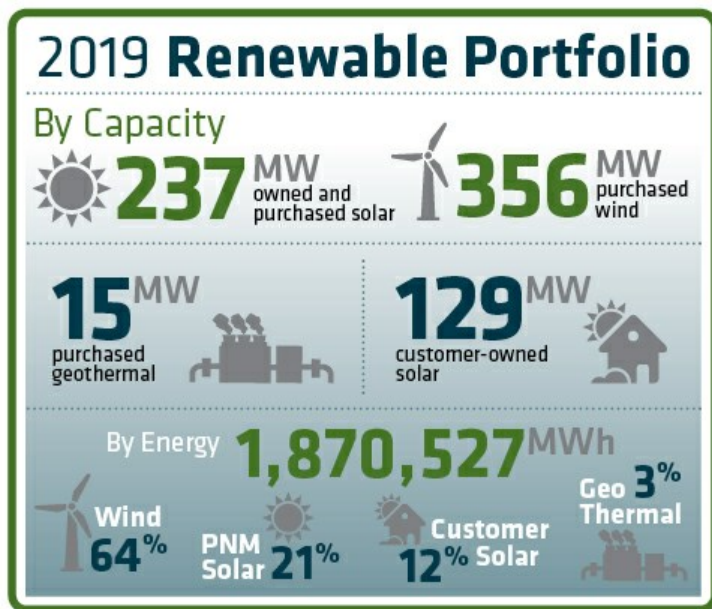
Equally as important, the Energy Transition Act sets mandates for utilities to achieve 100% carbon-free generation by 2045. It also establishes a new and aggressive Renewable Portfolio Standard (RPS), requiring 40% renewable energy by 2025, 50% by 2030 and 80% by 2040. While a 100% carbon-free target might appear an overwhelming task, PNM is well positioned to be an industry leader in this transition - and in fact, has set a goal to be 100% carbon-free by 2040, five years ahead of the state mandate. Our strategic planning already had us over 70% emission-free resources by 2032, without the Energy Transition Act.

PNM took the next step towards achieving a 100% carbon-free portfolio by filing its Consolidated Application for San Juan Generating Station requesting the abandonment of the San Juan coal plant and approval of recommended replacement power resources on July 1, 2019. In its application, PNM considered various resource scenarios to balance the cost to customers, reliability and environmental impacts. In the recommended plan, PNM includes 280 megawatts of owned natural gas-fired peaking units at San Juan, 350 megawatts of solar capacity under purchase power agreements, and 130 megawatts of battery storage capacity (both owned and through energy storage agreements). The recommended scenario for replacement power results in the lowest cost to customers, achieves significant reductions to carbon emissions, meets reliability standards and brings significant investment to New Mexico. A decision from the New Mexico Public Regulation Commission on the replacement resources may be issued as early as March 2020 and no later than by the end of September 2020.

We are fully engaged and monitoring these technology advancements and are well positioned to implement them in the most cost-effective way for our customers.

Environmental Policy

PNM and TNMP are dedicated to protecting our environment and complying with all regulations. We recognize and believe in the importance of protecting human health and preserving the environment. We accomplish this through careful planning, strong policies, robust controls and excellent operations. Read more from our [Environmental Policy](#).



Renewable Energy

We are actively transforming PNM's generation portfolio to cleaner resources. A key part of this effort is achieved through compliance with New Mexico's Renewable Portfolio Standard (RPS). The RPS requires no less than 15% by 2015, and no less than 20% by 2020, of total retail sales to New Mexico customers to be from renewable energy. The 2015 and 2020 RPS also establishes diversity requirements that include wind, solar and geothermal resources as well as distributed (customer-owned) solar resources.

Under the Energy Transition Act, the RPS will require 40% renewable energy by 2025, 50% by 2030 and 80% by 2040, while removing the diversity requirements. PNM files annual updates on its procurement plans to achieve these goals. Read more about our RPS compliance in our [regulatory information](#). PNM's generation portfolio is described in more detail in Generation Portfolio.

Through the Integrated Resource Plan (IRP) process that began in June 2019, PNM will develop its renewable procurement strategy to meet the 100% carbon-free goal by 2040. PNM will continue to procure renewable resources while balancing the impact to customer's electricity costs in order to meet New Mexico's RPS requirements.

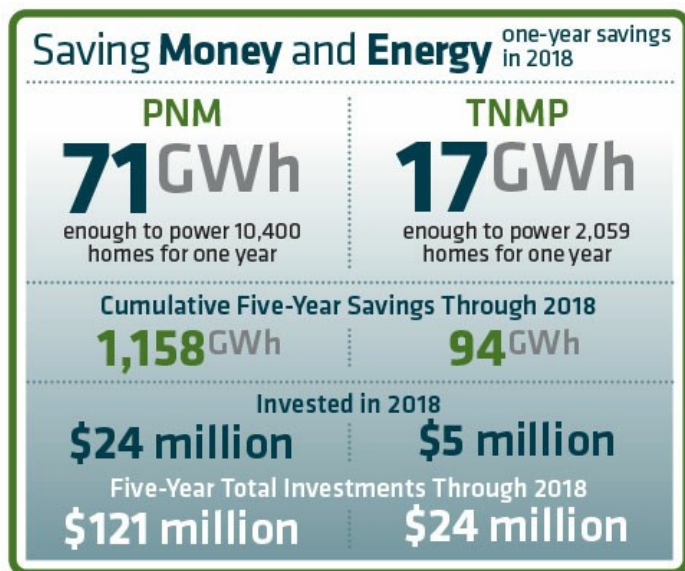
PNM also uses renewable energy credits from customer-owned solar generation to meet the RPS requirements. For nearly a decade, PNM has supported customer-owned solar generation, which has helped drive solar industry growth and consumer choice in New Mexico. The PNM Customer Solar Energy Program helps customers save money and supports their commitment to renewable energy. The program is available to any PNM residential or business customer that installs a qualified solar energy system and has it interconnected to the PNM power grid.

Electric Vehicles

PNM Resources recognizes that electric vehicles provide an opportunity to reduce the environmental impact of transportation. As we transform PNM's generation resources to a cleaner energy portfolio, customers can feel good about charging their vehicles on the PNM system. Both PNM and TNMP consider the potential impact of greater electric vehicle adoption in planning for grid reliability and resiliency.

PNM Resources is leading by example on electric vehicles with 46 electrified vehicles, including hybrids ranging from passenger cars to heavy duty trucks in our fleet; and, we installed an additional 32 charging stations at company locations in 2019.

PNM provides support to customers wanting to make the switch to cleaner vehicles. Read more [here](#).



Energy Efficiency

Energy efficiency plays a significant role in helping to keep customers' electricity costs low while meeting their energy needs. It 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 2018, incremental energy saved as a result of new participation in PNM's portfolio of energy efficiency programs was approximately 71 GWh. This is equivalent to the annual consumption of approximately 10,400 homes in PNM's service territory. PNM's load management and annual energy efficiency programs also help lower peak demand requirements. In 2018, TNMP's incremental energy saved as a result of new participation in TNMP's energy efficiency programs was approximately 17

GWh. This is equivalent to the annual consumption of approximately 2,059 homes in TNMP's service territory. TNMP has been honored by [ENERGY STAR](#) four consecutive years for successful energy efficiency programs. ENERGY STAR In April 2019, TNMP was honored with its second consecutive Partner of the Year Sustained Excellence Award for its [High-Performance Homes Program](#).

TNMP's and PNM's energy efficiency programs help customers reduce their electric bills and make a positive impact on the environment. TNMP energy efficiency programs started in 2002 and PNM began offering energy efficiency and load management programs to residential and commercial customers in 2007. Read more about PNM's programs on PNM's [website](#), or in PNM's annual energy efficiency [regulatory reports](#). Read more about TNMP's programs at TNMP's [efficiency](#) website.

Environmental Management System

PNM and TNMP are leaders in the utility industry for minimizing and mitigating the environmental impacts of utility work by having a strong Environmental Management System (EMS) which is rooted in our Environmental Policy and the international ISO 14001 standard for Environmental Management Systems.

The overall goal of the EMS is to ensure continuous improvement in the Company's environmental performance and foster a Company-wide environmental stewardship ethic.

Our EMS tools ensure that all Company employees incorporate environmental stewardship in their daily activities. The foundation of the EMS is the Environmental Screening Process. Before field work or new projects begin, PNM and TNMP employees screen their activities to identify potential issues associated with compliance requirements and resource protection. These issues include:

- habitat and threatened and endangered species,
- water and riparian area sensitivities,
- cultural resources,
- and federal, state and local jurisdictional requirements and permitting.

When an issue is identified, work does not proceed until environmental clearance containing adequate and appropriate precautions, stipulations and permits has been issued. This system has allowed the company to establish a significant database of environmental and culturally sensitive areas in New Mexico and Texas, using existing government resources as well as data which the Company has specifically collected or funded.

The Company also requires regular comprehensive environmental training for operational employees and some contractors at least every two years.



The San Juan River, outside Farmington, New Mexico.

