

# Q2 2012 Earnings Presentation



August 3, 2012



# Safe Harbor Statement

Statements made in this presentation that relate to future events or PNM Resources' ("PNMR"), Public Service Company of New Mexico's ("PNM"), or Texas-New Mexico Power Company's ("TNMP") (collectively, the "Company") expectations, projections, estimates, intentions, goals, targets, and strategies are made pursuant to the Private Securities Litigation Reform Act of 1995. Readers are cautioned that all forward-looking statements are based upon current expectations and estimates. PNMR, PNM, and TNMP assume no obligation to update this information. Because actual results may differ materially from those expressed or implied by these forward-looking statements, PNMR, PNM, and TNMP caution readers not to place undue reliance on these statements. PNMR's, PNM's, and TNMP's business, financial condition, cash flow, and operating results are influenced by many factors, which are often beyond their control, that can cause actual results to differ from those expressed or implied by the forward-looking statements. These factors include: the ability of PNM and TNMP to recover costs and earn allowed returns in regulated jurisdictions; the ability of the Company to successfully forecast and manage its operating and capital expenditures; state and federal regulatory, legislative, and judicial decisions and actions on ratemaking, tax, and other matters; state and federal regulation or legislation relating to environmental matters, including the resultant costs of compliance and other impacts on the operations and economic viability of PNM's generating plants; the risk that recently enacted reliability standards regarding available transmission capacity and other FERC rulemakings may negatively impact the operation of PNM's transmission system; the performance of generating units, transmission systems, and distribution systems, which could be negatively affected by operational issues, extreme weather conditions, terrorism, and cybersecurity breaches; variability of prices and volatility and liquidity in the wholesale power and natural gas markets; changes in price and availability of fuel and water supplies; uncertainties surrounding the mine fire incident at the mine supplying coal to SJGS; uncertainty surrounding the status of PNM's participation in jointly-owned generation projects resulting from the scheduled expiration of the operational agreements for the projects; the risks associated with completion of generation, transmission, distribution, and other projects; regulatory, financial, and operational risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainties; uncertainty regarding the requirements and related costs of decommissioning power plants and coal mines supplying certain power plants, as well as the ability to recover decommissioning costs from customers; the impacts on the electricity usage of the Company's customers due to performance of state, regional, and national economies and mandatory energy efficiency measures, weather, seasonality, and other changes in supply and demand; the Company's ability to access the financial markets, including disruptions in the credit markets, actions by ratings agencies, and fluctuations in interest rates; the potential unavailability of cash from PNMR's subsidiaries due to regulatory, statutory, or contractual restrictions; the impacts of decreases in the values of marketable equity securities maintained to provide for nuclear decommissioning and pension and other postretirement benefits; commodity and counterparty credit risk transactions and the effectiveness of risk management; the outcome of legal proceedings, including the extent of insurance coverage; 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 and ongoing earnings per diluted share), as well as a reconciliation to GAAP measures, please refer to the Company's website as follows:

<http://www.pnmresources.com/investors/results.cfm>

# Opening Remarks & Overview

Pat Vincent-Collawn

Chairman, President and CEO

## Q2 2012 Financial Results

	Q2 2012	Q2 2011	YTD 2012	YTD 2011
Ongoing EPS	\$0.33	\$0.20	\$0.50	\$0.24
GAAP EPS	\$0.27	\$0.04	\$0.48	\$0.22

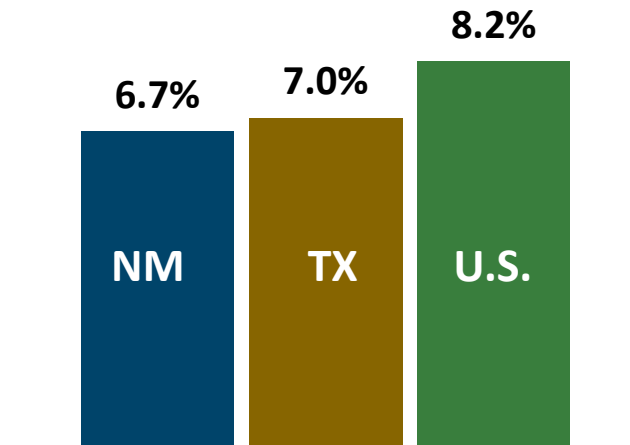
- Increased retail rates implemented in 2011, warmer June weather, and cost control improves PNM
- Strong TNMP load growth tempered by cooler weather in Texas
- Progress continues on multiple regulatory fronts

# Load Growth and Economic Conditions

## Regulated Retail Energy Sales Growth (weather-normalized)

	Q2 2012 vs. Q2 2011		Q2 YTD 2012 vs. Q2 YTD 2011	
	PNM <sup>(1)</sup>	TNMP <sup>(2)</sup>	PNM <sup>(1)</sup>	TNMP <sup>(2)</sup>
Residential	0.4%	8.5%	0.0%	7.1%
Commercial	-0.2%	4.2%	0.7%	1.4%
Industrial	1.3%	24.9%	1.7%	9.1%
<b>Total Retail</b>	<b>0.1%</b>	<b>7.0%</b>	<b>0.4%</b>	<b>4.4%</b>

