

2011 Earnings Presentation



February 29, 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 matters; state and federal regulation or legislation relating to environmental matters, including the resultant impacts on the operations and economic viability of PNM's generating plants; the risk that recently enacted reliability standards regarding available transmission capacity 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 a number of significant operational issues; 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 San Juan Generating Station; 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; 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; the effectiveness of risk management and commodity risk transactions; the outcome of legal proceedings, including the extent of insurance coverage; 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 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

2011 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
- Competitive generation conditions improve
- Achieved by monetizing competitive entities and returning value to shareholders

Return to Solid Investment Grade Credit Ratings at PNMR

- Become fully investment grade at:
 - PNM
 - TNMP

2011 Financial Results and Company Updates

	Q4 2011	Q4 2010	2011	2010
Ongoing EPS ⁽¹⁾	\$0.22	\$(0.03)	\$1.08	\$0.87
GAAP EPS ⁽¹⁾	\$1.35 ⁽²⁾	\$(1.18) ⁽³⁾	\$1.96 ⁽²⁾	\$(0.49) ⁽³⁾

- Rate relief, lower outage costs and cost control improve PNM, TNMP ongoing EPS
- Dividend payment increased 16%
- 2012 ongoing earnings guidance affirmed at \$1.20 - \$1.32⁽⁴⁾

⁽¹⁾ On a diluted basis

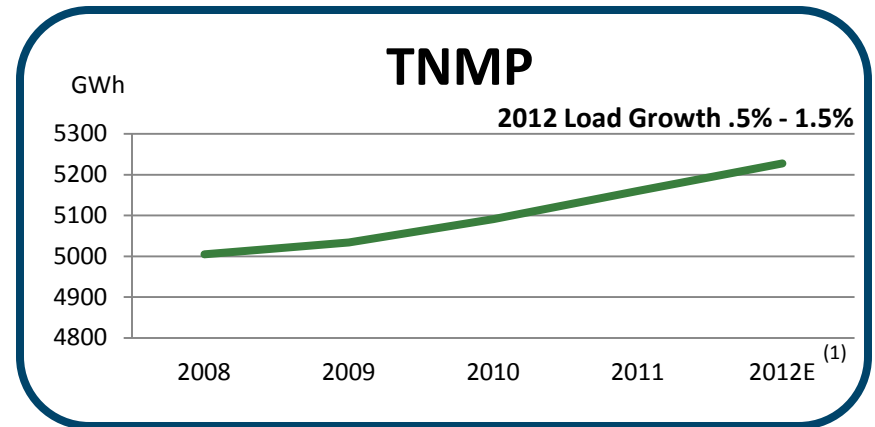
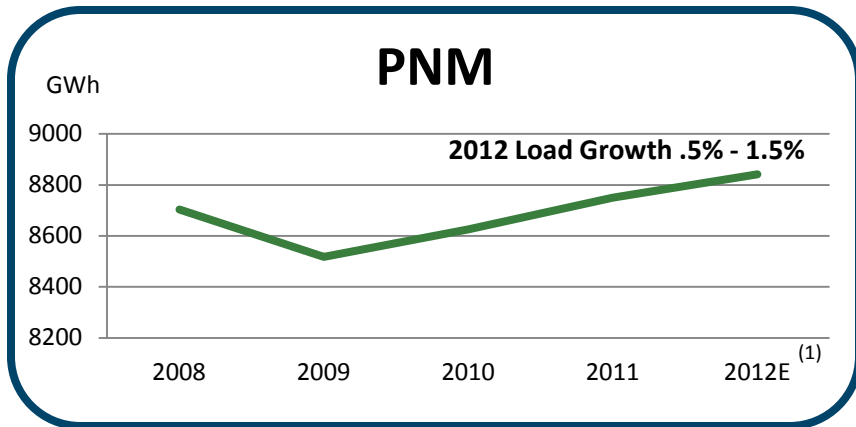
⁽²⁾ Includes gain from the Nov. 1, 2011, sale of First Choice Power

⁽³⁾ Includes losses associated with the impairment of PNM Resources' investment in Optim Energy

⁽⁴⁾ See Appendix slide A-8

Economic Conditions

Weather-normalized load growth is steady, despite an increase in energy efficiency programs



⁽¹⁾ Assumes mid-point of earnings guidance range

New Mexico Regulatory Update

Item	Action	Timing
FERC transmission case	Settlement discussion	N/A
FERC generation case	Settlement discussion	N/A
Renewable rate rider	Hearing scheduled	May 14, 2012
Future-test-year rulemaking	Joint petition for rule-making filed	Feb. 8, 2012
NMPRC Legislation	Three resolutions passed	Feb. 15 – 16, 2012

