

# Investor Meetings



September 2013



# Contact Information and Safe Harbor Statement

## Investor Relations Contact Information

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## **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. For a discussion of risk factors and other important factors affecting forward-looking statements, please see the Company's Form 10-K and Form 10-Q filings with the Securities and Exchange Commission, which are specifically incorporated by reference herein.

## **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>

# Strategic Overview

# PNM Resources Overview

**NYSE Ticker** PNM  
**Market Cap** \$1.7B



- Energy holding company
- Based in Albuquerque, New Mexico, USA



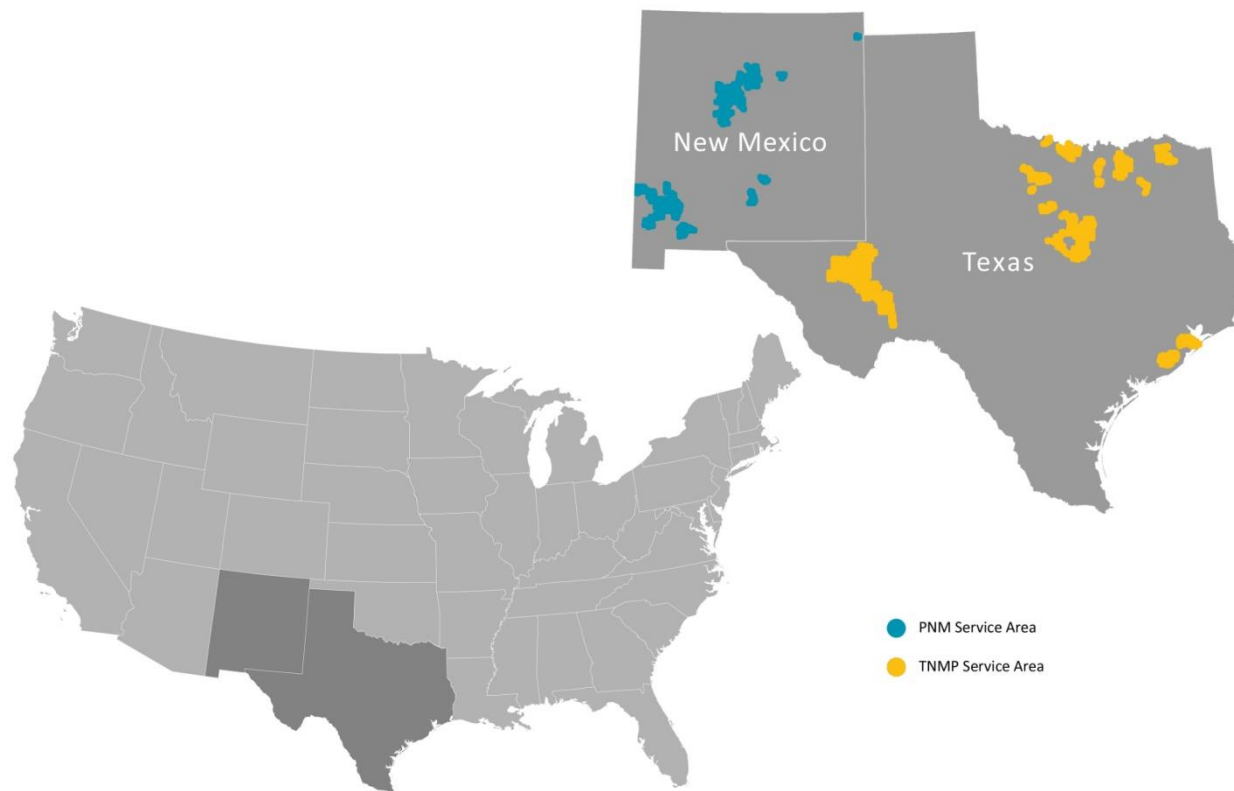
- Located in New Mexico
- 505,600 customers
- 14,663 miles transmission and distribution lines
- 2,538MW generation capacity
- Top quartile reliability
- Affordable rates



- Located in Texas
- 233,000 end-users
- 9,109 miles transmission and distribution lines
- Top quartile reliability
- Affordable rates

**PNM Resources is a regulated electric utility holding company focused on providing a top quartile total return to shareholders**

## Service Territories



# PNM Resources Strategic Direction

## Strategic Goals

Earn Authorized Return on  
our Regulated Businesses

Continue to Improve Credit  
Ratings

Provide Top Quartile Total  
Return

2011

Repositioned as a  
pure-play electric  
utility through  
competitive  
business exit