## Unemployment Rate<sup>(3)</sup>



## YTD Residential and Commercial Average Customer Growth

PNM	TNMP
<b>0.3%</b>	<b>0.5%</b>

<sup>(1)</sup> Excludes Economy Service customers

<sup>(2)</sup> Excludes Transmission Service end-users

<sup>(3)</sup> U.S. Bureau of Labor Statistics, June 2012

# Regulatory Update

Item	Action	Timing	Docket No.
FERC transmission case	Settlement filed July 3; FERC Staff supports settlement	Awaiting FERC final approval	ER11-1915-002, et. al
FERC generation case (Navopache Electric Cooperative, Inc.)	Confidential settlement in principle reached	TBD	ER11-4535-000 and ER12-72-000
PNM renewable energy rider	Recommended decision: awaiting NMPRC action	Implementation proposed for Aug. 8	12-00007-UT
PNM 2013 renewable energy plan	Hearing scheduled	Sept. 4	12-00131-UT
Decoupling rulemaking	Workshops scheduled	Aug. 24	12-00144-UT
Future-test-year rulemaking	Hearing held June 13; NMPRC General Counsel to present draft order	TBD	12-00029-UT

# San Juan BART Update

- EPA granted 90-day “stay”
  - No extension of compliance date
- N.M. Environment Department process designed to identify potential alternatives to FIP and SIP through:
  - Series of public comment meetings (July 24 through approximately mid-September)
  - Working group sessions to be held in August and September
- 10<sup>th</sup> Circuit litigation
  - Oral arguments scheduled for October 23