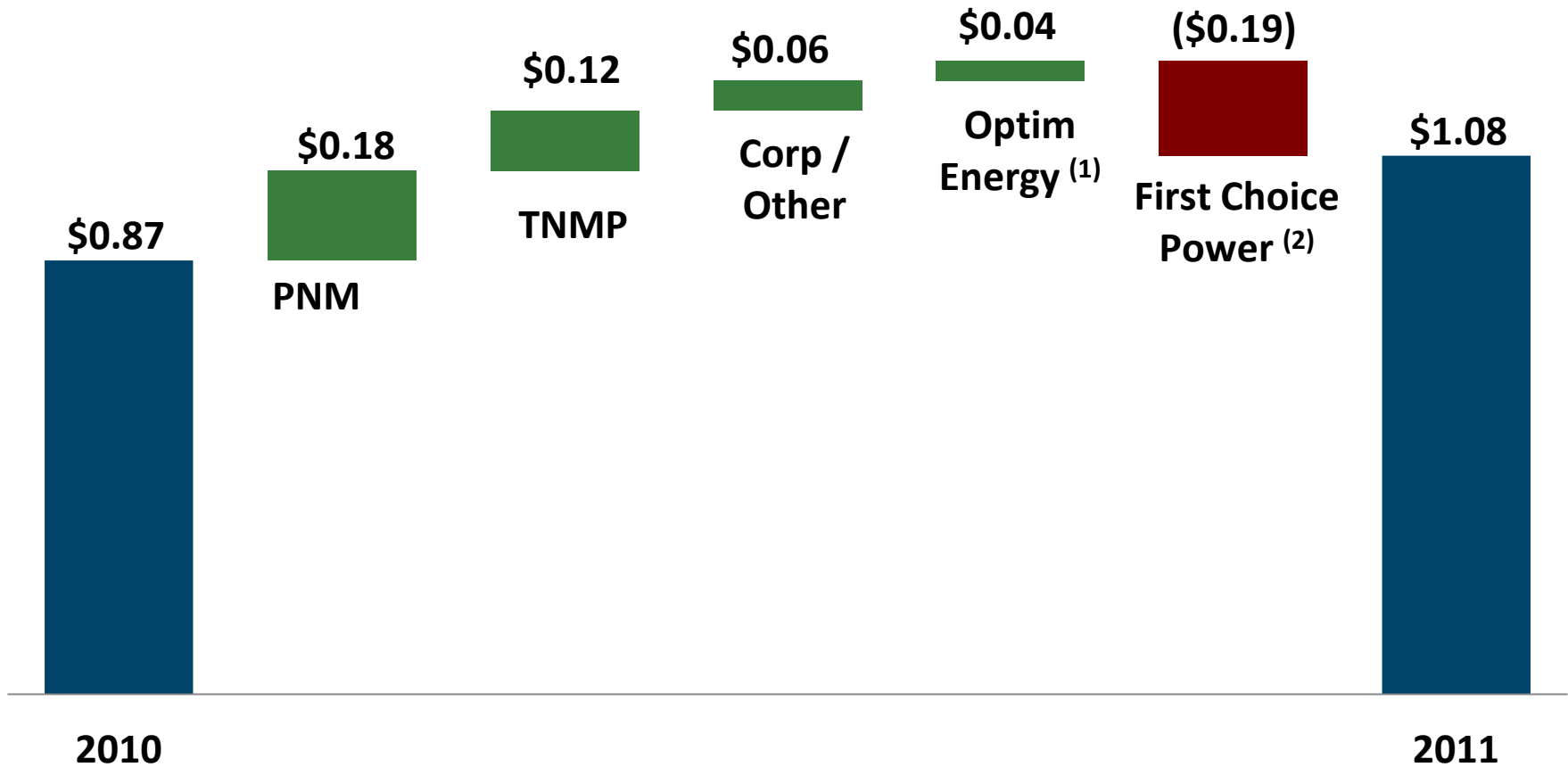
Financial Overview

Chuck Eldred

Executive Vice President and CFO

2011 Financial Summary

Ongoing EPS

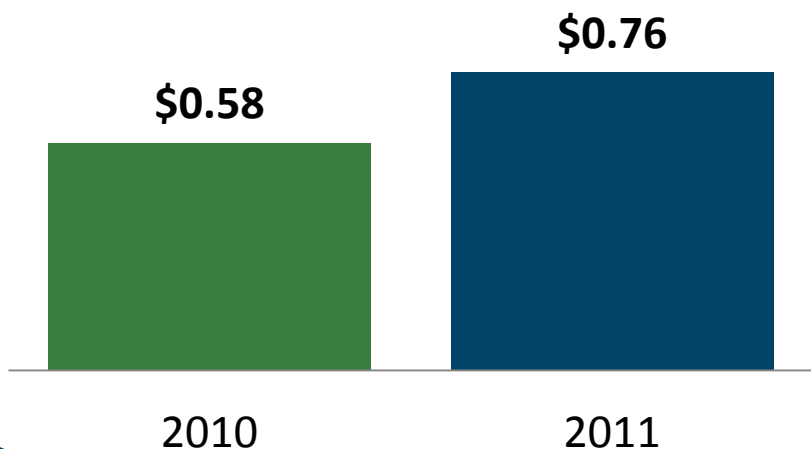


⁽¹⁾ Includes PNM Resources' share of Optim Energy's ongoing EPS through August 31, 2011