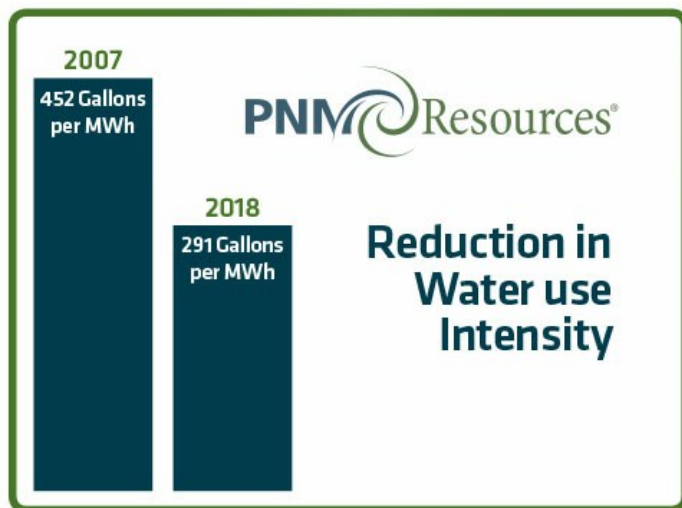
Water Usage

Although PNM uses less than one-quarter of 1% of New Mexico's freshwater resources, we are always focused on reducing our impact – the less water we use, the more water is available for food production and households. To that end, we have implemented innovative water conservation technologies such as using treated municipal effluent for water cooling and air cooling. These investments, along with our robust energy efficiency and renewable energy programs, over the last decade, have reduced our total water usage by over 1.55 billion gallons per year. That's a reduction of over 35% of total water diverted by our generation plants. The shutdown of SJGS Units 2 and 3 in December of 2017 have played a large role in that reduction by reducing surface water usage at

that plant by nearly one-half.

It's not enough to just use less water, though. We strive to use the water we use more efficiently. A good measure of water use efficiency is how many gallons of freshwater are consumed to make a mega-watt-hour of electricity (water use intensity). Since 2007, our water conservation strategies have driven down PNM's freshwater use intensity from 452 Gal/MWh in 2007 to 291 Gal/MWh in 2018. That's 161 gallons, or 36%, less fresh water used to generate the same amount of electricity.

As we move forward on our mission to achieve 100% carbon-free generation by 2040, more significant water savings will be gained. Shutting down SJGS in 2022 and exiting the Four Corners Power Plant in 2031, will save over 40-billion gallons of freshwater through 2040, based on the amount of freshwater used by those plants in 2018.



Team Green

Team Green is an employee-led program, in place since 2007, which has focused on waste diversion at all our facilities. Waste diversion is the practice of diverting waste from landfills, either through recycling or reducing use. Employees at each facility develop programs and practices that make sense for each location. Members meet regularly to share successes, tips and tools with other teams. Team Green has ensured that we have met annual solid waste reduction goals for over a decade. In fact, PNM received recognition from the New Mexico Recycling Coalition twice for its recycling efforts, once for its overall corporate recycling program as Business Recycler of the Year, and once

for recycling efforts at its Ruidoso operations office. PNM Resources met the 2019 Corporate Waste Goal with over 15 facilities meeting or achieving a waste diversion rate of 65%.

Avian Protection

Both PNM and TNMP have developed Avian Protection Plans (APP) in accordance with the guidelines established by the Avian Powerline Interaction Committee, which includes representation from the U.S. Fish and Wildlife Service. Each APP includes commitments to both reactive and proactive avian protection efforts.



One method of protection is "bird guarding." PNM and TNMP track and manage avian interactions with aerial electrical equipment and ensure that distribution poles that can potentially lead to avian electrocutions and outages are retrofitted with appropriate bird guarding material in a timely manner. Bird guarding material makes distribution poles more avian-safe and less prone to future outages. PNM and TNMP have retrofitted (or bird guarded) thousands of poles on the electrical distribution system. These retrofits are related to both reactionary (bird-caused and tracked outage) and proactive (bird guarding on a systematic basis) efforts.

Since 2014 the Company has spent over \$8.2 million to make distribution poles avian-safe. The cost to bird guard a structure is dependent upon the location, the necessity to plan an outage to bird guard, the aerial equipment located on the pole, and the pole configuration.

In an effort to encourage safe nesting for raptors and other large birds, and to improve and maintain reliability, PNM has completed a large project installing hundreds of perch diverters along a 212-mile main transmission line that has experienced bird-related outages.

PNM engaged a local avian conservation, research and education organization, to help determine the species nesting and the location of the nests on the structures. This data assisted in identifying the cause of interruptions that were occurring along the line. Findings showed that when the birds perch on certain parts of the transmission structures, their excrement can "stream" and bridge the clearance between the power lines, causing faults on the line.

The perch diverters will discourage the birds from sitting on certain locations on the structure while encouraging them to locate to a safer location, thus protecting the line from bird-related outages, improving reliability and maintaining the integrity of the line. The diverters were installed on over 400 structures by line crews who are flown to each structure from a helicopter, and the project was done while the line remained energized to minimize outages.



San Juan River Basin Recovery Implementation Program

PNM is an active participant in the [San Juan River Basin Recovery Implementation Program](#). This innovative endeavor was developed through cooperation among federal agencies, the States of New Mexico and Colorado, Native American nations and tribes, water users and conservation interests with the intent to assist in the recovery of the endangered Colorado Pikeminnow and Razorback Sucker in the San Juan River. As part of the program, the San Juan Generating Station partially funded and maintains a fish passage adjacent to its river diversion to allow these native fish access to critical habitat.

Coal Combustion Residuals (CCR)

EPA's 2015 Coal Combustion Residual Rule

The U.S. Environmental Protection Agency ("EPA") published its final rule for the Disposal of Coal Combustion Residuals from Electric Utilities ("CCR Rule") on April 17, 2015. This final rule was the culmination of extensive study on the effects of coal ash on the environment and public health. The rule establishes that coal combustion residuals (CCR) are a non-hazardous waste and addresses the risks from CCR disposal into surface impoundments and landfills. The CCR Rule is not applicable to SJGS as there are no CCR impoundments or landfills at the site nor is it applicable to mine placement of CCR and thus, San Juan Coal Mine.

Management of CCR at SJGS and San Juan Mine

During coal combustion operations at SJGS to produce electricity, CCR generated at the SJGS is placed into trucks operated by the San Juan Coal Mine which transports the CCR back to the mine for mine reclamation purposes.

In the reclamation process, the CCR is returned to the former surface mine pits where coal was mined. Use of CCR in this manner reduces mine reclamation costs because not as much new fill material is required. A portion of the CCR in the form of gypsum, approximately 200,000 tons per year, is sold for beneficial use to a third party.

The San Juan Coal Mine is required to have a reclamation plan that is approved by Mining and Minerals Division (“MMD”) of the New Mexico Energy, Minerals and Natural Resources Department (“ENMRD”). MMD receives oversight for its programs from the Office of Surface Mining Reclamation and Enforcement (“OSMRE”). Use of the CCR from SJGS is specifically approved for mine reclamation at the San Juan Coal Mine. The mine reclamation plan is intended to reconstruct as many of the pre-mining conditions as practical.

The CCR generated by SJGS is sent to the former surface mine pits for reclamation at San Juan Coal Mine where they are placed in mine pits and covered with at least 10 feet of overburden and topsoil. This process minimizes CCR contact with surface water. In addition, because the San Juan Coal Mine is located in an arid region, the opportunity for the CCR to be impacted from precipitation is lower compared to wetter climates. Monitoring equipment is placed above and below the CCR in the mine pits to detect any movement of water into and out of the CCR. Mine operators are required to post bonds to ensure that mine reclamation is properly performed.

The San Juan Coal Company has developed a groundwater-monitoring plan to monitor changes in quality of the groundwater resource during mining and subsequent reclamation. The monitoring plan includes collection of groundwater information from specified hydrogeologic units. The goal is to collect data on groundwater quality and quantity and to monitor any changes that may occur as a result of mining and reclamation such that if changes are detected, operations can be adjusted to prevent adverse effects. As such, the monitoring includes adaptive management to either adjust operations or adjust the monitoring. Monitoring reports are reviewed by MMD, who has the authority to require additional monitoring wells during mining or reclamation. Further, prior to bond release after reclamation, OSMRE reviews monitoring reports and, if necessary, works with MMD to adjust the groundwater monitoring plan to ensure potential effects are avoided or minimized.

PNM's Groundwater Recovery Systems

In 2008, PNM chose to proactively install a groundwater recovery trench below the plant. This trench is designed to capture any potential release of discharges from SJGS. The trench became operational in January 2010 and regular monitoring data is provided to the NMED. At the end of 2018, PNM completed installation and began operating a second groundwater recovery system as part of a 2012 consent decree among PNM, San Juan Coal Mine and the Sierra Club. This groundwater recovery system, consisting of an impermeable, underground concrete-like slurry wall and groundwater recovery trench, is designed to capture groundwater downstream of SJGS and the San Juan Mine.

Studies of the Impacts of CCR to Groundwater at the San Juan Coal Mine

Multiple studies have been conducted to determine whether the CCR from SJGS have the potential to come in contact with groundwater at the San Juan Mine and affect the underlying groundwater quality. In 2017, the USGS published the Hydrologic Reassessment & Numerical Simulation of Groundwater Flow, San Juan Mine, San Juan County, 2010-13, which indicates that the rate of re-saturation of the mine spoil is expected to be extremely slow due to New Mexico's arid climate and the low rate of recharge to the aquifer. The USGS Report discusses the low groundwater volume and velocity in the coal seam combined with the high dilution potential of the San Juan River alluvium (soils and sediment deposited by the river) would greatly reduce any potential impacts to the river in the unlikely event that the CCR affected the groundwater quality. In addition, constituents are not released from CCR in high concentrations when CCR are exposed to ground water and these constituents are likely to attenuate through chemical and physical mechanisms to negligible concentrations in ground water well before reaching the arroyos and the San Juan River.