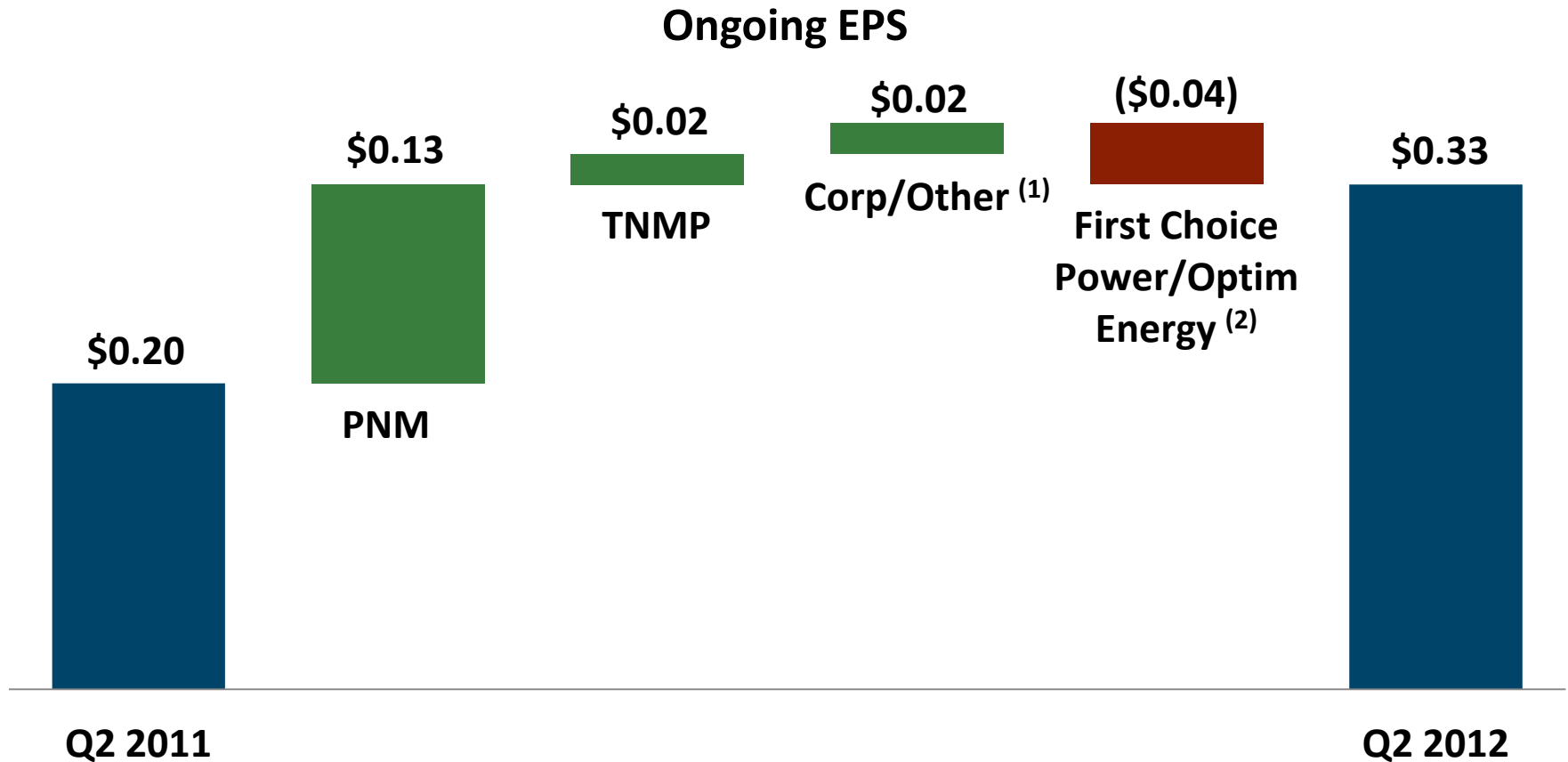
# Financial Overview

Chuck Eldred

Executive Vice President and CFO



# Q2 2012 Financial Summary

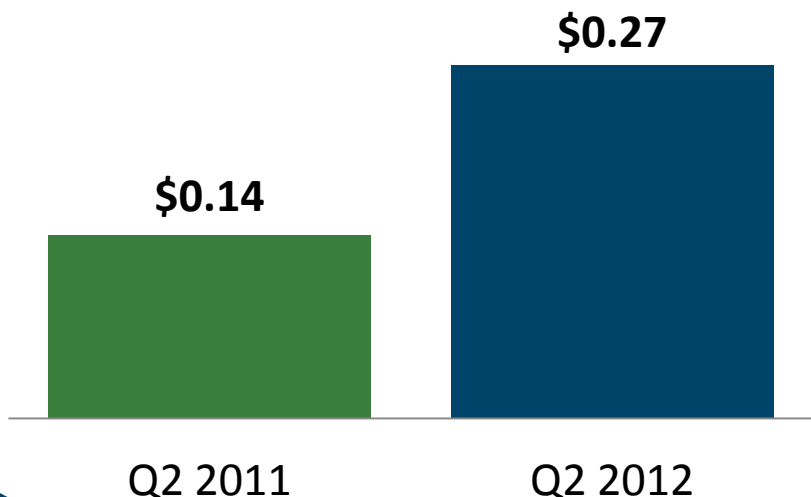


<sup>(1)</sup> \$0.01 is added due to rounding

<sup>(2)</sup> After August 31, 2011 Optim Energy's financial results were not included in PNM Resources' ongoing earnings results. Sale of First Choice Power was completed on November 1, 2011.