⁽²⁾ Includes results through October 31, 2011

PNM and TNMP: FY 2011 vs FY 2010 EPS (Ongoing)

PNM



2011 Key Performance Drivers	Δ EPS
Rate relief	\$0.21
Lower outage costs	\$0.10
Load	\$0.04
Weather	\$0.03
Cost control/O&M Reductions	\$0.02
PV Nuclear Decommissioning Trust	\$0.05
PV3 toll expiration	(\$0.27)

TNMP



2011 Key Performance Drivers	Δ EPS
Rate relief	\$0.08
Weather	\$0.03
Load	\$0.01

Dividend Increase

2012 Dividend:

\$0.58

Payout ratio:

46% ⁽¹⁾

Dividend yield:

3.3% ⁽²⁾

⁽¹⁾ Assumes mid-point of the 2012 guidance range

⁽²⁾ Based on 2/28/12 stock price of \$17.65

- The annual common stock dividend is raised by \$0.08
- Long-term target: 50% - 60% payout ratio
- The Board will continue to evaluate the dividend on an annual basis considering:
 - Sustainability and growth
 - Capital planning
 - Industry standards

Long-term goal: Provide top quartile total return to shareholders

- Total return goal currently at an average annual rate of 10% - 13% over a 5 year period ⁽¹⁾
- Earnings growth driven primarily by rate base growth paired with earning allowed returns
 - Timing of rate cases and capital spending may cause the earnings growth trajectory to vary year to year
- Sustainable and growing dividend

⁽¹⁾ Beginning in 2012

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

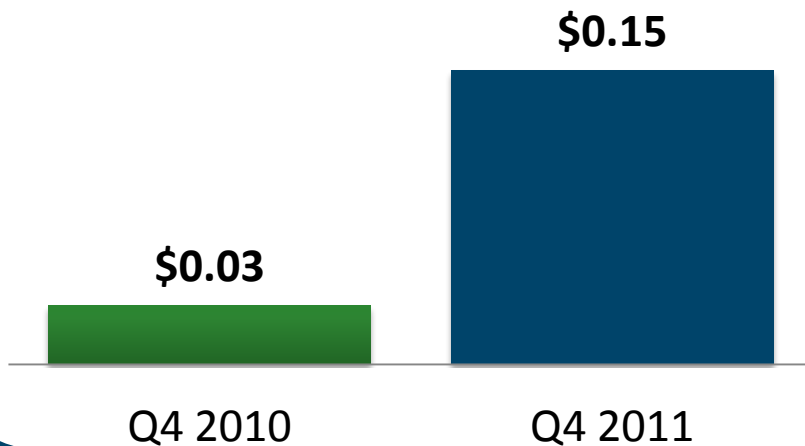
- Achieve successful outcomes in:
 - PNM future test year rulemaking
 - PNM FERC transmission rate case
 - PNM FERC generation rate case
 - PNM renewable rider
- Maintain strong electric reliability and power plant availability
- Control O&M and capital costs

Questions & Answers

Appendix

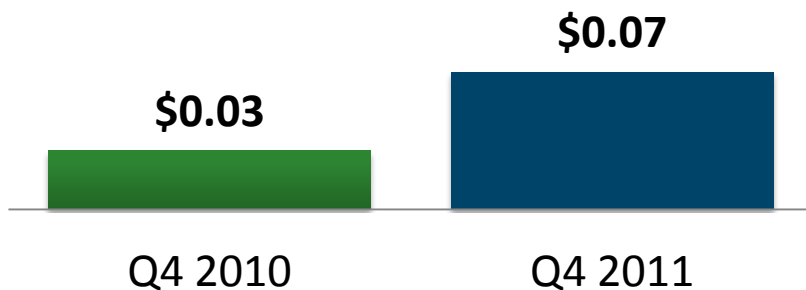
PNM and TNMP: Q4 2011 vs Q4 2010 EPS (Ongoing)

PNM



Q4 Key Performance Drivers	Δ EPS
Rate relief	\$0.12
Lower outage costs	\$0.02
Cost control/O&M Reductions	\$0.02
Load	\$0.01
Weather	\$0.01
PV3 toll expiration	(\$0.07)
Other	\$0.01