After the USGS published their 2017 report, and based on USGS recommendations, San Juan Coal Mine implemented additional best management practices in the reclamation process. These practices included increasing the amount of spoil material surrounding and

between coal ash layers placed in the surface mine pits to further minimize the potential for restoration of the mine pits.

Four Corners Power Plant

PNM owns 13% capacity of Four Corners Power Plant ("Four Corners"). Arizona Public Service ("APS"), the operator of Four Corners, currently disposes of CCR in surface impoundments and dry storage areas. The disposal of CCR at Four Corners is subject to the EPA's CCR rule. Prior to implementation of the rule, Four Corners, located on the Navajo Nation, was already subject to federal regulatory requirements designed to monitor for potential groundwater and surface water impacts of plant operations. On December 19, 2019, EPA released a proposed rule establishing a federal permitting program for the handling of CCR within the boundaries of Native American reservations. Permits for units within the boundaries of Native American lands would be due 18 months after the effective date of the rule. The final rule is expected in mid to late 2020.

Four Corners is in compliance with the CCR rule and is meeting all applicable requirements. For facilities like Four Corners, the rule requires ongoing, phased groundwater monitoring. In addition, the rule specifies that, by October 17, 2017, electric utility companies that own or operate CCR disposal units, such as APS, must have collected sufficient groundwater sampling data to initiate a detection monitoring program. To the extent that certain constituents were identified through this initial detection monitoring at levels above thresholds provided in the CCR rule, the rule required the initiation of an assessment monitoring program by April 15, 2018. In 2018, APS completed the statistical analyses for its CCR disposal units that triggered assessment monitoring. APS determined that some of its CCR disposal units at Four Corners will need to undergo corrective action. In addition, to the extent that compliance with the CCR rule did not otherwise trigger the need for these CCR disposal units to close, such units must cease operating and initiate closure by October of 2020.

APS initiated an assessment of corrective measures on January 14, 2019, and anticipates completing this assessment in early 2020, during which time APS will gather additional groundwater data, solicit input from the public, host a public hearing, and select appropriate remedies.

In January 2020, APS released the [Annual Groundwater Monitoring and Corrective Action Report for 2019](#). This report is the formal regulatory method for releasing annual groundwater monitoring data.

Sustainability Research and Tools

PNM Resources recognizes that expectations regarding commitments to sustainability and the demonstration of sustainable business practices are rising among our stakeholders, including customers, investors, employees, and other industry stakeholders. To help us advance corporate sustainability strategy and drive through our economic, environmental and social responsibilities, PNM Resources funds various electric utility-centric sustainability research efforts through the non-profit Electric Power Research Institute (EPRI).

PNM Resources' participation in EPRI has included benchmarking our sustainability performance with other utilities and strategically defining sustainability tools, methods, analysis, goals and progress at an industry level which better informs our own actions and decision-making. As result of the clean energy transformation and our commitment to become 100% carbon-free by 2040, PNM Resources has continued funding or expanded our participation in EPRI in programs focused on strategic sustainability science, energy and climate policy, understanding climate goal setting and the 2 degree scenario analysis, and key clean energy technology trends, including insights from new research on deep decarbonization pathways. These programs have provided PNM Resources with valuable insights, information and tools to affirm that our 100% carbon-free goal sets us on a course that aligns with the international climate goals and our desire to be a truly sustainable company.

Forward-Looking Statements

Statements made in this Report that relate to future events or our 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. We assume no obligation to update this information.

Because actual results may differ materially from those expressed or implied by these forward-looking statements, we caution

readers not to place undue reliance on these statements. Our business, financial condition, cash flows, and operating results are influenced by many factors, which are often beyond our control, that can cause actual results to differ from those expressed or implied by the forward-looking statements. These factors include the risks and uncertainties described in the "Risk Factors," "Quantitative and Qualitative Disclosures about Market Risk," and "Management's Discussion and Analysis" sections of our Forms 10-K and 10-Q filed with the SEC.

Generation Portfolio

A Commitment to Reliable, Affordable, and Environmentally Responsible Power

PNM Resources is focused on safely providing affordable, reliable, and environmentally responsible power. Our Texas utility, Texas-New Mexico Power Company (TNMP), provides transmission and distribution services, and does not own any generation resources. Our New Mexico utility, Public Service Company of New Mexico (PNM), provides integrated electricity services that include the generation, transmission, and distribution of electricity for retail electric customers. PNM is developing strategies to affordably and reliably transform PNM's generation resources to a cleaner energy portfolio by reducing carbon dioxide emissions. In 2019, PNM announced its goal to achieve a 100% emission-free generation portfolio by 2040 and became the first U.S. investor-owned utility to do so.

PNM: Owned Generation Portfolio

Our regulated utility, PNM, has ownership interests in a number of different power generation facilities that provide energy to its New Mexico customers. Because PNM is a regulated electric utility with nearly all of its generation resources dedicated to serving customers in its regulated service areas, it does not have exposure to stranded assets based on the fluctuation of market prices for its products that other energy companies (such as oil and gas producers) may experience. PNM has exposure to impairments from stranded generation assets only if it is not permitted by the New Mexico Public Regulation Commission (NMPRC) to recover its investments. Under certain circumstances, such as described in Note 1 below, PNM may agree to forego partial recovery of its investments through a negotiated regulatory settlement that resolves multiple issues. The NMPRC approves both the addition of new generation resources to serve customers and the timeframe over which those resources should serve customers and be recovered through retail rates, essentially approving both the assets and the associated useful life. Should a commission mandate the stranding of an existing asset without allowing a utility to recover its investment, the utility has the opportunity to appeal that decision to the state supreme court.

In 2019, the New Mexico legislature enacted the Energy Transition Act (ETA) that requires PNM to serve its customers with 100% zero carbon resources by 2045 and to achieve reasonable and consistent progress towards this requirement, including increasing renewable energy standards to serve 20% of its customers' energy requirements from renewable energy by 2020, 40% by 2025, 50% by 2030, and 80% by 2040. To further the transition to carbon-free electric generation in New Mexico, the ETA allows PNM to recover:

- certain energy transition costs relating to the retirement of its coal assets, including undepreciated investments at the time of abandonment and decommissioning and reclamation costs, by issuing energy transition bonds; and
- any undepreciated investments and decommissioning costs for any electric generating facility (that is in rate base and was granted a certificate of public convenience and necessity prior to January 1, 2015) that is required by the NMPRC to be retired and replaced with lower or zero carbon dioxide emitting resources to comply with the increased renewable energy and zero-carbon standards of the ETA.

To facilitate meeting the renewable energy requirements of the ETA, the NMPRC is tasked with filing a report with the legislature by July 1, 2020, and every four years thereafter, that reviews the standards, addresses any barriers to achieving them, and evaluates the anticipated financial costs and benefits to electric utilities in implementing the renewable energy standards.

The table below provides a list of PNM-owned generation resources.

Type	Name	Total MW	MW Owned by PNM	First In-Service Date	PNM's Net Book Value as of December 31, 2019 (in millions)	Notes
Coal	SJGS	847	562	1976	\$ 354	1,2
Coal	Four Corners	1,540	200	1969	\$ 211	2
Gas	Reeves Station	154	154	1959	\$ 41	3
Gas	Afton (combined cycle)	230	230	2007	\$ 160	3
Gas	Lordsburg	80	80	2002	\$ 34	3
Gas	Luna (combined cycle)	567	189	2006	\$ 47	3
Gas/Oil	Rio Bravo	138	138	2000	\$ 38	3
Gas	La Luz	40	40	2015	\$ 48	3
Nuclear	PVNGS	3,941	402	1986	\$ 445	1
Solar	Solar Facilities (at multiple sites)	157	157	various	\$ 275	4

Notes:

(1) In December 2017, PNM retired SJGS Units 2 and 3. This retirement was part of an agreement with EPA and the State of New Mexico and the subsequent negotiated regulatory settlement that was approved by the NMPRC. This negotiated regulatory settlement resulted in PNM foregoing recovery of 50% of its undepreciated investment in San Juan Generating Station (SJGS) Units 2 and 3 effective December 31, 2017 in exchange for the allocation of its previously unregulated investment in the carbon-free Palo Verde Nuclear Generating Station (Palo Verde) Unit 3 to its New Mexico retail jurisdiction beginning January 1, 2018. Through December 2017, PNM recorded regulatory pre-tax disallowances of approximately \$126 million that is representative of the portion of the investment in SJGS Units 2 and 3 that is not being recovered from customers. In association with the retirement of SJGS Units 2 and 3, PNM acquired an additional 197 MW of SJGS Unit 4 beginning on January 1, 2018, including 65 MWs that is not included in PNM's jurisdictional rates. In December 2018, PNM recorded pre-tax impairments of approximately \$35 million which included approximately \$23 million related to the 132 MWs of this interest that cannot be recovered from customers based on PNM's planned retirement of SJGS in 2022 and approximately \$12 million related to 65 MW of this interest that is excluded from retail rates. As a result of these impairments, PNM will not recover any undepreciated investments related to its 132 MW interest after the planned retirement of SJGS in 2022 and PNM no longer has any carrying value related to its 65 MW interest as of December 31, 2018. In the second quarter of 2019, PNM recorded an additional pre-tax impairment of approximately \$37 million related to the NM Supreme Court's decision to uphold the NMPRC's disallowance of PNM's investment in balanced draft technology on SJGS Units 1 and 4.