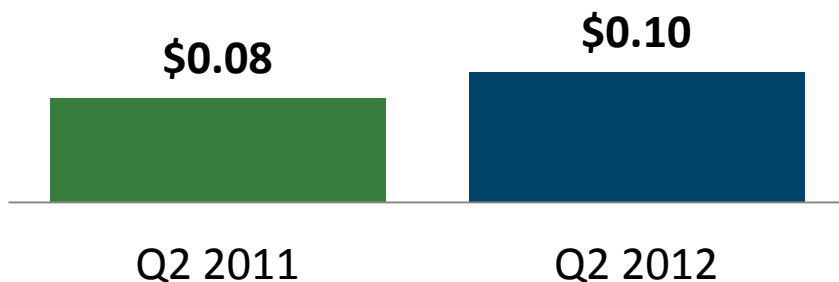
# PNM and TNMP: Q2 2012 vs Q2 2011 EPS (Ongoing)

## PNM



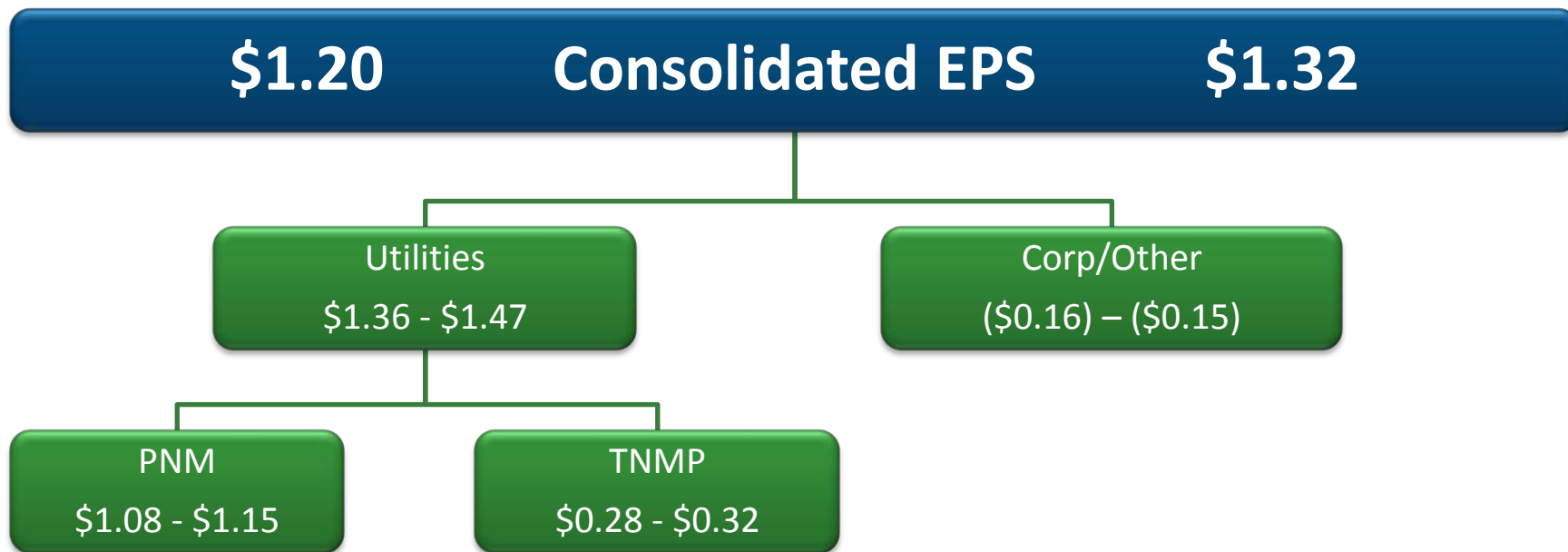
Q2 2012 Key Performance Drivers	Δ EPS
Rate relief	\$0.12
Weather	\$0.03
PNM Resources share repurchase	\$0.03
O&M reductions	\$0.01
Lower outage costs	\$0.01
Palo Verde 3 market price	(\$0.01)
Interest expense	(\$0.01)
Palo Verde Nuclear Decommissioning Trust	(\$0.04)
Other	(\$0.01)

