

# PNM Resources EEI Presentation



November 8, 2011



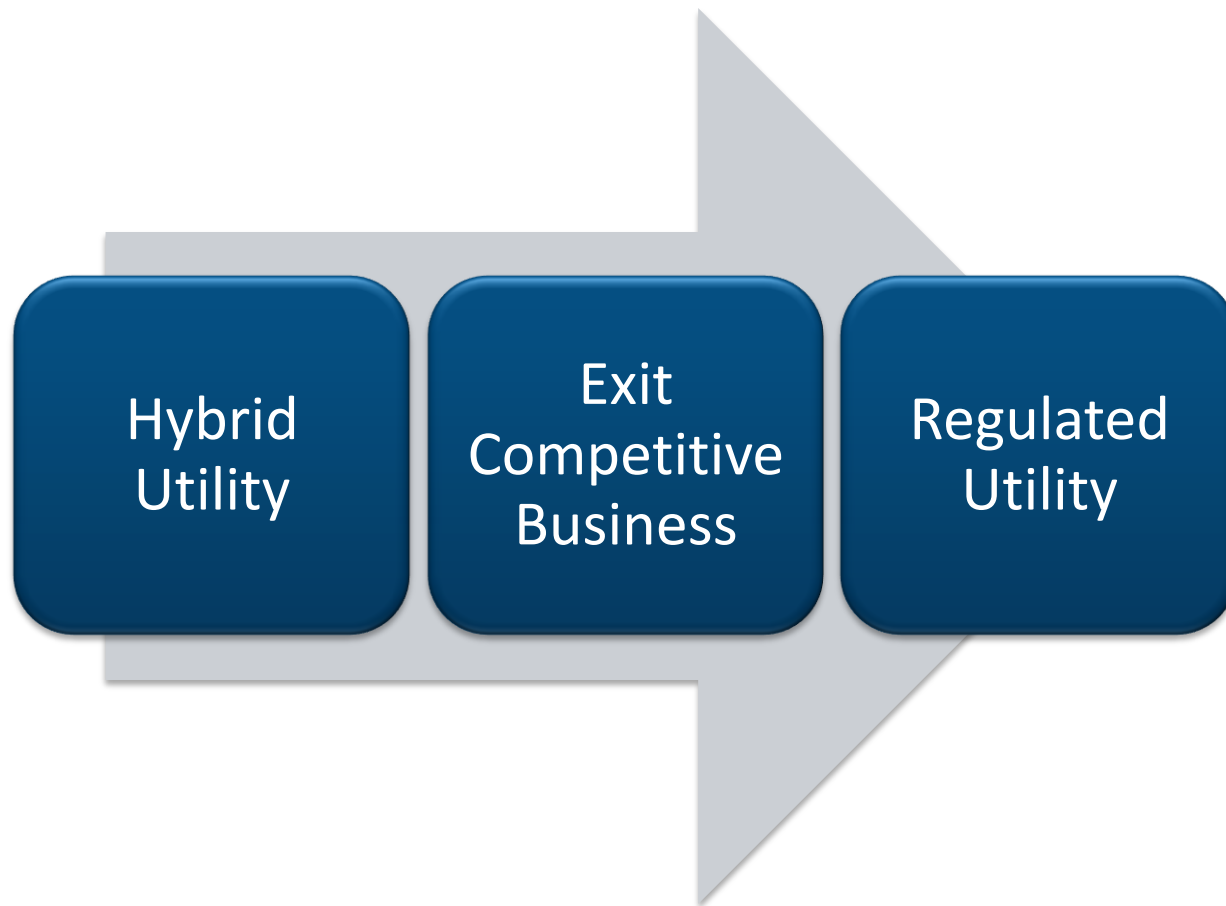
# Safe Harbor Statement

Statements made in this presentation that relate to future events or PNM Resources', Public Service Company of New Mexico's ("PNM"), or Texas-New Mexico Power Company's ("TNMP") (collectively, the "Company") expectations, projections, estimates, intentions, goals, targets, and strategies, are made pursuant to the Private Securities Litigation Reform Act of 1995. Readers are cautioned that all forward-looking statements are based upon current expectations and estimates and PNM Resources, PNM, and TNMP assume no obligation to update this information. Because actual results may differ materially from those expressed or implied by these forward-looking statements, PNM Resources, PNM, and TNMP caution readers not to place undue reliance on these statements. PNM Resources', PNM's, and TNMP's business, financial condition, cash flow, and operating results are influenced by many factors, which are often beyond their control, that can cause actual results to differ from those expressed or implied by the forward-looking statements. These factors include: The ability of PNM and TNMP to recover their costs and earn their allowed returns in their regulated jurisdictions; the ability of the Company to successfully forecast and manage its operating and capital expenditures, particularly in the context of a future test year rate case with respect to PNM; the performance of state, regional, and national economies and the resulting impacts on the electricity usage of the Company's customers; the performance of generating units, including the Palo Verde Nuclear Generating Station ("PVNGS"), the San Juan Generating Station ("SJGS"), and the Four Corners Plant, transmission systems, and distribution systems, which could be negatively affected by major equipment failures, major weather disruptions, disruptions in fuel supply, cyber and physical security breaches, and other significant operational issues; state and federal regulation or legislation relating to climate change, reduction of greenhouse gas emissions, coal combustion byproducts, nitrogen oxides, and other power plant emissions, including the risk that the Company may have to commit to substantial capital investments and additional operating costs to comply with new environmental requirements, including possible future requirements to address regional haze regulations and related best available retrofit technology requirements and concerns about global climate change, and the resultant impacts on the operations and economic viability of generating plants in which PNM has interests; uncertainties surrounding the mine fire incident at the mine supplying coal to SJGS, including potential impacts on the operations of SJGS, the costs of fuel, and the cap on the annual amounts recoverable through PNM's fuel and purchase power adjustment clause ("FPPAC"); state and federal regulatory, legislative, and judicial decisions and actions, including the outcomes of PNM's pending transmission and firm requirements power rate cases and appeals of prior regulatory proceedings; uncertainty surrounding the status of PNM's participation in jointly-owned generation projects resulting from the scheduled expiration of the operational documents for the projects beginning in 2016 and potential changes in the objectives of the participants in the projects; uncertainty regarding the requirements and