TNMP



Q4 Key Performance Drivers	Δ EPS
Rate relief	\$0.01
Weather	\$0.01
Other	\$0.02

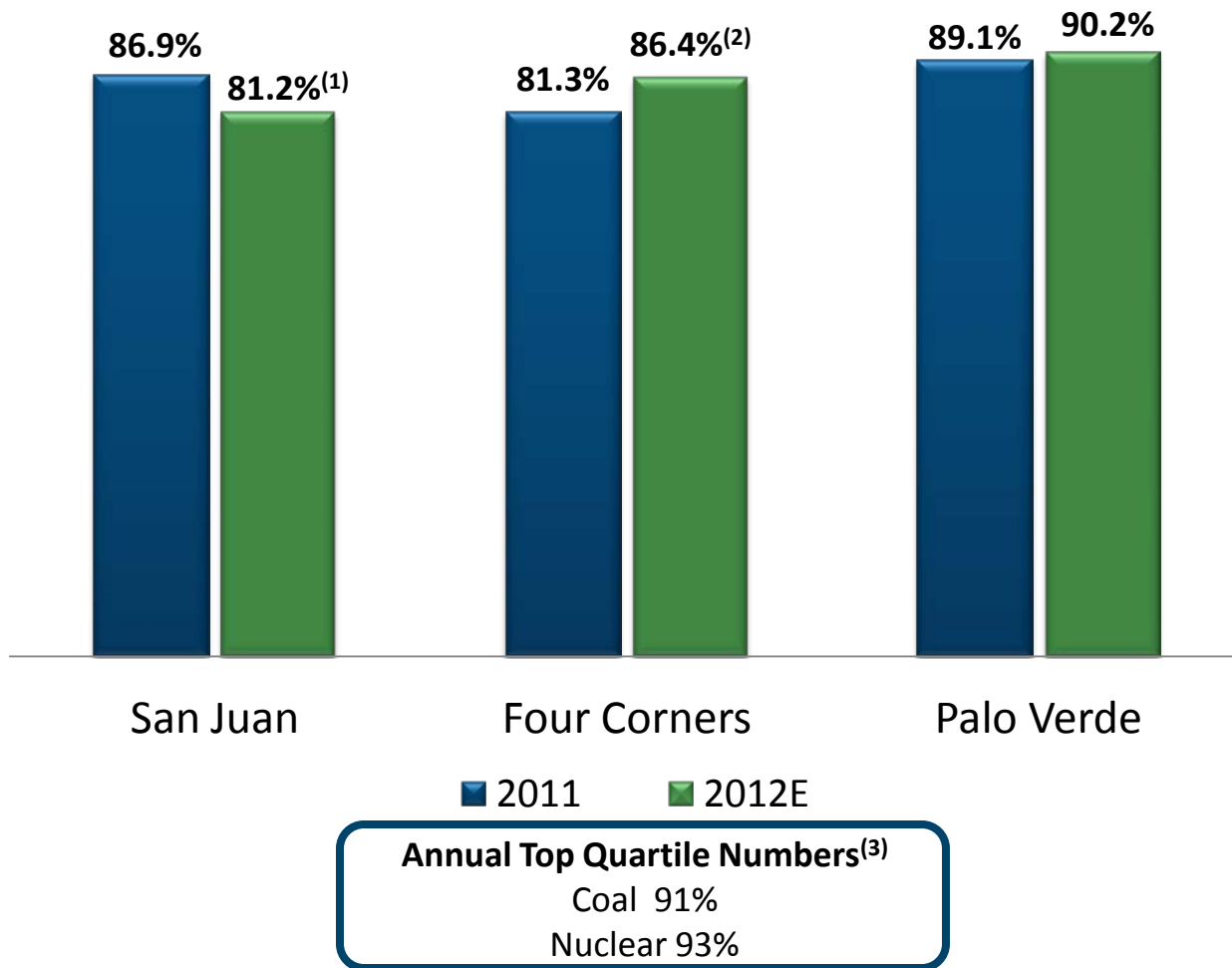
PNM Resources: FY 2011 vs FY 2010 EPS (Ongoing)

	Year ended Dec. 31, 2011	Year ended Dec. 31, 2010	Difference
PNM	\$0.76	\$0.58	\$0.18
TNMP	0.29	0.17	0.12
First Choice ⁽¹⁾	0.23	0.42	(0.19)
Optim Energy ⁽²⁾	(0.06)	(0.10)	0.04
Corporate and Other	(0.14)	(0.20)	0.06
Consolidated	\$1.08	\$0.87	\$0.21