## TNMP



Q2 2012 Key Performance Drivers	Δ EPS
Load	\$0.02
PNM Resources share repurchase	\$0.01
Weather	(\$0.01)

# Affirming 2012 EPS Guidance (Ongoing)



# Key Strategic Goals and 2012 Checklist

## Strategic Goals

Earn Authorized Return on our Regulated Businesses

Continue to Improve Credit Ratings

Provide Top Quartile Total Return

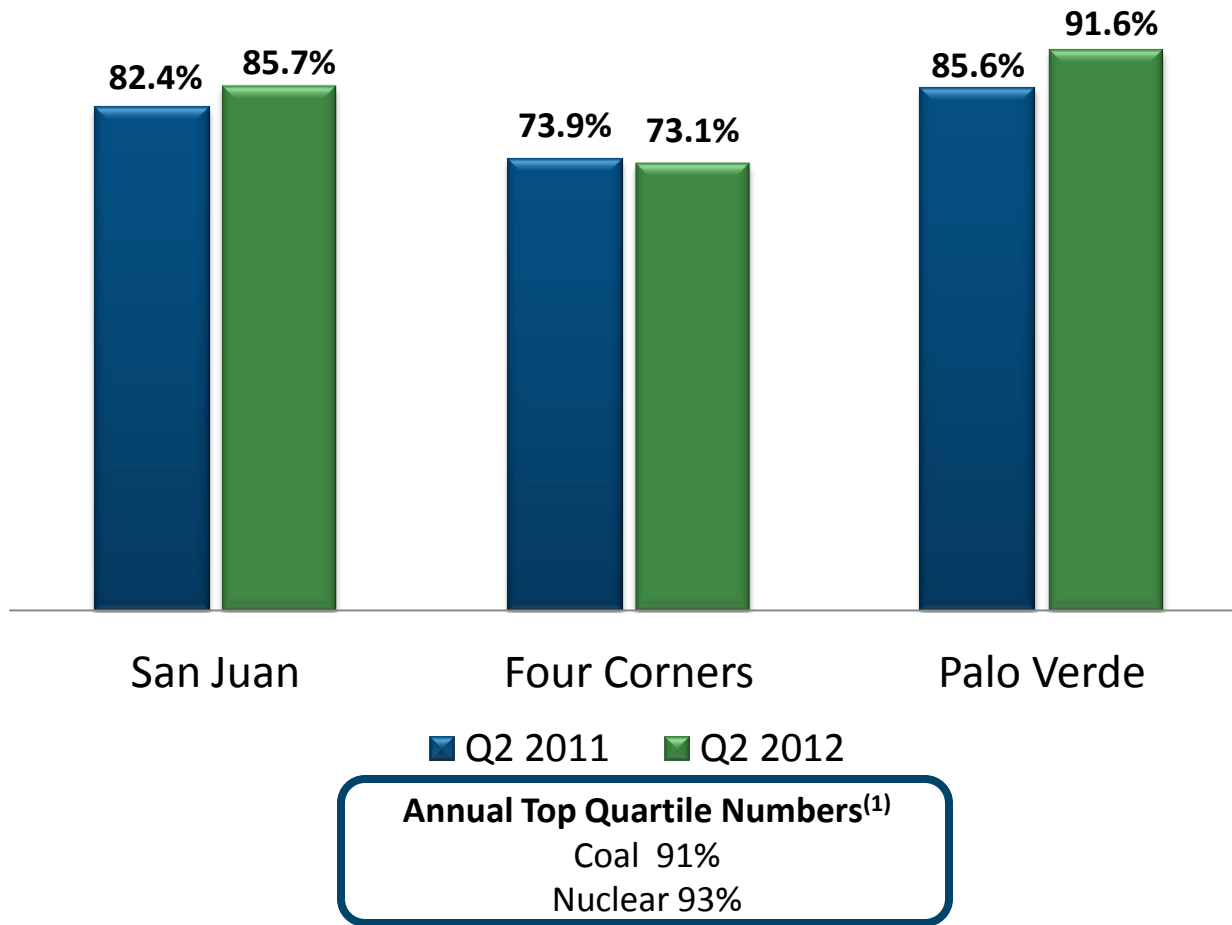
## 2012 Checklist

- Achieve successful outcomes in:
  - PNM future test year rulemaking
  - PNM FERC transmission rate case
  - PNM FERC generation rate case
  - PNM renewable rider
- Maintain strong electric reliability and power plant availability
- Control O&M and capital costs

# Questions & Answers

# Appendix

# PNM Plant EAF and Outages



## 2012 and 2013 Outage Schedule

Unit	Duration in Days	Time Period
<b>San Juan</b>		
2	47	Q1 – Q2 2012
3	54	Q3 – Q4 2012
4	47	Q1 – Q2 2013
1	40	Q4 2013
<b>Four Corners</b>		
5	17	Q2 2012
4	21	Q2 2013
<b>Palo Verde</b>		
3	32	Q1 - Q2 2012
2	44	Q4 2012
1	40	Q1 – Q2 2013
3	42	Q3 – Q4 2013

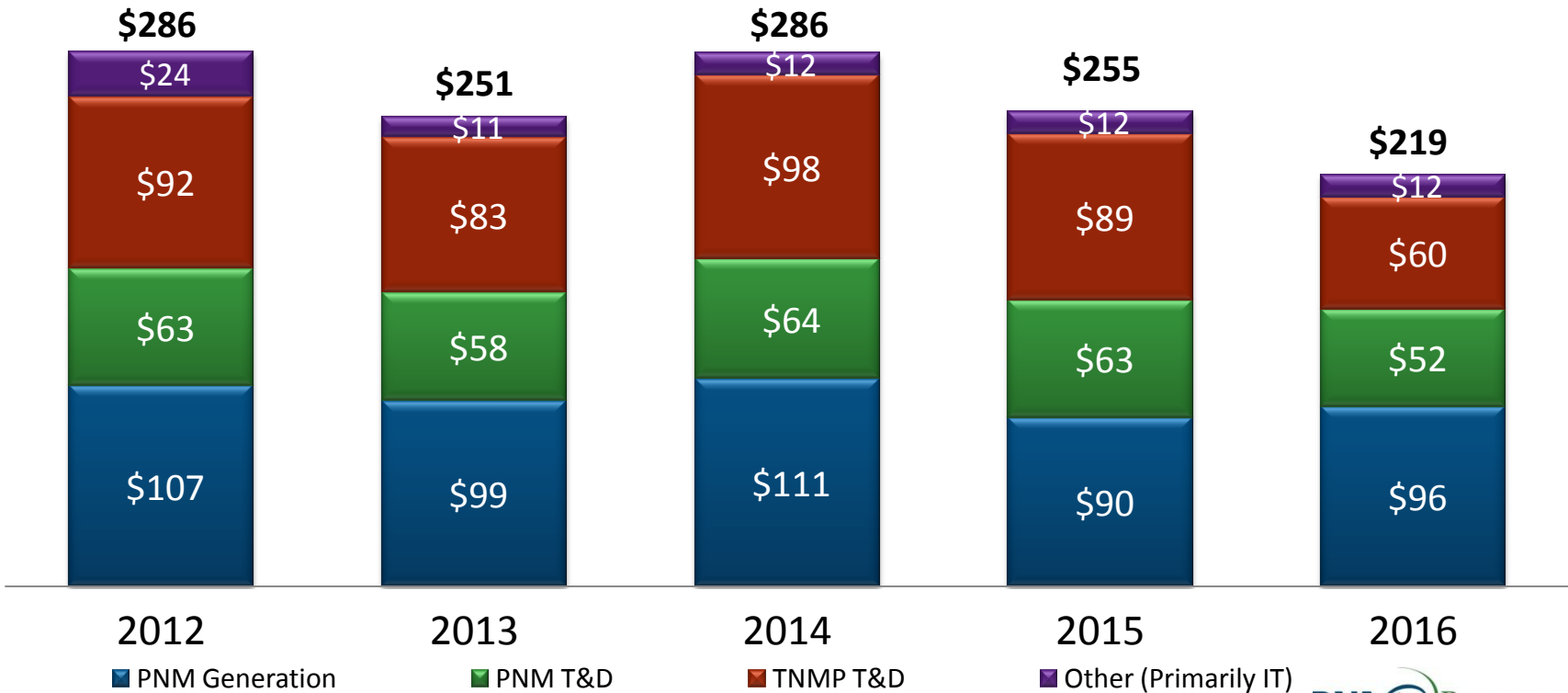
<sup>(1)</sup>Annual top quartile numbers from the North American Electricity Reliability Corporation as of August 2011