(2) In our 2017 Integrated Resource Plan (2017 IRP), PNM identified the most cost-effective portfolio to serve New Mexico customers with affordable, reliable and environmentally responsible power, which contemplates PNM exiting the remaining two units at SJGS in 2022 and the Four Corners Power Plant (Four Corners) in 2031. Management's assessment of the benefits to customers and cost effectiveness of the coal plant retirements in the 2017 IRP assumed full cost recovery of the remaining investments in these plants, including a full return on the investment. These actions would result in PNM's Generation Portfolio being coal-free by the end of 2031

On July 1, 2019, PNM filed an application with the NMPRC to exit the remaining two units at SJGS in 2022 and to recover related energy transition costs, including its undepreciated investment in the plant at the time of retirement, by issuing energy transition bonds under the ETA.

Our ownership interests in coal-fired power plants totaled 983 MW at the end of 2017, but fell to 762 MW in 2018. If PNM's request to exit SJGS in 2022 is granted, by 2023, it would only own 200 MW. If PNM's future request to exit Four Corners is approved, PNM would be coal-free by the end of 2031. For more information on our future generation portfolio, including the proposed new replacement resources under consideration by the NMPRC to replace the power provided by SJGS, see the Resource Planning section below or Integrated Resource Planning at www.pnmforwardtogether.com/irp.

(3) Natural gas assets qualify for full recovery under the ETA of any undepreciated investments or decommissioning costs in the event any of them are required by the NMPRC to be shut-down and replaced with lower or zero-carbon emitting generation resources to comply with applicable renewable resource standards of New Mexico law.

(4) In 2019, PNM installed 50 MW of additional new company-owned solar. PNM makes renewable energy procurements consistent with NMPRC approved renewable portfolio standard plans. PNM recovers certain renewable procurement costs from customers through a renewable energy rate rider.

PNM: Power Purchase Agreements

PNM has additional resources it uses to serve jurisdictional needs and meet its New Mexico renewable portfolio standard requirement through power purchase agreements (PPAs) approved by the NMPRC. PNM recovers the costs of the renewable energy (wind, solar, geothermal) PPAs set forth in the table below through a renewable energy rate rider.

Name	Purchase Agreement End Date	Type	Generation Capacity (MW)
Valencia Energy Facility	2028 (1)	Gas	158
Red Mesa Wind Energy Center	2035	Wind	102
NM Wind Energy Center	2043	Wind	204
Casa Mesa (with 1MW Battery Capacity)	2043	Wind	50
Data Center #1 – 3	2043	Solar	30
Lightning Dock Geothermal	2042	Geothermal	15
Britton	2044	Solar	50
Encino	2045	Solar	50
La Joya I	2040	Wind	166
La Joya II	2040	Wind	140
Route 66 Solar	2046	Solar	50

(1) PNM may exit the Valencia natural gas PPA without penalty when it expires in 2028 to further its goal of being emission-free by 2040.

PNM: Energy Production and Emissions

Our current generation portfolio generates electricity to reliably meet the needs of our customers. Our goal is to transform PNM's generation to 100% carbon-free emissions by 2040 while continuing to provide reliable and affordable service to our customers. In 2005, 57% of system energy was from coal-fired resources. In 2018, coal-fired generation made up about 40% of system energy. We have reduced our coal capacity by 22% over 2005 levels to 762MW and we plan on reducing it by 80% to 200MW in mid-2022 and to be coal free by the end of 2031.

As discussed above, subject to regulatory approval, we plan on exiting SJGS in mid-2022 and Four Corners in 2031 and replacing these coal assets with cleaner energy. To date, we have reduced the 2018 carbon dioxide emissions at SJGS by 54% and reduced our total 2018 system-wide carbon dioxide emissions (which constitute the majority of our greenhouse gas emissions) by approximately 21% over 2005 levels. To support our goal to be 100% carbon-free by 2040, our plans include significant future decreases in our carbon dioxide emissions as we increase our renewable energy portfolio to meet New Mexico's increased renewable energy standards.

PNM Generation Portfolio				
Net Generation (for the data year in MWh)				
Generation Resource Fuel Type	2005	2017	2018	Notes
Owned or Leased				
Coal	6,100,000	5,600,000	4,161,000	For 2018 includes all 562 MW of SJGS (497 MW jurisdictional + 65 MW merchant)
Gas	600,000	1,300,000	1,617,000	
Nuclear	3,290,000	3,300,000	3,173,000	Includes capacity that was historically merchant. All 402 MW is a jurisdictional asset beginning in 2018.
Solar	0	237,392	257,000	
Purchased				
Gas	0	60,911	105,000	
Wind	500,000	696,957	737,000	
Geothermal	0	12,560	13,000	
Solar	0	0	74,000	Does not include purchases from customer-owned systems, which as of December 31, 2018 totaled 101 MW and as of September 30, 2019 totaled 121.2 MW.
Total MWh	10,490,000	11,207,820	10,904,911	

Our regulated utility, PNM, has worked to significantly reduce emissions over the past 15 years through the installation of additional pollution control technologies at SJGS, the increased use of renewable energy, the use of natural gas, and the development of extensive energy efficiency programs for customers. The efforts at SJGS include:

- A \$320 million environmental upgrade between 2006 and 2009,
- Retirement of Units 2 and 3 in 2017, and
- Installation of balanced draft technology and selective non-catalytic reduction to further reduce nitrogen oxide, sulfur dioxide and other particulate emissions from Units 1 and 4.

Going forward, our proposed generation portfolio would achieve dramatic reductions in carbon dioxide emissions, as well as other emissions, with the proposed exit from SJGS in 2022, all coal by the end of 2031, and our goal to be carbon emission-free by 2040. See our Climate Change Report.

Much of the proposed reductions in emissions, including carbon dioxide emissions, has its origins in a forward-looking plan PNM developed with the State of New Mexico and the Environmental Protection Agency (EPA) for SJGS. This plan was developed to address federal Regional Haze regulations under the Clean Air Act but has significant impact in reducing carbon dioxide emissions and the added benefit of significant reductions in water use.

Current applicable law and regulations in place to regulate carbon dioxide emissions from existing fossil-fueled power plants include New Mexico's Energy Transition Act, the federal Affordable Clean Energy rule and federal standards applicable to certain gas turbines since 2015.

As discussed above, the ETA requires PNM to serve its customers with 100% zero carbon resources by 2045 and to achieve reasonable and consistent progress towards this requirement.

In June 2019, EPA issued the final version of the Affordable Clean Energy rule which replaces the Clean Power Plan, which would have regulated carbon dioxide emissions by requiring power generators to change their energy portfolios (shifting generation from coal to gas, and from fossil fuels to renewable energy). The Affordable Clean Energy rule became effective in September 2019. The rule sets the Best System of Emission 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. Rather than setting a specific numerical standard of performance, EPA's rule would allow states to determine which of the candidate technologies to apply to each coal-fired unit and establish standards of performance based on the degree of emissions reduction achievable with the application of the BSER. Each state is required to submit a plan within three years of the effective date of the rule to EPA for power plants in its jurisdiction. It could take up to six years for a site-specific plan to be issued to an applicable plant and this does not include the additional time granted to covered facilities to demonstrate compliance with the rule. Ultimately, the rule is not expected to have a significant impact on SJGS as PNM plans to exit SJGS before New Mexico's state plan is due.

Since the Navajo Nation does not have primacy over its air quality program, EPA would be the regulatory authority responsible for

implementing the Affordable Clean Energy rule at the Four Corners Power Plant. It is unclear how and when EPA will implement these regulations and how much time the plant will have to comply. PNM plans to exit the Four Corners Power Plant in 2031.

Regardless of future regulation or legislation to reduce greenhouse gas emissions from existing fossil-fueled power plants, PNM has made major strides in reducing its emissions, and expects to continue with its plans to transform its generation portfolio to be carbon-free by 2040.

Emissions From PNM Owned Facilities					
Year	NO_x (tons)	SO₂ (tons)	PM₁₀ (tons)	CO₂ (short tons)	Mercury (pounds)
2018	5,458	1,090	149	6,074,753	5.07
2017	9,877	2,608	185	7,551,124	10.17
2016	9,528	1,904	179	7,271,164	10.4
2015	11,006	2,789	184	7,228,044	14.1
2014	11,329	3,346	156	7,567,508	19.0
2013	11,527	4,004	173	7,777,430	41.7
2012	10,966	3,230	266	7,339,559	45.0
2011	11,143	3,324	207	7,677,658	46.9
2010	10,398	3,049	166	7,107,991	48.9
2009	12,121	3,825	288	8,236,862	69.2
2008	13,491	5,804	347	7,472,596	140.8
2007	14,712	8,033	472	7,125,612	251.8
2006	16,580	8,342	505	7,862,305	284.4
2005	15,972	8,829	421	7,690,749	372.1

Resource Planning

As PNM continues its transition to an emission-free energy future, PNM’s resource planning process will continue to be a key component for ensuring that the company deploys an appropriate mix of resources at the right time to maintain safety and reliability at an affordable cost for its customers. PNM conducts research and planning activities using a number of different avenues including preparing an Integrated Resource Plan (IRP) once every three years. The IRP identifies portfolios of resources to supply PNM's customers' energy needs over a 20year period with a specific action plan for the next four years. The IRP is a public process that includes numerous meetings and public inputs to generate the plan. The filing requirements specify that for resources whose costs and reliability are equivalent PNM should prefer resources that minimize environmental impacts. The IRP results in a resource planning roadmap for PNM and documents the actions required to achieve the plan's objectives over the next four years.