⁽¹⁾ First Choice included through October 31, 2011

⁽²⁾ Optim Energy included through August 31, 2011

PNM Plant EAF and Outages



2012 and 2013 Outage Schedule

Unit	Duration in Days	Time Period
San Juan		
2	47	Q1 – Q2 2012
3	54	Q3 – Q4 2012
4	47	Q1 – Q2 2013
1	40	Q4 2013
Four Corners		
5	13	Q1 2012
4	21	Q2 2013
Palo Verde		
3	44	Q1 - Q2 2012
2	44	Q4 2012
1	40	Q1 – Q2 2013
3	42	Q3 – Q4 2013

⁽¹⁾ San Juan has one additional major plant outage scheduled in 2012 versus 2011

⁽²⁾ Four Corners has one less plant outage scheduled in 2012 versus 2011

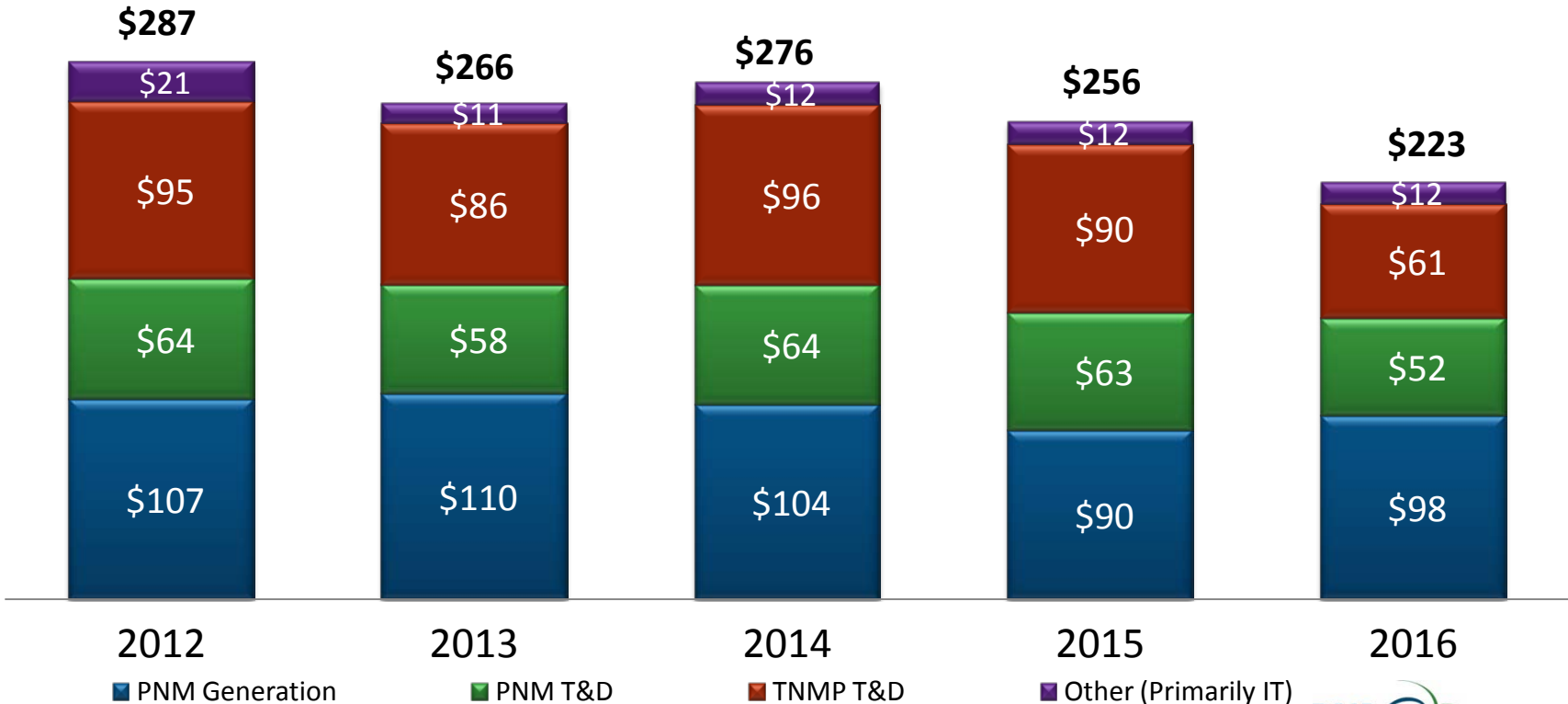
⁽³⁾ Annual top quartile number from the North American Electricity Reliability Council as of August 2011

PNM Resources 5-Year Capital Plan

2012 - 2016
Total Capital Plan: \$1.3B

Amounts do not include potential capital spending at PNM including SCRs, renewables and additional peaking capacity

(In millions)