related costs of decommissioning power plants owned or partially owned by PNM and coal mines supplying certain PNM power plants, as well as the ability to recover decommissioning costs from customers; financial and operational risks at PVNGS relating to any increased regulatory review and actions in response to the events at the Fukushima Daiichi Nuclear Power Plant in Japan; the risk that recently enacted reliability standards regarding available transmission capacity may reduce certain PNM transmission rights used to transmit its generation resources and provide access to transmission customers resulting in a need to purchase additional transmission capacity, reduce sales of transmission capacity, or operate generation facilities less economically; the risks associated with completion of generation, transmission, distribution, and other projects, including construction delays and unanticipated cost overruns; the ability of PNM to successfully defend the utilization of a future test year in its electric rate filings with the New Mexico Public Regulation Commission ("NMPRC"), including PNM's ability to withstand challenges by regulators and intervenors; the ability of PNM to meet the renewable energy requirements established by the NMPRC, including the resource diversity requirement, within the specified cost parameters; the risk that replacement power costs incurred by PNM related to not meeting the specified capacity factor for its generating units under its Emergency FPPAC will not be approved by the NMPRC; the risk that PNM may not be able to recover a portion of the increased costs of rights-of-way renewals on Native American lands through rates charged to transmission customers; conditions affecting the Company's ability to access the financial markets, including disruptions in the credit markets and actions by ratings agencies affecting the Company's credit ratings; the potential unavailability of cash from PNM Resources' subsidiaries due to regulatory, statutory, or contractual restrictions; the impacts of decreases in the values of marketable equity securities on the trust funds maintained to provide nuclear decommissioning funding and pension and other postretirement benefits, including the levels of funding and expense; the impacts of the true-up of the purchase price for the sale of First Choice Power to the actual amounts of certain components of working capital at closing; uncertainties surrounding the successful completion of PNM Resources' tender offer to repurchase up to \$50.0 million of its outstanding 9.25% senior unsecured notes, due in 2015; changes in the Electric Reliability Council Of Texas protocols; collections experience; fluctuations in interest rates; weather; water supply; changes in fuel costs; availability of fuel supplies; the effectiveness of risk management and commodity risk transactions; seasonality and other changes in supply and demand in the market for electric power; the impact of mandatory energy efficiency measures on customer energy usage; variability of wholesale power prices and natural gas prices; volatility and liquidity in the wholesale power markets and the natural gas markets; uncertainty regarding the ongoing validity of government programs for emission allowances; changes in the competitive environment in the electric industry; the outcome of legal proceedings; the extent of insurance coverage available for claims made in litigation; and changes in applicable accounting principles.