2012 - 2013

Efficient execution  
of strategic  
redirection of  
business

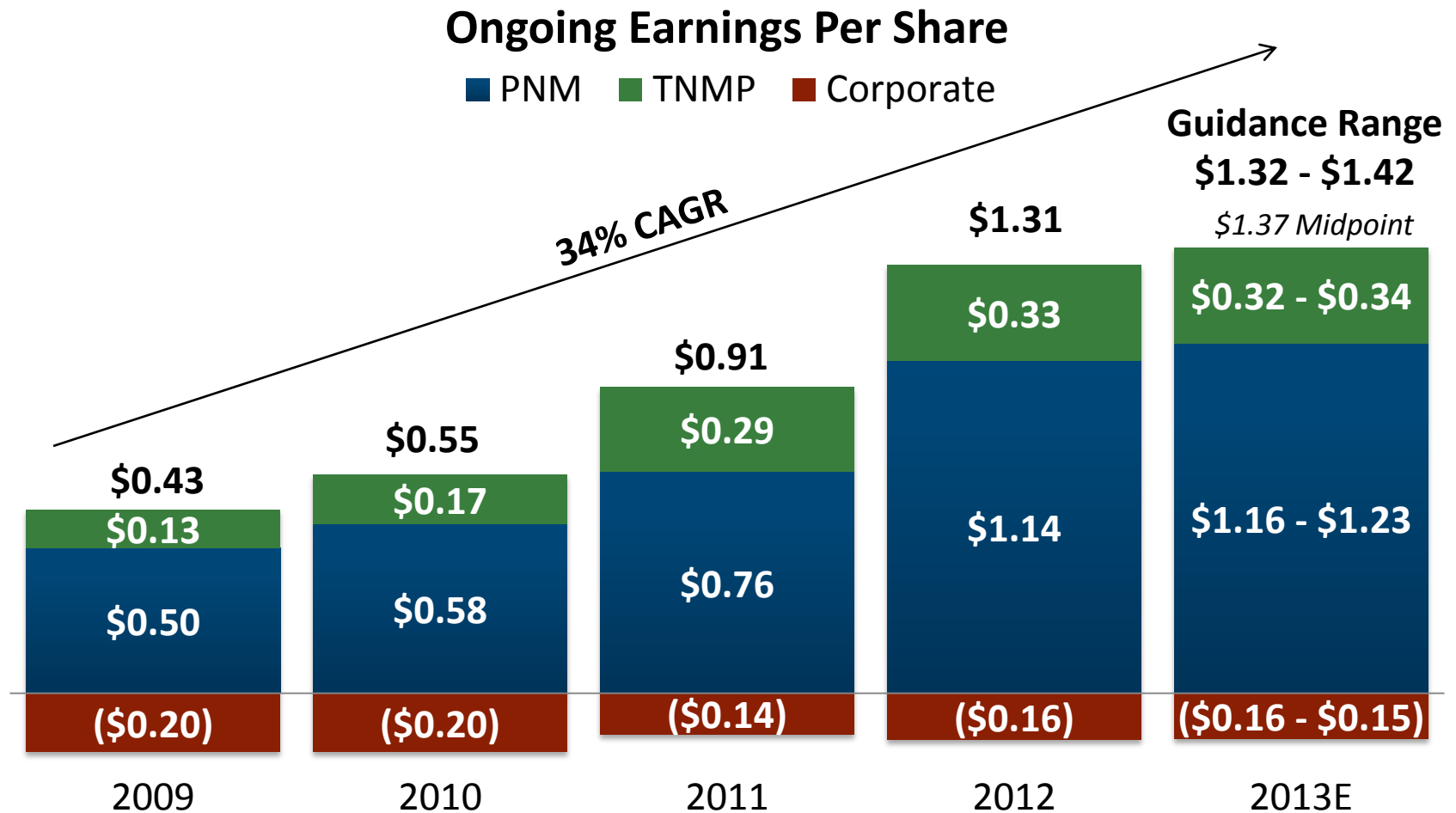
2012 - 2013

Strategic shift and  
regulatory successes  
strengthened  
financial position

Future

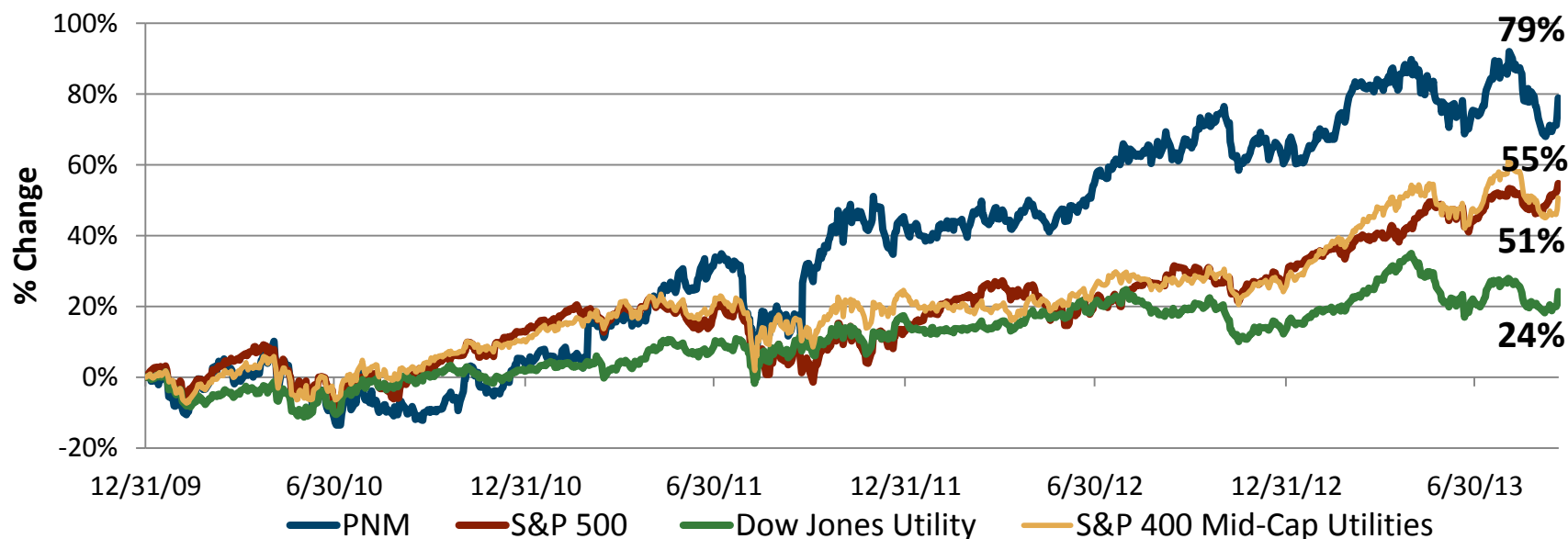
Well positioned for  
above average EPS  
and dividend growth

# Ongoing Earnings Per Share Improvement



# Market Reaction to Management Actions

**PNM Stock Price has improved 79%<sup>(1)</sup> since 2009**



## Credit Ratings

Moody's			S&P		
	2008	2013		2008	2013
PNMR <sup>(2)</sup>	Ba2	Ba1	PNMR <sup>(2)</sup>	BB-	BBB-
PNM <sup>(2)</sup>	Baa3	Baa3	PNM <sup>(2)</sup>	BB+	BBB
TNMP <sup>(3)</sup>	N/A	A3	TNMP <sup>(3)</sup>	BB+	A-
Outlook	Negative	Positive	Outlook	Negative	Stable

<sup>(1)</sup> As of 9/18/13.