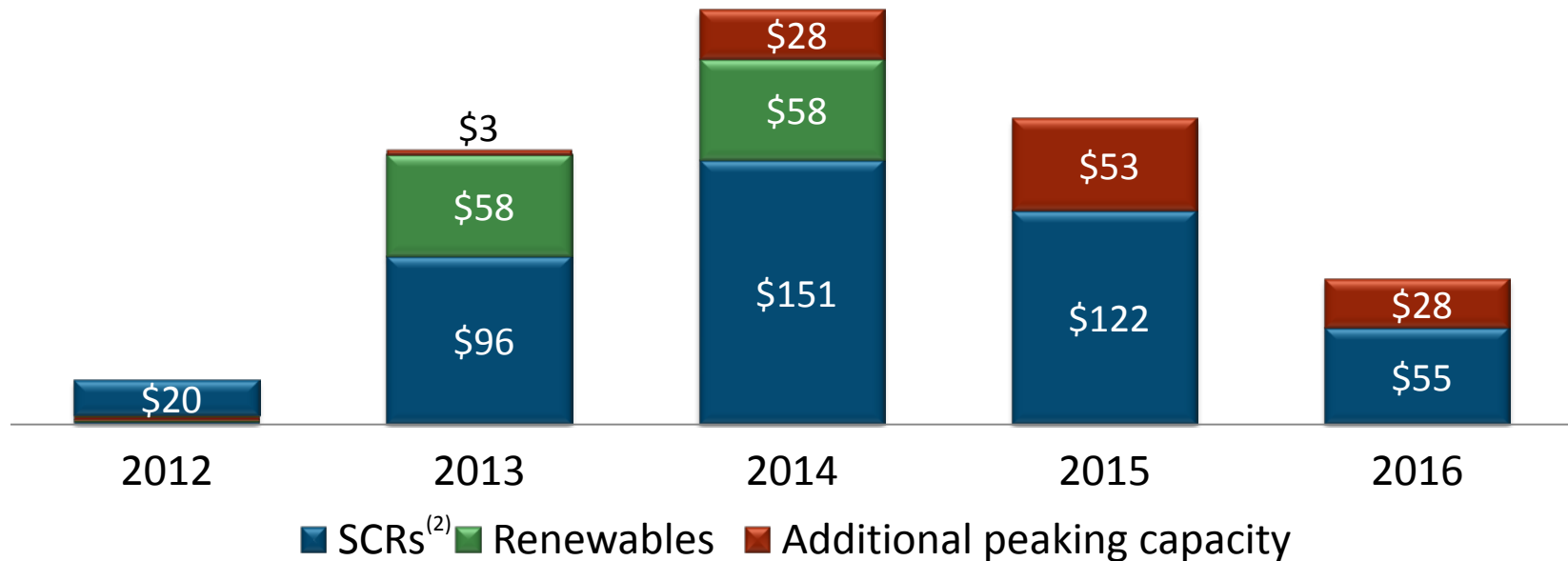


Amounts may not visually add due to rounding

PNM 5-Year Potential Capital Additions

2012 – 2016
Total Potential Capital⁽¹⁾: \$0.7B

(In millions)



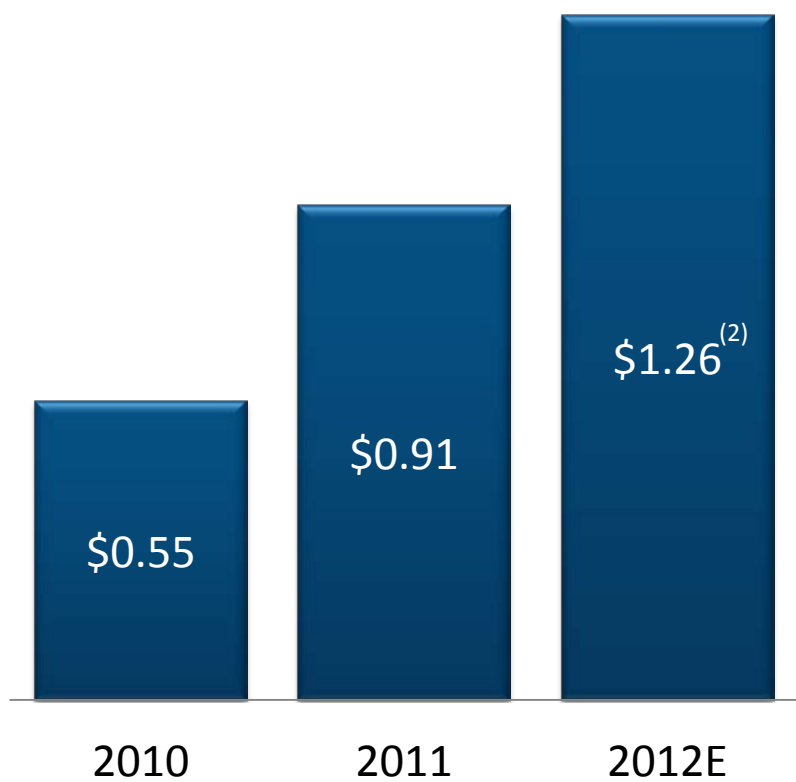
Amounts may not visually add due to rounding