# PNM Resources 5-Year Capital Plan

Amounts do not include potential capital spending in 2013 – 2016 at PNM for SCRs, renewables and additional peaking capacity

2012 - 2016  
Total Capital Plan: \$1.3B

(In millions)



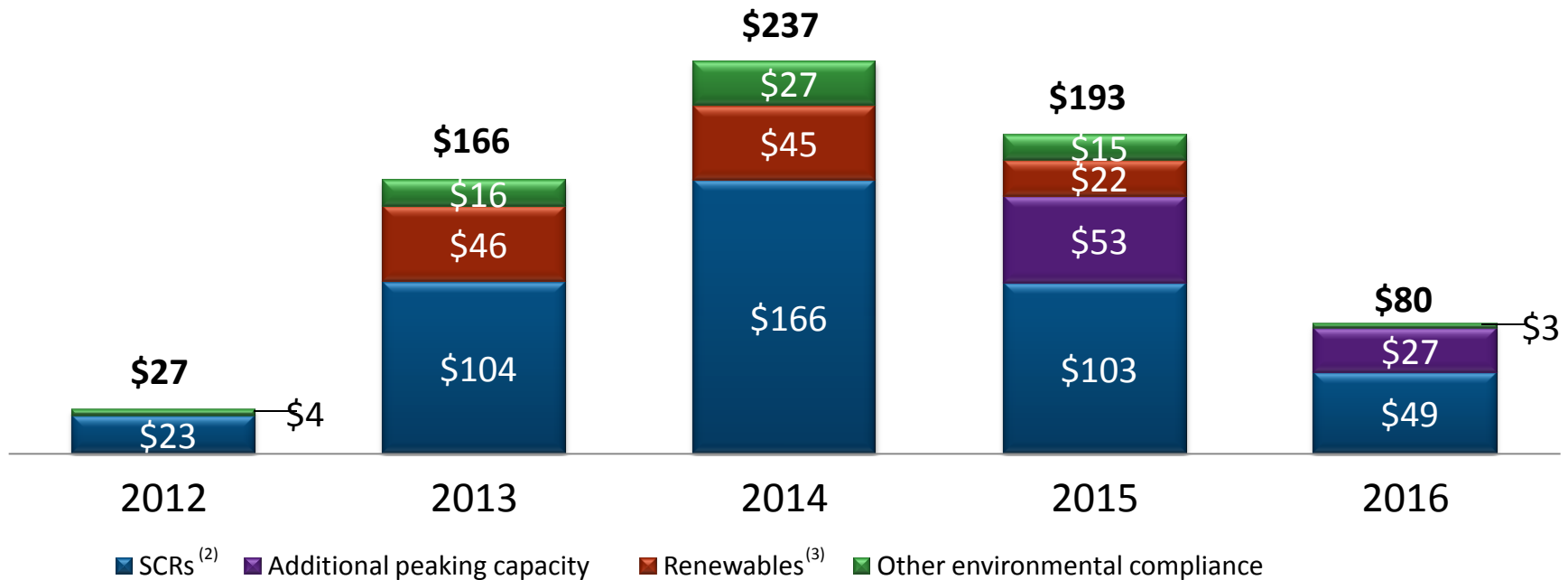
Amounts may not add due to rounding



# PNM Resources 5-Year Potential Capital Additions

2012 – 2016  
Total Potential Capital<sup>(1)</sup>: \$0.7B

(In millions)



<sup>(1)</sup> Not all potential capital expenditures will be realized. Amounts are representative of the middle of the potential range.

<sup>(2)</sup> PNM's portion of SCRs for San Juan and Four Corners. PNM is working to minimize near-term BART expenditures.