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

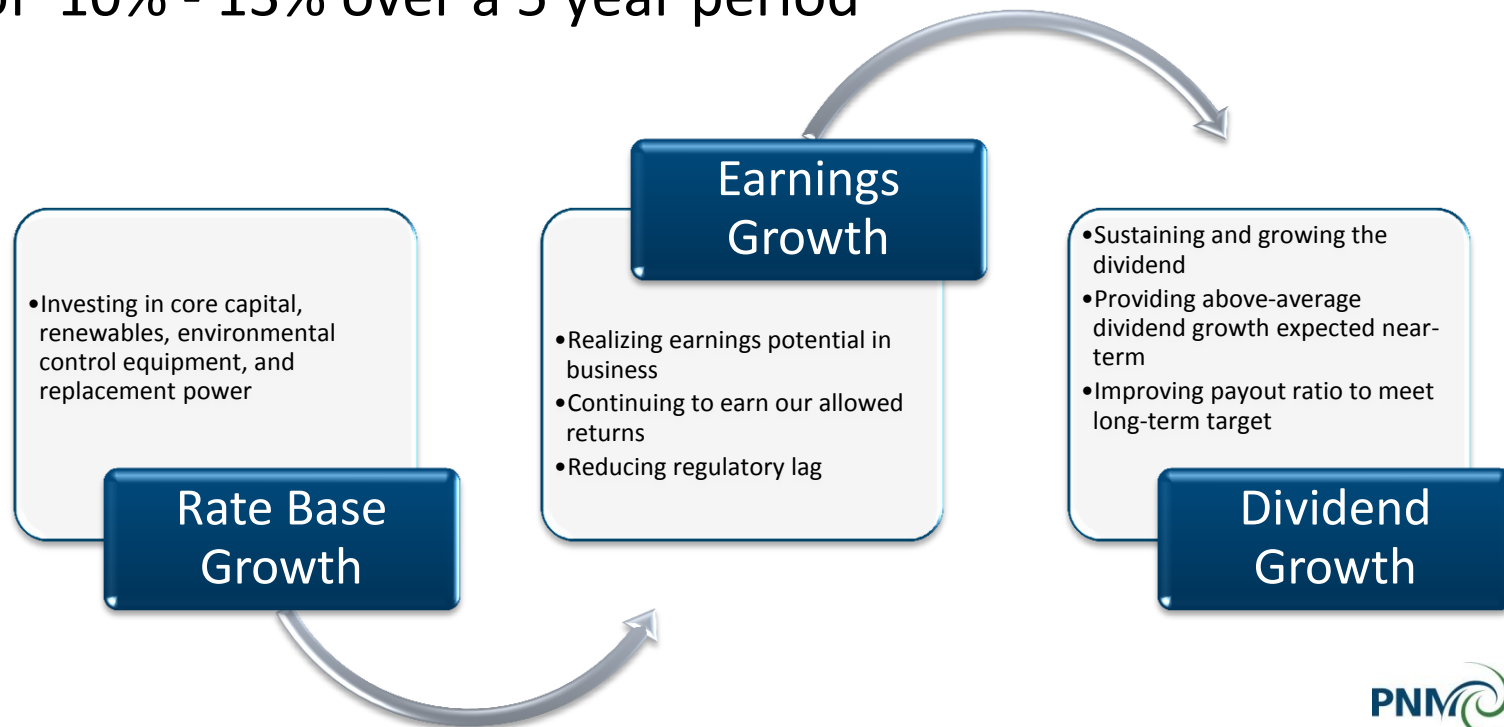
<sup>(3)</sup> Senior secured

# Delivering Top Quartile Returns

## ***Long-term goal:***

### ***Provide top quartile total return to shareholders***

- Total return is 5-year ongoing EPS growth + 5-year average dividend yield
- Top quartile total return currently equal to an average annual rate of 10% - 13% over a 5 year period<sup>(1)</sup>