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

⁽²⁾ PNM's portion of SCRs for San Juan and Four Corners

Earnings (Ongoing) and Dividend Trends

Earnings per Share⁽¹⁾ (Ongoing)



Dividends Per Share



⁽¹⁾ Results of ongoing earnings excluding First Choice Power and Optim

⁽²⁾ Represents mid-point of range

2012 Guidance (Ongoing)

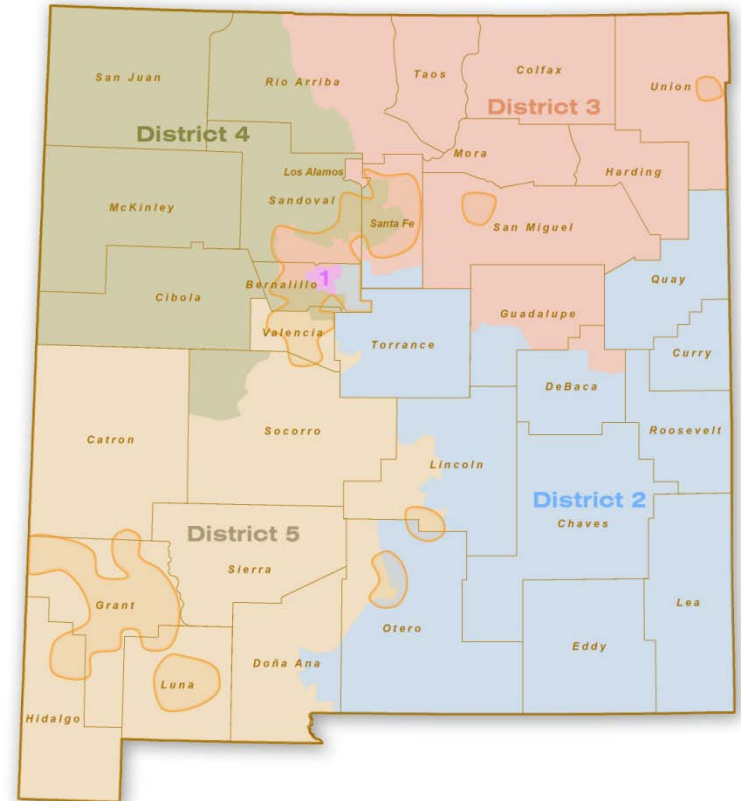


Regulatory Information

NMPRC Commissioners and Districts

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

**NMPRC Districts and
PNM Services Areas**



Utility Rate Base and Return

PNM	Test Period ⁽¹⁾	Rate Base in Filing	Projected 2012 Avg. Rate Base	% of Rate Base	Allowed Equity Ratio	ROE	Increase
Retail							
Current Rates	June 30, 2010	\$1.8B	\$1.8B	86%	51.28%	10.00%	\$72.1M
Renewables	July 31, 2012	\$68M	\$74M	4%	50.61%	10.00%	\$18.0M
FERC Transmission							
Current Rates ⁽²⁾	Dec. 31, 2011	\$156.2M	\$153M	7%	49.40%	12.25% ⁽⁴⁾	\$11.1M ⁽⁴⁾
FERC Generation ⁽³⁾							
Current Rates	Dec. 31, 2012 ⁽⁵⁾	\$67.6M	\$68M	3%	49.46% ⁽⁵⁾	11.00% ⁽⁵⁾	\$8.7M ⁽⁵⁾
TNMP	Test Period ⁽¹⁾	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

⁽¹⁾ Period is for the 12 months ending on stated date

⁽²⁾ Rates implemented June 1, 2011, subject to refund pending final order by FERC

⁽³⁾ 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

⁽⁴⁾ Supplemental testimony filed on September 12, 2011 reflects an 11% ROE, which would result in an increase of \$9.6M

⁽⁵⁾ Reflects the amount of annual increase filed with FERC under an 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 is effective April 14, 2012, subject to refund. Navopache has filed a protest with FERC. A-11

Balance Sheet and Credit Metrics

Selected Balance Sheet Information

(In millions)	Dec 31, 2010	Dec 31, 2011
Long-Term Debt (incl. current portion)		
PNM	\$1,055.7	\$1,215.5
TNMP	310.3	311.0
PNMR	199.8	147.5
Consolidated	\$1,565.8	\$1,674.0
Total Debt (incl. short-term) ⁽¹⁾		
PNM	\$1,245.7	\$1,281.5
TNMP	310.3	311.0
PNMR	231.8	164.2
Consolidated	\$1,787.8	\$1,756.7