On July 3, 2017, PNM Resources filed the 2017 IRP with the New Mexico Public Regulation Commission. Analysis in the 2017 IRP shows a most cost-effective portfolio that would result in the following changes to PNM's generation resources:

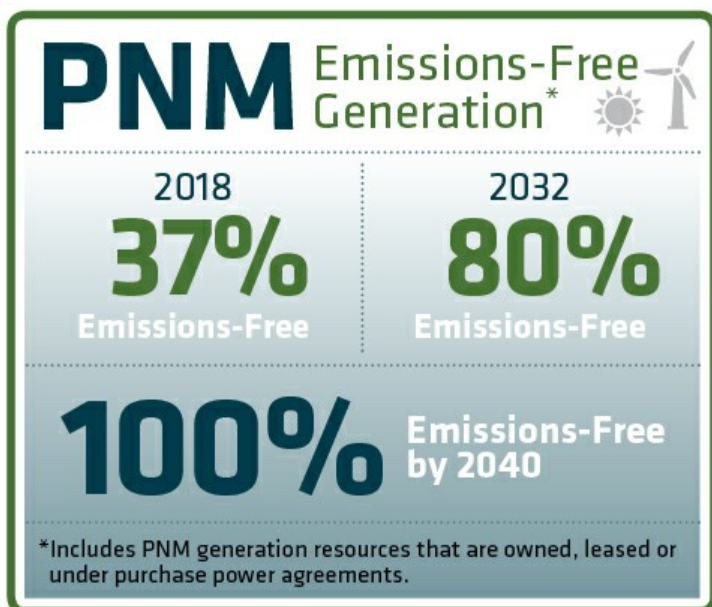
- Retire SJGS coal-fired Units 1 and 4 in 2022 (497 MW retail + 65 MW merchant) after the existing coal-supply agreement expires on June 30, 2022 (Units 2 and 3 were retired at the end of 2017),
- Exit the 13% participation (200 MW) in Four Corners when the existing coal-supply agreement expires in 2031,
- Acquire replacement power consisting of renewables, natural gas, and potentially energy storage, and
- Retain existing 114 MW of leases in Palo Verde.

The 2017 IRP presented resource portfolio plans for scenarios that assumed SJGS will operate beyond the end of the current coal supply agreement that runs through June 30, 2022 and for scenarios that assumed SJGS will cease operations in mid-2022. The 2017 IRP shows that retiring SJGS in 2022 would provide long-term cost benefits to customers, including further significant reductions in carbon dioxide emissions and more clean energy options for customers.

On July 1, 2019, as part of its application filed with the NMPRC to retire SJGS in 2022, PNM proposed several scenarios for replacement resources that included flexible natural gas, renewables and battery storage. A summary of the proposed alternative new replacement resources under consideration by the NMPRC to replace the power provided by SJGS is available at www.pnmforwardtogether.com. PNM’s recommended scenario contains 350MW of solar under PPAs, 130 MW of battery storage and 280 MW of natural gas peaking capacity. The PNM-owned new natural gas assets contemplated by this scenario are projected to run less than 10% of the time and be fully depreciated by 2040, resulting in significant reductions in carbon emissions from PNM’s generation portfolio. The flexible natural gas assets contemplated by this scenario are necessary to support the continued and rapid addition of renewable energy sources and to ensure system reliability is maintained throughout the remainder of this transitional period. PNM has also requested NMPRC approval of 140 MW of new wind resources as part of its annual renewables filing, as well as approval for a 50 MW solar direct program for non-residential customers.

In support of PNM’s goal to be emission-free by 2040, our current 2020 Integrated Resource Plan process is expected to evaluate, and analyze the risks and benefits associated with, providing 100% carbon-free generation by 2040 and complying with the increased renewable energy standards of the ETA. Toward this goal, PNM is engaging in a Request for Information process to help inform the 2020 IRP of new technologies for consideration to help PNM meet its emission-free by 2040 goal.

With the recommendations in the 2017 IRP, passage of the ETA in 2019, the pending 2020 IRP process, and subject to receipt of applicable regulatory approvals, PNM is proceeding with its plans to significantly reduce its GHG emissions and to achieve its goal to generate 100% carbon-free electricity to serve its customers by 2040. These developments, together with PNM’s significant investment in low- and no-carbon resources, also will help position the company to effectively respond to future climate change regulations. The following figure provides an overview timeline of the proposed transformation of PNM’s generation portfolio. The results of the 2017 IRP and ongoing 2020 IRP illustrate that energy needs are changing, and replacing coal-fired generation with renewable energy and more flexible generators will save money for customers in the long run. The most cost effective portfolios identified in PNM’s IRPs are not a final determination of PNM’s future generation portfolio. For example, retiring PNM’s share of SJGS in 2022, and exiting Four Corners in 2031 would require approval by the NMPRC.



PNM is proud to be a participant in Palo Verde Nuclear Generating Station, the largest nuclear power plant in the U.S., located near Phoenix, Arizona. Palo Verde is licensed and routinely inspected by the Nuclear Regulatory Commission. It is a three-unit, 3,810 MW generating station operated by Arizona Public Service Company that serves more than one million homes in the Southwest. It provided about 33 percent of the power needs of PNM's customers in 2018 and 2019.

Palo Verde emits no carbon dioxide in the generation process. The plant generates spent nuclear fuel that is stored in an onsite fuel pool until it can be transferred to dry storage casks inside an NRC licensed, on-site storage facility. This facility may be expanded to include all required casks for nuclear fuel used through Palo Verde's NRC Operating License duration of 2047.

Palo Verde is the only nuclear energy facility in the world that uses treated sewage effluent for cooling water. The sewage effluent water is produced from the metropolitan Phoenix area. The wastewater is treated again at the plant's water reclamation facility and then stored in an 80-acre reservoir for use in the plant's nine cooling towers. More than 20 billion gallons of water are recycled each year.

Forward-Looking Statements

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Social

PNM Resources Inc. has a demonstrated commitment to build productive relationships with stakeholders, including customers, regulators, legislators and intervenors through outreach, collaboration and various community-oriented programs.

Community Involvement

PNM Resources has a long tradition of supporting the communities it serves in New Mexico and Texas. The Company demonstrates its core value of caring through the PNM Resources Foundation, corporate giving, widespread employee volunteerism, and PNM's low-income assistance program.

PNM Resources Foundation

The PNM Resources Foundation supported 56 New Mexico nonprofits in 2019 with \$750,000 toward their missions through the New Century of Service Grant Program. This grant is designed to promote economic development, education and the environment within the PNM service area. The grants are awarded to organizations that work to innovate new products and services that, in turn, grow and develop businesses in New Mexico; create collaborative community spaces for public use; and provide educational opportunities that support economic development.



In 2020, the PNM Resources Foundation grants will focus on improving identified areas of importance in New Mexico that help move the state forward together. Over the next three years, these “Vision Grants” will contribute approximately \$2.5 million toward these specific impact areas: Reducing homelessness, increasing community safety, increasing access to affordable housing, and reducing carbon emissions.

Employee Volunteerism

Employees across the Company demonstrate their involvement and dedication to the communities that they live and work in through their donations of time, money (which the Company may match through its [Volunteer Grants](#) or [Matching Grants](#) programs) and United Way

giving. We also encourage employees to participate in the Company-sponsored Day of Service event that is held annually, providing employees the opportunity to take a work day to connect with their communities. In addition, employees are offered eight hours of volunteer time off to support the organizations of their choice. In 2019, approximately 850 PNM and TNMP employees and retirees contributed more than 13,300 volunteer hours serving their local communities.



Low-Income Customer Assistance

For more than a decade, PNM has focused on outreach efforts to connect low-income customers with nonprofit community service providers offering support and help with such needs as utility bills, food, clothing, medical programs, services for seniors, and weatherization. In 2019 alone, PNM hosted 46 assistance fairs throughout its service territory to help low-income customers. The PNM Good Neighbor Fund provided \$440,421 in utility bill support to 3,734 families in 2019.

American Indian Outreach

PNM continues to work extensively with many American Indian Tribes located in New Mexico to build trusting relationships with New Mexico tribal leaders. In 2020, PNM

renewed our commitment to the PNM Navajo Nation Workforce Training Scholarship Program by offering another \$500,000 for the next five years to provide scholarships to New Mexico students, specifically Navajo tribal members in the Four Corners area. PNM President & CEO Pat Vincent-Collawn and Navajo Nation President Jonathan Nez signed a new Memorandum of Agreement to renew PNM’s commitment to the program. PNM has been financing the program since 2013 with a \$1.1 million dollars over the last six years. To date, almost 700 Navajo students have received funding through the program and produced 337 Navajo graduates in earning their certificates, associate and bachelor’s degrees.