<sup>(3)</sup> Updated for recent renewable plan filing

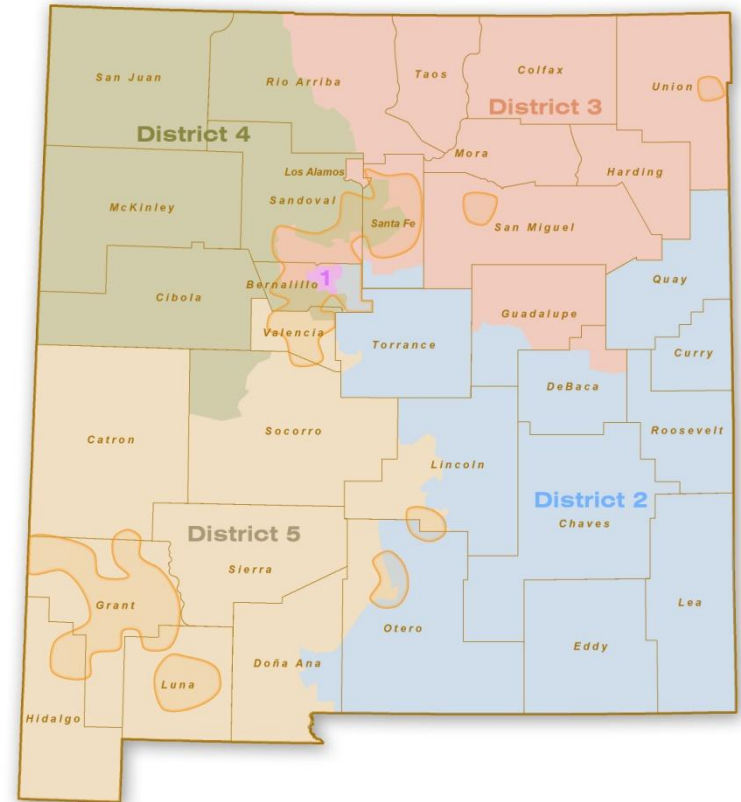
Amounts may not add due to rounding

# Regulatory Information

# NMPRC Commissioners and Districts

Name	District	Term Ends	Party
Jason Marks <sup>(1)</sup>	District 1	2012	Democrat
Patrick Lyons Chairman	District 2	2014	Republican
Douglas Howe <sup>(2)</sup>	District 3	2012	Independent
Theresa Becenti-Aguilar Vice Chair	District 4	2014	Democrat
Ben Hall	District 5	2014	Republican

**NMPRC Districts and  
PNM Service Areas**



Commissioners are elected to four-year terms and are limited to serving two consecutive terms

<sup>(1)</sup> District 1 Candidates: Karen Montoya (D) and Christopher Ocksrider (R)

<sup>(2)</sup> District 3 Candidate: Valerie Espinoza (D) (Unopposed)

Election day is November 6, 2012

# Utility Rate Base and Return

PNM	Test Period <sup>(1)</sup>	Rate Base in Filing	Projected 2012 Avg. Rate Base	% of Rate Base	Allowed Equity Ratio	ROE	Increase
<b>Retail</b>							
Current Rates	June 30, 2010	\$1.8B	\$1.8B	86%	51.28%	10.00%	\$72.1M
Renewables	Dec. 31, 2011	\$68M	\$74M	4%	50.61%	10.00%	\$18.0M
<b>FERC Transmission</b>							
Current Rates <sup>(2)</sup>	Dec. 31, 2011	\$147.2M <sup>(3)</sup>	\$153M	7%	51.00% <sup>(3)</sup>	10.00% <sup>(3)</sup>	\$2.9M <sup>(3)</sup>
<b>FERC Generation <sup>(4)</sup></b>							
Current Rates <sup>(5)</sup>	Dec. 31, 2012	\$67.6M	\$68M	3%	49.46% <sup>(5)</sup>	11.00% <sup>(5)</sup>	\$8.7M <sup>(5)</sup>
TNMP	Test Period <sup>(1)</sup>	Rate Base in Filing	Projected 2012 Avg. Rate Base	% of Rate Base	Allowed Equity Ratio	ROE	Increase
Current Rates	Mar. 31, 2010	\$448.2M	\$482M	100%	45.00%	10.125%	\$10.3M

<sup>(1)</sup> Period is for the 12 months ending on stated date

<sup>(2)</sup> Rates implemented June 1, 2011, subject to refund pending final order by FERC, values represent settled amounts

<sup>(3)</sup> PNM agreed to and filed a “black box” settlement of \$2.9M rate increase on July 3, 2012. The settlement did not include a stated allowed equity ratio or ROE. The implied ROE is 10%. Rate base amount based on actual 2011 results.

<sup>(4)</sup> FERC Generation is comprised of three separate wholesale customer contracts under the jurisdiction of FERC: Navopache Electric Cooperative, Inc., City of Gallup, and City of Aztec

<sup>(5)</sup> Reflects the amount of annual increase filed with FERC under an unexecuted amended sales agreement between PNM and Navopache Electric Cooperative, Inc., which represents 62% of the total FERC Generation rate base amount. The increase for Navopache was implemented April 14, 2012, subject to refund.

# Balance Sheet and Credit Metrics

# Selected Balance Sheet Information

(In millions)	Dec 31, 2011	Jun 30, 2012
<b>Long-Term Debt (incl. current portion)</b>		
PNM	\$1,215.5	\$1,215.6
TNMP	311.0	311.3
PNMR	147.5	147.5
Consolidated	<b>\$1,674.0</b>	<b>\$1,674.3</b>
<b>Total Debt (incl. short-term) <sup>(1)</sup></b>		
PNM	\$1,281.5	\$1,302.0
TNMP	311.0	311.3
PNMR	164.2	268.1
Consolidated	<b>\$1,756.7</b>	<b>1,881.3</b>