## Non-GAAP Financial Measures

For an explanation of the non-GAAP financial measures that appear on certain slides in this presentation (ongoing earnings, ongoing earnings per diluted share, and ongoing EBITDA), as well as a reconciliation to GAAP measures, please refer to the Company's website as follows: <http://www.pnmresources.com/investors/results.cfm>

## Repositioning as Strong Regulated Utility



### Strategic Goals

Earn Authorized Return on our Regulated Businesses

Return to Solid Investment Grade Ratings

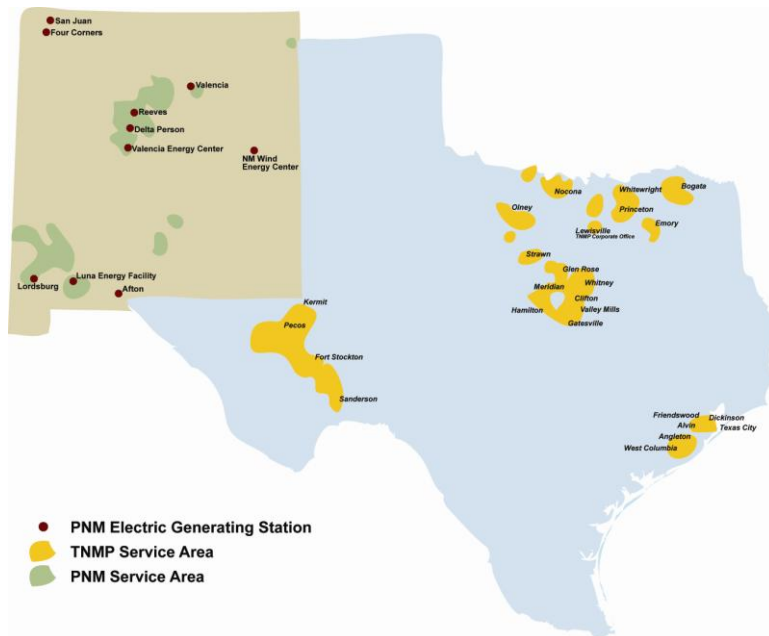
Provide an attractive total return proposition to our shareholders

# PNM Resources Overview

## Focus:

- Earn our allowed returns
- Achieve solid investment grade credit ratings
- Provide stable long-term earnings and dividend growth