The program was created to help minimize the economic impact of PNM complying with federal visibility standards that resulted in the closure of two of the four units at San Juan Generating Station in 2018 and to ensure that the Navajo Nation and Four Corners area have the trained workforce needed for existing and emerging careers.

Light Up Navajo

PNM joined the Navajo Nation and the American Public Power Association, in partnership with the Navajo Tribal Utility Authority (NTUA), to launch the Light Up Navajo Project in the Spring of 2019 with the goal of electrifying 300 homes. The Navajo Nation is the largest Native American territory, yet among the 55,000 homes located on the 27,000 square mile reservation, around 15,000 families still do not have electricity. These homes make up 75% of all un-electrified households in the United States.

PNM sent a crew of four journeyman linemen to work along-side NTUA crews to construct 32 new poles and run 1,800 feet of new distribution lines in one week of work. Six existing homes that did not have electricity, were energized. PNM is one of 24 utilities

from throughout the country who participated in this project that helped light up Navajo homes.

Customers

The Company strives to deliver a superior customer experience for both PNM and TNMP customers.

PNM, as a vertically integrated utility, has more opportunities to connect with customers. PNM continues to focus its efforts to enhance the customer experience through customer service improvements, including billing and payment options, strategic customer engagement, 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.

PNM supports a number of different avenues that help our customers with bill assistance due to financial circumstances. These include:

- **Good Neighbor Fund:** PNM customers who are facing a financial emergency can receive a grant to help pay part or all of a past-due PNM bill. This is funded through generous donations from our customers and employees which are matched by PNM. PNM also makes corporate contributions to this fund.
- **LIHEAP:** Eligibility is determined by several factors, including household income and immigration status. Benefit amount is based on other factors, including income, household size, household members' ages, disabilities
- **Moratorium:** Customers who qualify for low-income help from LIHEAP, may also qualify for the New Mexico heating season moratorium. Certain customers' electricity cannot be turned off from November 15, 2019 through March 16, 2020.
- **PNM Payment Arrangements:** Customers that receive a PNM bill with a disconnect notice, and are unable to pay the amount due by the "pay no later than" date, can request a payment extension. Not all accounts are eligible for more time to pay an already past-due amount.
- **Medical Certificate Program:** PNM provides information on the medical certificate program with bills that are subject to disconnection for nonpayment. The customer must qualify financially through the [Human Services Division](#) in order to qualify for this exemption.
- **Energy Efficiency Programs:** PNM supports several other energy efficiency programs that help customers save money

TNMP's primary customer focus in the Texas deregulated market concerns reliability and supporting deregulated market operations. For customers, that means the lights are on and that transactions with retail electric providers are completed within market protocols. TNMP also focuses on preparing customers for outages when severe weather is forecasted. Most critical is providing effective outage reporting and restoration updates from customer service and automated phone services in conjunction with TNMP's outage-management system.

Customer privacy policies can be found on [pnm.com](#) and [tnmp.com](#).

Our customer service employees are trained to handle the broad range of inquiries that commonly come from our customers. We have Customer Experience Advisors that are fluent in English and Spanish. We handle approximately 4,500 Spanish calls monthly, which represents about 6% of our call volume. Spanish-speaking customers also have the opportunity to conduct electronic transactions via our Spanish Automated Phone System and we offer helpful information in English and Spanish on [pnm.com](#). Demand in our customer contact center for languages other than English and Spanish is minimal and typically the customer is able to interpret the call through a family member or friend. For customers who are deaf, there is a TTY service that enables interaction with our customer service team via the telephone.

Employees

At PNM Resources, we value the diversity of our work force and actively seek opportunities for incorporating diversity within our family of companies. We believe a diverse work force enriches our environment and helps us better meet the needs of our employees, customers and shareholders.

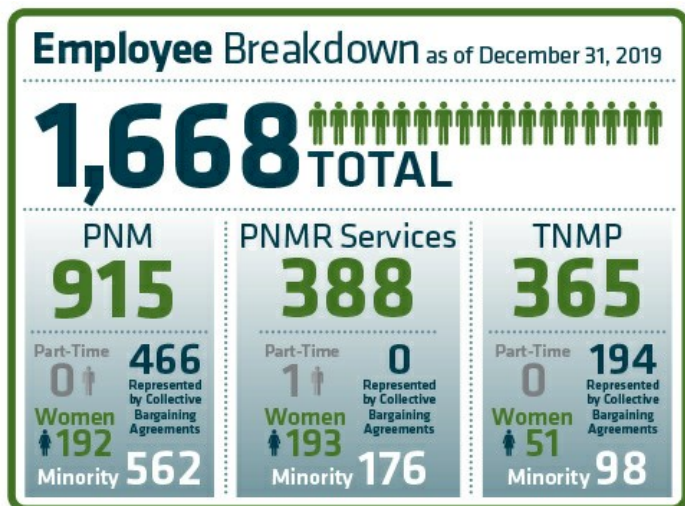
PNM Resources employs over 1,600 employees in New Mexico and Texas.

- Minorities comprise approximately 50% of our work force
- Veterans comprise approximately 8% of our work force
- 57% of new hires in 2019 were minorities and 37% were women
- Three women and one minority serve as company officers
- Four women serve on the PNM Resources Board of Directors (including the Chairperson, President and CEO)

At PNM Resources, our [benefits](#) are competitive, designed to meet the varied wants and needs of our employees and cultivate a work environment that encourages personal and professional growth. The Company-offered insurance plans are available to the employee and eligible dependents, including same-sex spouses. Although we typically do not employ a large percentage of part time employees, for those we do employ, many of the benefits that are available to full time employees are also extended to part time employees at reduced percentages, including receiving at least 100 hours of paid time off per year, and eligibility for tuition reimbursement at 50% of the rate of full time employees.

PNM Resources also provides compliance and safety training to employees. This includes training that is required by external agencies (e.g. Occupational Safety and Health Administration (OSHA), Federal Energy Regulatory Commission (FERC) and North American Electric Reliability Corporation (NERC)). We also provide technical/functional training and leadership training, both online and in classroom, in addition to the tuition reimbursements described above. As of December 31, 2019, approximately 40% of our workforce population was represented by collective bargaining agreements. The PNM IBEW contract expires April 30, 2020 and the TNMP IBEW contract expires August 31, 2019. In December 2019, PNM and IBEW Local 611 agreed to a successor collective bargaining agreement effective May 1, 2020 through April 30, 2023.

Our average employee turnover for 2019 was about 12% across the Company (this excludes any terminations due to reduction in force or death). As of December 31, 2019, 12.8% of the workforce was at risk of retirement.



Safety is one of our Core Values. Reducing injuries has been a challenge for our Company. Our goal is to achieve industry-leading safety performance and ultimately become a zero-injury workplace. PNM Resources has initiated an effort across the company to renew the focus on safety and to encourage each and every employee to "**Be the Reason Everyone Goes Home Safe.**" We are encouraging every employee to set the tone, raise awareness and clearly communicate that even one accident or injury is too many, and that nothing should take precedence over keeping ourselves and our colleagues safe.

The company has numerous employee policies that govern hiring practices, parental leave, health and safety, employee

performance evaluations, anti-corruption, and anti-trust. Our [Do The Right Thing](#) code of conduct is an over-arching guiding document that lays the foundation of what is expected of employees. We also abide by an [Equal Employment Opportunity](#) policy that meets regulations and we believe that this helps to cultivate our environment of personal and professional growth.

Political Participation and Contributions

PNM Resources, PNM and TNMP Support an Open and Transparent Political Process

The Company believes that public policy decisions shape the direction of our government and impact the environment in which we do business and the quality of life for all. Engaging in an open and transparent political process is an important principle of the Company. Accordingly, the Company encourages its employees and stakeholders to participate in the political and public policy making processes. We support and strictly comply with all applicable federal, state, and local laws governing our political activities,

and are committed to ensuring our actions reflect the Company's strong ethical standards.

Employee Political Participation

Employees at all levels are encouraged to participate in the political process and fully exercise their rights. Consequently, the Company generally will not promulgate policies that restrict any appropriate, lawful participation.

However, campaign contributions to candidates seeking election to the New Mexico Public Regulation Commission (NMPRC) must be given special consideration given the NMPRC's role as a regulator of the rates and services of PNM. Therefore, Company officers should refrain from contributing to NMPRC candidates or their campaign committees.

Laws and regulations governing political activities and contributions are complex, and employees are prohibited from acting on behalf of PNM Resources or in any way giving the impression that their own opinions represent those of the Company unless they are expressly authorized to do so.

PNM Resources supports and encourages eligible employees to participate in the PNMR Responsible Citizens Group (RCG), an employee funded political action committee (PAC) governed by its own board of trustees.

Corporate Political Participation

Federal laws govern how a corporation may participate in the political process. On a limited basis and with the approval of the senior government affairs officer, PNM Resources may use corporate funds to make contributions to 527 organizations (tax-exempt organizations that engage in political activities), trade associations and for independent expenditures. PNM Resources also makes contributions to 501(c)(4) organizations whose primary purpose is to promote social welfare.