<sup>(1)</sup> Excludes inter-company debt  
Amounts may not add due to rounding

# Liquidity as of July 27, 2012

	PNM Resources	PNM	TNMP	PNM Resources Consolidated
Financing Capacity:	(In millions)			
Revolving credit facility	\$300.0	\$400.0	\$75.0	\$775.0
Bi-lateral line of credit	5.0	-	-	5.0
<b>Total Capacity</b>	<b>\$305.0</b>	<b>\$400.0</b>	<b>\$75.0</b>	<b>\$780.0</b>
As of 7/27/12:				
Short-term debt and LOC balances	\$126.2	\$83.0	\$0.3	\$209.5
<b>Available liquidity as of 7/27/12:</b>	<b>\$178.8</b>	<b>\$317.0</b>	<b>\$74.7</b>	<b>\$570.5</b>

# Credit Ratings

## Moody's

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

## S&P

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

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

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



# Environmental Compliance

# San Juan – BART Timeline

- Proposed State Implementation Plan revisions filed with EPA in July 2011
  - Called for SNCR technology estimated to cost ~\$77M (total plant cost)
  - EPA issued its proposed action on the SIP, including approval of all components of the SIP, except for the SJGS BART determination on May 31, 2012
    - EPA determined that with the FIP in place, it had met its obligation under the consent decree
    - EPA would issue a separate proposal or consider the withdrawal of the SIP in favor of an alternative developed through discussions between PNM and the State
- Final Federal Implementation Plan BART determination issued Aug. 5, 2011
  - Called for installation of SCR technology on all four units within five years.
  - Based on the bidding process to date, PNM believes it should be able to enter into contractual arrangements that would result in total installation costs within the range of ~\$750M - \$1B
  - A Petition for Review of the EPA decision was filed in the U.S. Court of Appeals for the Tenth Circuit on Sept. 16, 2011
    - U.S. Court of Appeals for the Tenth Circuit denied the motions to stay filed by PNM and NMED/Governor Martinez on March 1, 2012
    - Briefing for the 10th Circuit litigation to be completed by September 25, 2012
    - Oral arguments scheduled for October 23, 2012
- EPA 90-day stay of the FIP was published in the Federal Register on July 16, 2012
  - Opportunity to develop a revised SIP to be submitted as an alternative to the FIP
  - No change to the compliance date of September 21, 2016
- PNM issued RFP in January 2012 for the installation of SCR technology
  - Bids were received in April 2012, currently in contract negotiations
    - Bids estimate construction costs between ~\$750M - \$805M

# Environmental Control Equipment at Coal Units

Coal Unit	PNM Share Capacity (MW)	Low NOx Burners/ Overfired Air	Activated Carbon Injection <sup>(1)</sup>	SNCR <sup>(2)</sup>	SCR <sup>(2)</sup>	Baghouse <sup>(3)</sup>	Scrubbers
San Juan Unit 1	170	X	X			X	X
San Juan Unit 2	170	X	X			X	X
San Juan Unit 3	249	X	X			X	X
San Juan Unit 4	194	X	X			X	X
Four Corners Unit 4	97.5	Pre-2000 low NOx burners-considered outdated				X	X
Four Corners Unit 5	97.5	Pre-2000 low NOx burners-considered outdated				X	X

<sup>(1)</sup> Activated carbon injection systems reduce mercury emissions. For San Juan, the installation was completed in 2009, as part of a 3-year, \$320M environmental upgrade.

<sup>(2)</sup> SNCR refers to selective non-catalytic reduction systems. SCR refers to selective catalytic reduction systems. Both systems reduce NOx emissions.

<sup>(3)</sup> Baghouses collect flyash and other particulate matter. For San Juan, the installation was completed in 2009, as part of a 3-year, \$320M environmental upgrade.

# Impact of Proposed Environmental Regulation

	Estimated Compliance Costs (PNM Share)	Comments
<b>San Juan Generating Station</b>		
Clean Air Act – Regional Haze (FIP) – SCR	~\$340M - \$460M	See “San Juan – BART Timeline” slide
Clean Air Act – Regional Haze (SIP) – SNCR	~\$36M	State of NM submitted with EPA in early July 2011
Clean Air Act – National Ambient Air Quality Standards (NAAQS)	Included in SCR estimated project costs	BART upgrade would assist with compliance with NAAQS
Mercury Rules (MATS) (proposed)	None to minimal	Testing shows 99% removal
Resource Conservation and Recovery Act – Coal Ash (proposed)	Significant exposure	A hazardous waste designation of coal ash could result in significant costs to comply
Clean Water Act – 316(b) (proposed)	Minimal to some exposure	Performing analysis to determine cost of compliance
<b>Four Corners (Units 4 and 5)</b>		
Clean Air Act – Regional Haze - SCR	~\$69M	APS in negotiations with EPA
Mercury Rules (MATS) (proposed)	Slight exposure	APS evaluating options
Resource Conservation and Recovery Act – Coal Ash (proposed)	Significant exposure	A hazardous waste designation of coal ash could result in significant costs to comply
Clean Water Act – 316(b) (proposed)	Some exposure	Performing analysis to determine cost of compliance