## New Mexico and Texas Service Territories



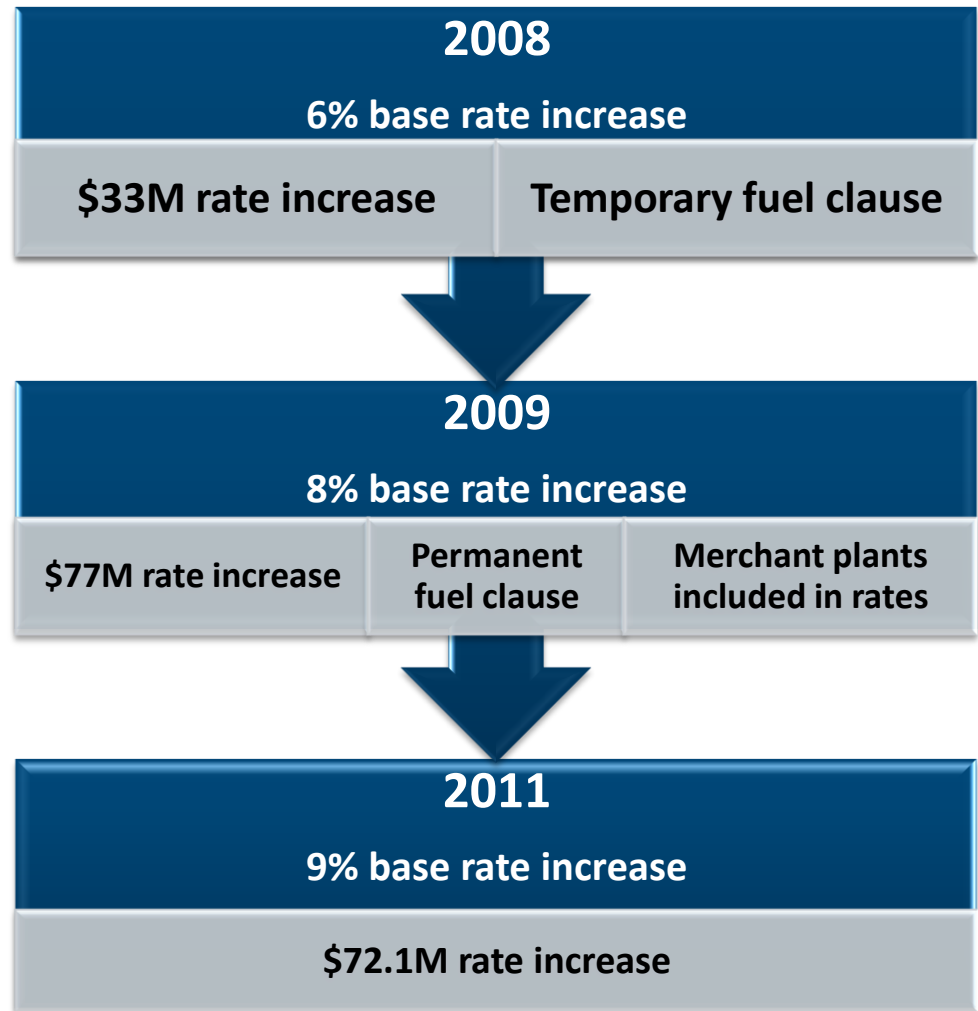
- Located in New Mexico
- 501,700 customers
- 14,529 miles transmission and distribution lines
- 2,530MW generation capacity



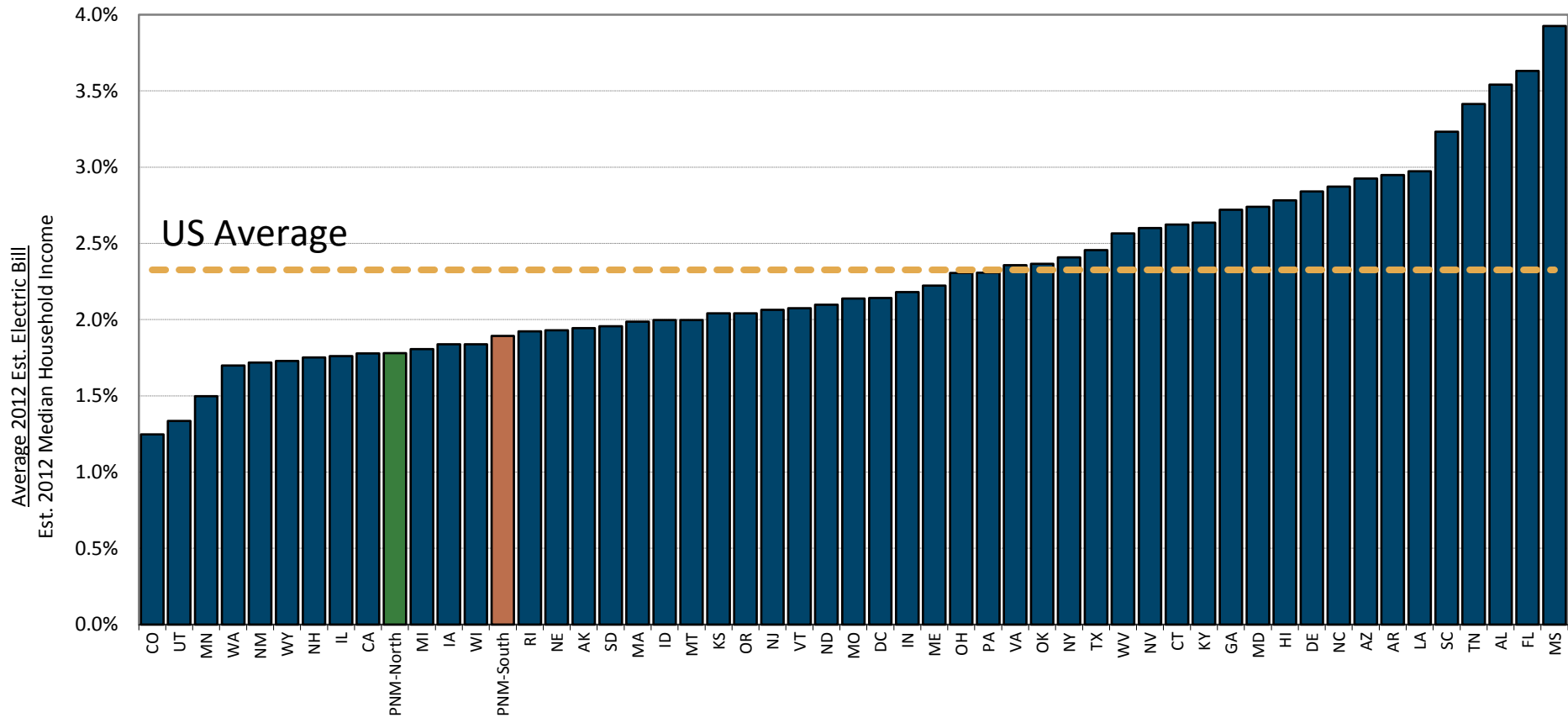
- Located in Texas
- 229,400 end-users
- 9,060 miles transmission and distribution lines