PNM Resources generally supports public policies that further the Company's business objectives; promote a diverse mix of resources for providing electricity to our customers; and support investments in the infrastructure needed to ensure safe, environmentally responsible, reliable, and cost-effective service for our customers. The Company's decisions on spending corporate funds are based on what is in the best interests of the Company and what we believe is sound public policy, and not on the personal preferences of Company officers, directors or employees.

We also engage in important state and federal issues through trade associations that represent a broad array of professional and industry interests. Depending on their roles, these organizations may be subject to lobbyist registration and disclosure reporting obligations, with their reports made available to the public by the federal and state agencies overseeing lobbying activities. If a trade association to which the Company has contributed informs the Company that a portion of annual dues was used for lobbying, the Company discloses the name of the trade association and the dollar amount used for lobbying in its Annual Report of Contributions (below), provided that the amount is \$1,000 or more.

Additionally, we are active in local chambers of commerce because the Company actively supports the economic vitality of the areas we serve.

PNM Resources' policies require that representatives of the Company file all political compliance reports required by the Federal Elections Commission and state election compliance offices in a complete and timely manner.

Responsible Citizens Group (RCG)

PNM Resources supports the RCG. As permitted by law, the Company may match employee contributions with donations to qualifying charities to encourage employee membership and participation in the RCG. While the Company is not permitted to make contributions to the RCG, the law does permit the Company to fund certain RCG administrative expenses such as the cost of sending periodic newsletters, conducting the annual meeting, etc.

Independent Expenditures

PNM Resources may make independent expenditures from its own funds or contribute to a separate registered PAC that engages in independent expenditures concerning specific candidates, initiatives or referenda to the extent permitted by law. All such expenditures are reported annually to the Audit and Ethics Committee of the Company's Board of Directors. PNM Resources provides support for New Mexicans for Progress, a PAC to educate the public on public policy that advances the creation of jobs, infrastructure and economic development.

Lobbying

PNM Resources actively participates in the political process to help shape policies that support our efforts to effectively and responsibly serve our customers, advance our business strategies and goals, promote effective public and government relations, and

serve the interests of key stakeholder groups. By engaging with elected officials, community and business leaders, and state agencies, among others, we strive to conduct our business as transparently as possible to build trust and develop lasting partnerships that promote growth and innovation within our communities.

PNM Resources engages registered lobbyists, both federal and state, to support its legislative and regulatory activities. These lobbyists are carefully selected and are engaged only with the approval of senior management responsible for government affairs oversight.

Company employees whose main job is to lobby at the federal, state and local government levels are not permitted to make personal contributions to candidates for state and local offices in New Mexico and Texas. These employees and other interested eligible employees are provided the opportunity to participate in the RCG, where the board of trustees oversees the distribution of campaign contributions.

Trade Association

PNM Resources works with trade associations in its government relations activities. Depending on their capacity and function, some trade associations may be subject to lobbyist disclosure reporting obligations, with their reports made available to the public by the federal and state agencies overseeing lobbying activities. For the trade associations where PNM Resources has contributed \$1,000 or more, and the organization informs the Company a portion of annual dues was used for lobbying, PNM Resources discloses the name of the trade association and the dollar amount used for lobbying in its Annual Report of Contributions which is included below.

Information on PNM Resources' Corporate Political Contributions

As part of our continued commitment to an open and transparent political process, we are pleased to provide a voluntary report of corporate contributions made to 527 organizations. Below, we report the lobbying portion of payments and dues to trade associations that, if made directly by PNM Resources, would not be deductible under section 162(e) of the Internal Revenue Code. The report on the lobbying portion of payments and dues is based upon information provided by the trade associations.

PNM Resources' Annual Reports of Contributions and Expenditures

(1) Depending on their capacity and function, some trade associations may be subject to lobbyist disclosure reporting obligations, with their reports made available to the public by the federal and state agencies overseeing lobbying activities. This report includes trade associations to which PNM Resources made payments greater than \$1,000 for dues and which notified PNM Resources of the portion used by that organization for expenditures or contributions that if made directly by PNM Resources would not be deductible under section 162(e) of the Internal Revenue Code.

(2) Reported amount represents the estimated portion of PNM Resources dues that if made directly by PNM Resources would not be deductible under section 162(e) of the Internal Revenue Code and is based upon information requested and received by PNM Resources.

2019 Corporate Political Contributions to 527 Organizations	
Name of Recipient	Amount
Republican Party of NM	\$ 5,000
Democratic Party of NM	\$5,500
Democratic Legislative Campaign Committee (DLCC)	\$25,000

2019 Lobbying Portion of Trade Association Dues	
Name of Recipient ⁽¹⁾	Amount ⁽²⁾
Albuquerque Economic Development	\$2,000
Greater Albuquerque Chamber of Commerce	\$2,854
Association of Commerce and Industry	\$7,030
Edison Electric Institute	\$70,399
Association of Electric Companies of Texas, Inc.	\$93,750

All PAC contributions are publicly disclosed on the [Federal Election Commission website](#). You can also view RCG contributions to state and local political campaigns on the New Mexico Secretary of State's website (<http://sos.state.nm.us>) as well as the Company's contributions to independent expenditure PACs.

Public Disclosure

PNM Resources and their lobbyists are required to file lobbying reports with Congress and with state agencies on a regular basis. The

reports include information on the issues lobbied, the agencies contacted and the expenditures made, and are available for public review on the websites of the U.S. House of Representatives (<http://www.house.gov>) and the U.S. Senate (<http://www.senate.gov>). State reports for PNM lobbyists are available for review through the New Mexico Secretary of State (<http://sos.state.nm.us>), and state reports for TNMP lobbyists are available for review through the Texas Ethics Commission (<https://www.ethics.state.tx.us>).

Economic

Financial Impact

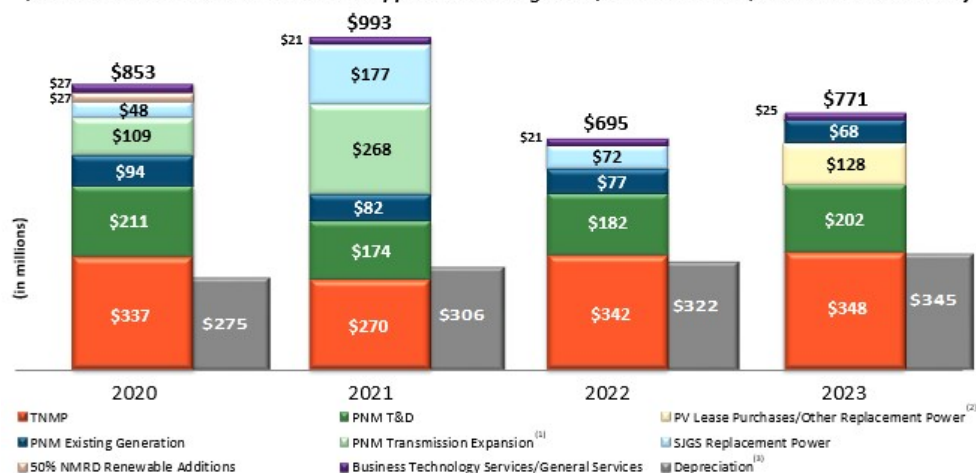
	PNM	TNMP	Corporate	Total
Revenue	(In thousands)			
2019	\$1,093,822	\$363,781	\$-	\$1,457,603
2018	\$1,091,965	\$344,648	\$-	\$1,436,613
2017	\$1,104,230	\$340,773	\$-	\$1,445,003
Operating Income				
2019	\$61,068	\$85,814	(\$2,682)	\$144,200
2018	\$145,033	\$96,497	\$356	\$236,047
2017	\$221,079	\$93,604	\$356	\$315,039
Capital Spending				
2019	\$341,847	\$254,006	\$20,420	\$616,273
2018	\$255,627	\$223,448	\$22,138	\$501,213
2017	\$309,142	\$145,495	\$45,824	\$500,461

Taxes Paid	State	2019	2018	2017
Property Tax				
	NM	\$29,044,654	\$27,930,032	\$27,058,467
	AZ	\$4,514,834	\$4,604,969	\$4,509,376
	TX	\$15,816,354	\$14,401,928	\$14,442,044
Gross Receipts/Sales Tax				
	NM	\$66,787,559	\$66,606,182	\$70,457,707
	TX	\$4,262,462	\$3,490,715	\$2,497,021

2020 – 2023 Investment Plan

\$3.3B investment plan results in 8.9% rate base growth

\$15M added to PNM T&D in 2020 to support customer growth, incremental to \$20M added in February



Targeted 2019-2023 Rate Base CAGR (2019 base): Total 8.9% / PNM 6.0% / TNMP 15.9%

⁽¹⁾ Western Spirit acquisition of \$285M reflects assumed purchase price of \$360M, net of \$75M customer funding

⁽²⁾ For Palo Verde leases that expire in 2023, capex assumes either the purchase of the leases or replacement of the power through new resources

⁽³⁾ Depreciation does not include amounts associated with NMRD

PNM Resources

Governance

Sustainability Governance

PNM Resources recognizes that sustainability is an integral part of achieving long-term shareholder value and our strategic goals. Through our regulated utilities, PNM and TNMP, we are dedicated to continuing to serve our customers with reliable, affordable, and environmentally responsible power while transforming to a cleaner energy portfolio and maintaining the reliability and resiliency of the electric grid. Corporate responsibility is embedded in our organization's culture to [Do the Right Thing](#) and be the reason everyone goes home safely every day. Our sustainability efforts are managed by our executive leadership team and overseen by the Board of Directors.