⁽¹⁾ Excludes debt from affiliate

Tables may not appear visually accurate due to rounding

Liquidity as of Feb. 22, 2011

	PNM Resources	PNM	TNMP	PNM Resources Consolidated
Financing Capacity:	(In millions)			
Revolving Credit Facility	\$300.0	\$400.0	\$75.0	\$775.0
Local lines of credit (LOC)	5.0	-	-	5.0
Total Capacity	\$305.0	\$400.0	\$75.0	\$780.0
As of 2/22/12:				
Short-term debt and LOC balances	\$38.8	\$156.0	\$0.3	\$195.1
Remaining availability	266.2	244.0	74.7	584.9
Invested cash	0.6	-	-	0.6
Available liquidity as of 2/22/12:	\$266.8	\$244.0	\$74.7	\$585.5

Credit Ratings

Moody's

	PNMR	PNM	TNMP
Debt rating	Ba1 ⁽¹⁾	Baa3 ⁽¹⁾	A3 ⁽²⁾
Outlook	Stable	Stable	Stable

S&P

	PNMR	PNM	TNMP
Debt rating	BB ⁽¹⁾	BBB- ⁽¹⁾	BBB ⁽²⁾
Outlook	Positive	Positive	Positive

⁽¹⁾ Senior unsecured debt

⁽²⁾ Senior secured debt

Environmental Compliance

San Juan – BART Timeline

- **Proposed Federal Implementation Plan issued in January 2011**
 - Called for SCR technology on all four units within three years
 - PNM estimate of costs @ between \$750M - \$1B (total plant costs)
- **Proposed State Implementation Plan revisions filed with EPA in July 2011**
 - Called for SNCR technology
 - PNM estimate of costs @ ~\$77M (total plant costs)
- **Final BART determination issued Aug. 5, 2011**
 - Calls for installation of SCR technology on all four units within five years
 - PNM current estimate of costs is at least \$750M
 - Decision bypassed alternative technology (SNCR) approved by the state
 - PNM and others have challenged the EPA decision
 - 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
 - Also on Sept. 16, 2011 PNM asked EPA to stay the effective date of the rule pending judicial review
 - A Petition for Reconsideration with the EPA was filed on October 21, 2011. In this filing, PNM also asks EPA to stay the effective date of the rule pending EPA's review.
 - On October 21, 2011 Governor Martinez and the NM Environmental Dept also filed a Petition for Reconsideration with a request for a stay as well as a Petition for Review in the Tenth Circuit
 - WildEarth Guardians filed a Petition for Review of the EPA decision (based on the 5 year vs 3 year compliance schedule) in the Tenth Circuit
 - PNM Intervened in that proceeding
 - On October 17, 2011 several other environmental groups (EarthJustice, Sierra Club, Dine CARES, New Energy Economy and others) also filed a separate Petition for Review and were granted leave to intervene in PNM's appeal; PNM also was granted leave to intervene in their appeal
 - In November 2011, NMED, Governor Martinez and PNM filed Motions to Stay the effective date of the rule
 - Briefing on the Motions for Stay was completed on February 17, 2012 and we hope to have a ruling on the Motions in the next month or two
- **PNM issued RFP in January 2012 for the installation of SCR technology**

Environmental Control Equipment at Coal Units

Coal Unit	PNM Share Capacity (MW)	Activated Carbon Injection ⁽¹⁾	SNCR ⁽²⁾	SCR ⁽²⁾	Baghouse ⁽³⁾	Scrubbers
San Juan Unit 1	170	X			X	X
San Juan Unit 2	170	X			X	X
San Juan Unit 3	249	X			X	X
San Juan Unit 4	194	X			X	X
Four Corners Unit 4	97.5				X	X
Four Corners Unit 5	97.5				X	X

⁽¹⁾ 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.

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

⁽³⁾ 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
San Juan Generating Station		
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
Mercury Rules (proposed)	None to minimal	Testing shows 99% removal
Clean Water Act - 316(b) (proposed)	Minimal to some exposure	Performing analysis to determine cost of compliance
Four Corners (Units 4 and 5)		
Clean Air Act – Regional Haze - SCR	~\$69M	APS in negotiations with EPA
Mercury Rules (MACT) (proposed)	Slight exposure	APS evaluating options
Clean Water Act – 316(b) (proposed)	Minimal to some exposure	Performing analysis to determine cost of compliance
Palo Verde		
Clean Water Act – 316(b) (proposed)	None to minimal	Closed system