# PNM: Recent Accomplishments

- Significant progress has been made to improve PNM's financial health
  - Three rate increases in the past four years
  - Exited gas operations, used 100% of the proceeds to reduce debt
  - Substantially improved credit metrics
- Eight consecutive quarters of load growth



# Electric Affordability by State



PNM rates reflect the most recent rate increase. All others reflect U.S. Energy Information Administration's Forecasted Residential Rate increases through 2012



# PNM: Pathway to Continued Success

- Earn allowed return
  - Synchronize revenues and expenses
  - Balance future rate increases for customers while ensuring the appropriate return is earned for our shareholders
- Continue to get positive regulatory outcomes
- Continue to strengthen investment grade credit metrics

# NM Regulatory Environment

- NM recognized as a challenging regulatory framework
- Current effort in the state to reform the New Mexico Public Regulation Commission (NMPRC)

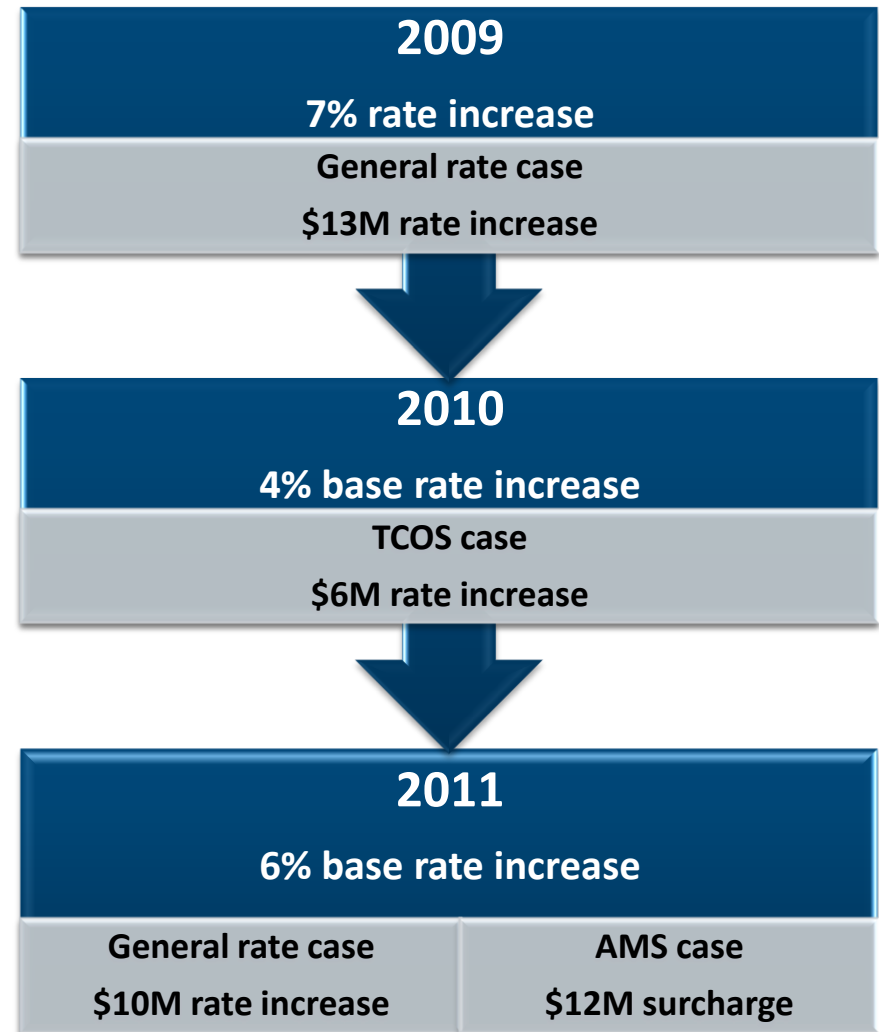


- An independent results-oriented advocacy group
- Has demonstrated success through several policy changes
- Advocating legislation to place the NMPRC reforms on the 2012 ballot
  - Refocus and narrow the jurisdiction to regulating utilities and telecommunications
  - Increase qualifications of commissioners



# TNMP: Recent Accomplishments

- Restored earnings potential working with a constructive Texas regulatory framework
  - Achieved successful outcomes in four cases over the past three years
  - On track to achieve its allowed ROE in 2011
  - No current plans to file another general rate case in the near-term
- Steady load growth since 2007



## TNMP: Pathway to Continued Success

- Continue to earn allowed rate of return
- Use transmission cost of service filings to
  - Reduce regulatory lag
  - Grow rate base
- Employ distribution cost of service filings, when available
- Retain solid credit metrics
- Invest in the business

# Financial Direction

## Exit of Competitive Business

- Strengthens PNM Resources' financial position