Our commitment to [governance policies and practices](#) that serve the interests of the Company and our shareholders, customers and communities is underscored by the following corporate governance practices and facts for PNM Resources that are described further on our [annual proxy statements](#):

✓ Gender, ethnic and experience-diverse Board	✓ Lead Independent Director with specified duties to ensure strong independent oversight
✓ Annual election of all directors and Board refreshment/service policy	✓ Independent directors meeting regularly in executive sessions
✓ Majority voting for all directors	✓ Board committees comprised entirely of independent directors with relevant expertise
✓ Annual Board and committee self-evaluation process	✓ Prohibition of hedging Company securities
✓ Proxy access bylaws	✓ Prohibition of pledging of Company securities by directors and executive officers, including the NEOs
✓ Sustainability reporting and oversight	✓ Incentive compensation awards subject to forfeiture and clawback
✓ Political contributions, lobbying and governmental communications, including voluntary reporting of these activities	✓ Stock ownership guidelines for executives and directors

Our sustainability efforts, developed through research, benchmarking and engagement with our stakeholders, support our five strategic objectives identified by our Board and executive leadership team through our strategic planning process:

- Create an environment where employees can succeed
- Engage and earn the trust of our customers and stakeholders
- Always strive for operational excellence
- Create value for our shareholders
- Transform our portfolio for a sustainable future

In conjunction with these objectives, we remain focused on three financial goals:

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

Management Oversight

The executive team (comprised of our CEO, CFO, SVP General Counsel, SVP Public Policy, and SVP Utility Operations) plans and executes on programs designed to achieve PNM Resources' strategic goals, including investing in a clean, secure and sustainable resource portfolio and other corporate responsibility efforts.

Management is also responsible for assessing significant risks, including the multiple risks and opportunities related to climate change matters, executing appropriate responses, and reporting to the Board on the status of risk activities. Management prepared with Board oversight, a [Climate Change Report](#) that details PNM's efforts to transition to a coal-free generation portfolio.

Board Oversight

Our well-qualified, diverse, and high functioning [Board of Directors](#) follows a regular meeting schedule to consider and address key issues, including those related to corporate responsibility and sustainability matters. In addition, the Board conducts an annual strategy session to consider new and emerging trends, consult with outside experts, and assess current strategies and initiatives. In recognition of the importance of sustainability to achieving long-term shareholder value and our strategic goals, seven members of our ten-member Board have environmental/sustainability expertise relevant to the Company's business of providing reliable, affordable and environmentally responsible power to its customers.

As discussed above, our management is responsible for managing risk and bringing to the Board's attention the most significant risks facing the Company. The Board oversees the processes established to identify, assess, mitigate, and monitor risks. Throughout the year, the Board reviews information regarding the potential significant risks facing the Company. Each significant strategic risk is overseen by the full Board to facilitate more effective integrated risk and strategy oversight. Board oversight includes consideration of the various challenges and opportunities presented by these risks, plans to mitigate risks, and the impact these risks may have on our strategy.

For many years, management has identified and reported to the Board on multiple risks and opportunities related to climate change,

including potential environmental regulation, transformation of PNM's generation portfolio, technological innovation, and availability of fuel and water for operations. These significant risks are overseen by the full Board. In addition, the Board approves certain Company investments in environmental equipment and grid modernization technologies. In contemplating new investments and against a backdrop of a transforming and increasingly interconnected industry, the Board also considers risk related to cybersecurity. Other significant risks overseen by the full Board include safety, New Mexico stakeholder relationships, and physical security.

The Board is continuously advised of our practices and procedures to assess the impacts of our operations on the environment. The Board carefully considered the multiple risks and opportunities related to climate change in requesting the preparation of the [Climate Change Report](#) and approving PNM's plans and strategy to transition to a cleaner energy portfolio, as well as PNM's and TNMP's investments to enhance their grids to support the expansion of renewable energy.

The Board also allocates responsibility for oversight of other risks and sustainability and corporate responsibility matters among the committees of the Board:

- Our [Nominating and Governance Committee](#) oversees our [Corporate Governance Principles](#), risks related to succession planning for the Board and non-employee director compensation.
- Our [Compensation and Human Resources Committee](#) is responsible for establishing our executive compensation program to align with our strategic goals and objectives and encourage our highly qualified executive team to operate our business in a sustainable manner, while overseeing succession planning risks for our executives and risks related to the compensation program. Our executive compensation programs are described in our [annual proxy statements](#) filed with the SEC.
- Our [Audit and Ethics Committee](#) oversees our [Do the Right Thing: Principles of Business Conduct](#) and plays a central role in overseeing the integrity of our financial statements and reviewing and approving the performance of our internal audit function and independent auditors and is regularly briefed on our North American Electric Reliability Corporation risks and risk mitigation programs.
- Our [Finance Committee](#) oversees our capital expenditures and financial health, including the capital programs supporting PNM's transformation to a cleaner energy portfolio and enhancements to PNM's and TNMP's grid. The Finance Committee also oversees the Company's management of risks associated with capital availability, liquidity and costs thereof; and monitors the execution of the Company's energy supply, sales, and hedging programs.

In executing its risk oversight duties, the Board accesses extensive internal and external expertise regarding the Company's challenges and opportunities, including those related to climate change. For example, in addition to extensive leadership experience at public utilities, the Board's Chairman, Ms. Collawn, is the current chairman of the board of the Electric Power and Research Institute ("EPRI"), an independent non-profit research institute engaged in researching innovative climate change-related technology and policy matters for the power industry. During 2017-2018, Ms. Collawn was chairman of Edison Electric Institute ("EEI"), an association representing all investor-owned electric companies in the U.S. that has been an active participant in the United Nations Framework Convention on Climate Change. The Board is also informed about the Company's active involvement in multiple EPRI programs and participation on various EEI committees focused on environmental risks, including climate-related, and technological innovation to address these risks.

Furthermore, the Board has always demonstrated leadership on climate change matters. Ms. Collawn personally attended climate meetings in Paris and led the Company through the shutdown of two of the four coal-fired generation units at SJGS, which resulted in significant reductions in carbon dioxide emissions that would have led to New Mexico's attainment of the requirements set forth in the now stayed Clean Power Plan. Additionally, under Ms. Collawn's leadership and during the previous Chairman's leadership, the Company was one of the founding members of the U.S. Climate Action Partnership formed in 2006 and endorsed the 2009 Waxman-Markey climate change bill, aimed at significantly reducing CO₂ emissions and increasing renewable energy across the U.S.

In addition to our Chairman, six independent members of our current 10-member board have the following environmental and sustainability expertise relevant to our regulated electric utility businesses: (i) director Alan J. Fohrer is a former chairman and CEO of Southern California Edison while it was a leader in both renewable energy purchases and energy efficiency and he also has co-chaired EEI's energy delivery and reliability committees and served on the boards of directors of the Institute of Nuclear Power Operations, (ii) director E. Renae Conley's has CEO experience at an energy consulting firm and directorships and executive officer positions at public energy companies, (iii) director Sidney Gutierrez served as director of Environmental, Safety and Health Programs of Sandia National Laboratories, (iv) director Maureen Mullarkey served as a director of another public energy company and served as an Entrepreneur in Residence with the Nevada Institute for Renewable Energy Commercialization, and (v) as discussed below, Vicky A. Bailey and James A. Hughes, who joined the Board on January 1, 2019 bring additional significant environmental, climate change and sustainability expertise that the Board determined to be highly relevant to transforming to a cleaner energy portfolio and enhancing

the reliability and resiliency of the grid.

Ms. Bailey has over thirty years of high level, national and international experience in energy and regulated industries, including as a current director of two public energy companies. Ms. Bailey also serves as a director of Battelle Memorial Institute, a non-profit applied science and technology organization that manages several of the National labs across the country for the United States Department of Energy, and was a trustee of the North American Electric Reliability Corporation (2010-2013), the not-for-profit international regulatory authority whose mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. She was appointed as Assistant Secretary at the United States Department of Energy (2001-2004) for both International Affairs and Domestic Policy, was appointed to the Blue Ribbon Commission on America's Nuclear Future (2010) and was the first female to be elected chairman of the Board of the United States Energy Association (2013).

Mr. Hughes also has extensive experience in the energy industry, particularly with respect to the renewable energy sector, which gives him important financial, regulatory, sustainability and environmental insights relevant in the transition to cleaner, more sustainable energy at PNM. Mr. Hughes is CEO and managing director of an energy storage company and is the former CEO and director of a NASDAQ listed solar company and a private company that owned and operated power distribution, power generation (both thermal and renewable) and natural gas transportation and distribution businesses.

We continually evaluate whether our governance processes are appropriate to our size and complexity and effective in promoting holistic and long-term approaches to managing environmental, social and governance matters as well as whether our disclosures on this topic are transparent and helpful to our stakeholders. For example, we are currently evaluating different transparency frameworks, including the framework created by the Task Force on Climate-Related Financial Disclosures and a framework created by EEI. The Company is also participating in an EPRI project that is evaluating potential climate change policy scenario analysis and GHG goal setting.