- Eliminates financial and business risks associated with competitive entities
- Focuses strategic direction on regulated utilities
- Sale proceeds of \$329 million including working capital used to recapitalize the business through repurchasing debt and equity

# Recent Credit Rating Accomplishments

- Utilities at investment grade
- Strength, stability and predictability recognized
- Ratings upgraded Sept. 26 and Nov. 1

## Moody's

	PNMR	PNM	TNMP
Debt rating	Ba1 <sup>(1)</sup>	Baa3 <sup>(1)</sup>	A3 <sup>(2)</sup>
Outlook	Stable	Stable	Stable

## S&P

	PNMR	PNM	TNMP
Debt rating	BB <sup>(1)</sup>	BBB- <sup>(1)</sup>	BBB <sup>(2)</sup>
Outlook	Positive	Positive	Positive

<sup>(1)</sup> Senior unsecured

<sup>(2)</sup> Senior secured

# Liquidity/Dividend

- Recently refinanced PNMR and PNM revolvers (\$700M)
- Targeting cap structure of
  - 50/50 at PNM
  - 55/45 at TNMP
- Dividend will be reviewed by the Board in February

	PNMR	PNM	TNMP	Total
Financing Capacity as of Nov. 1, 2011				
Total Capacity	\$305	\$400	\$75	\$780
Less LCs <sup>(1)</sup>	(70) <sup>(2)</sup>	(5)	(0)	(75)
Plus Cash	167 <sup>(3)</sup>	0	0	167
<b>Total Available Liquidity</b>	<b>\$402</b>	<b>\$395</b>	<b>\$75</b>	<b>872</b>

<sup>(1)</sup> There was no short-term debt as of Nov. 1, 2011

<sup>(2)</sup> Includes First Choice Power LOCs which will be eliminated by the end of November

<sup>(3)</sup> Includes proceeds from First Choice Power sale

# Key Strategic Goals and Checklist

## Earn Authorized Return on Our Regulated Businesses

- Achieve successful outcomes in:
  - PNM retail rate case
    - PNM FERC transmission rate case
  - TNMP AMS case
- Maintain strong electric reliability and power plant availability
- Control O&M and capital costs

## Maximize the Value of Our Competitive Businesses

- Maintain profitability of First Choice Power by achieving retail rate case
- Achieved by monetizing competitive entities and returning value to shareholders
- Competitive generation conditions improve

## Return to Solid Investment Grade Credit Ratings at PNMR

- Become fully investment grade at:
  - PNM
  - TNMP