<sup>(1)</sup> Beginning in 2012



# Rate Base Growth: Sources of Core Rate Base Growth

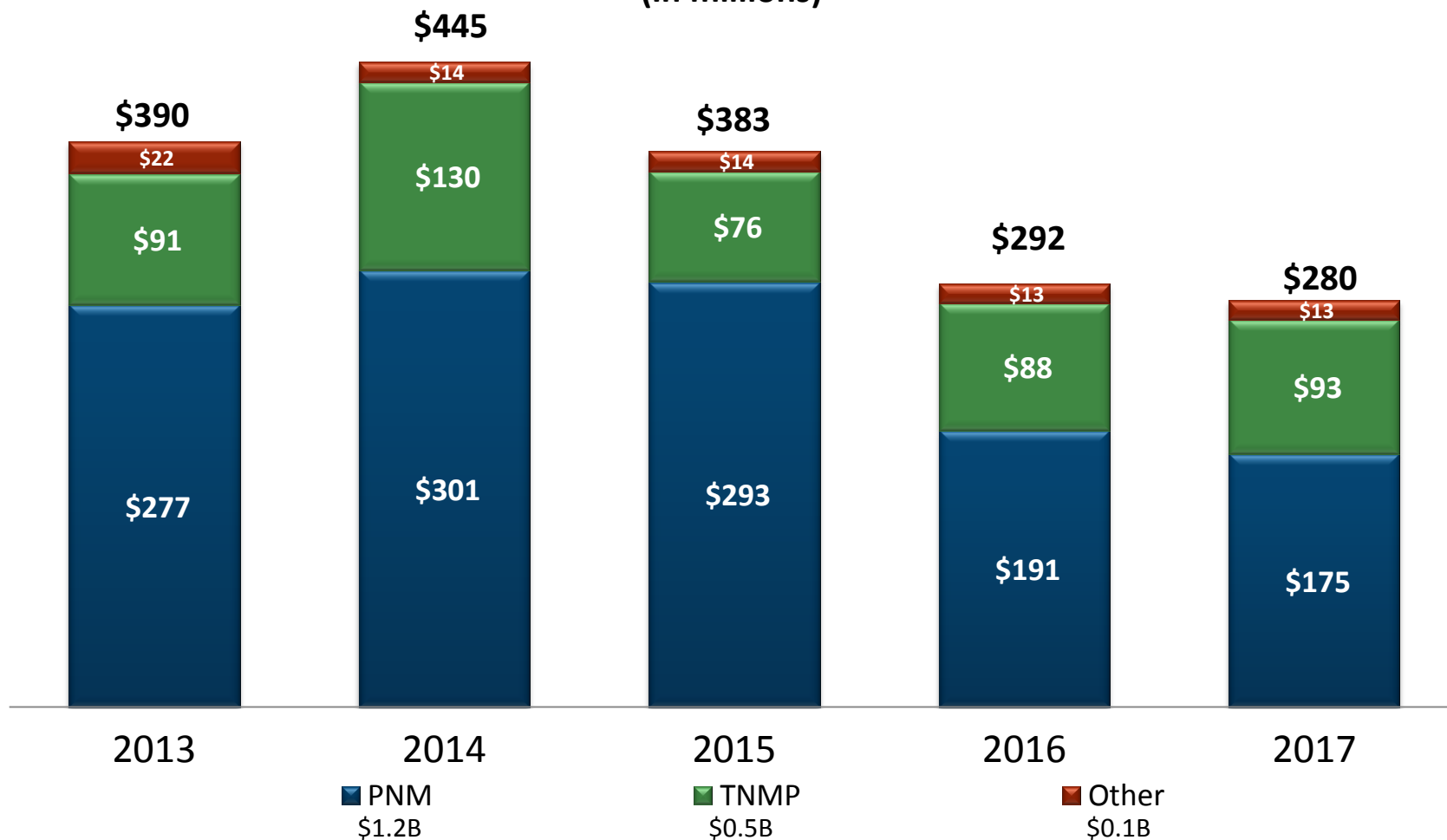
2013 – 2017 Core Capital Plan: \$1.8B

2013 Expected Depreciation: \$154M

PNM Rate Base CAGR: 2% - 3%

TNMP Rate Base CAGR: 7% - 9%

(In millions)



San Juan environmental capital spend and any replacement generating capacity excluded from core capital.  
No equity issuance is planned.

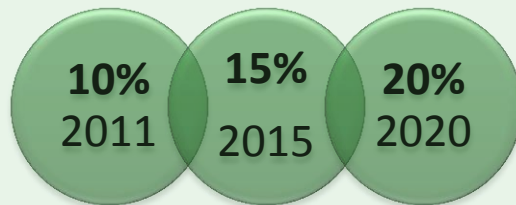
Amounts may not add due to rounding

# Rate Base Growth: Investment in Renewable Energy

## New Mexico Renewable Energy Act

- Streamlined proceedings for approval of utilities' renewable energy procurement plans
- Provides for recovery of program costs under approved procurement plan

## Portfolio Standards as a % of Retail Sales



*Renewable investments make up 8% of PNM's 5-year core capital rate base growth.*

## Renewable Rider Collection Methodology

- Recovery of renewable investments and REC purchases through Renewable Energy Rider

## Wind

### New Mexico Wind Energy Center

- 204 MW
- 136 turbines
- Purchase power agreement with NextEra Energy

## Solar

- 22MW PNM-owned facilities currently in service
- Solar battery storage facility
- Customer-owned solar facilities

## 2013

### 2013 Renewable Procurement Plan

- Construction of 20MW additional owned solar capacity
- 10 MW geothermal purchase power agreement
- Additional customer-owned solar facilities

## 2014

### 2014 Renewable Procurement Plan

- Purchase power agreement with NextEra Energy
- Construction of 23MW additional owned solar capacity
- Additional customer-owned solar facilities

# Rate Base Growth: Environmental Control Investment

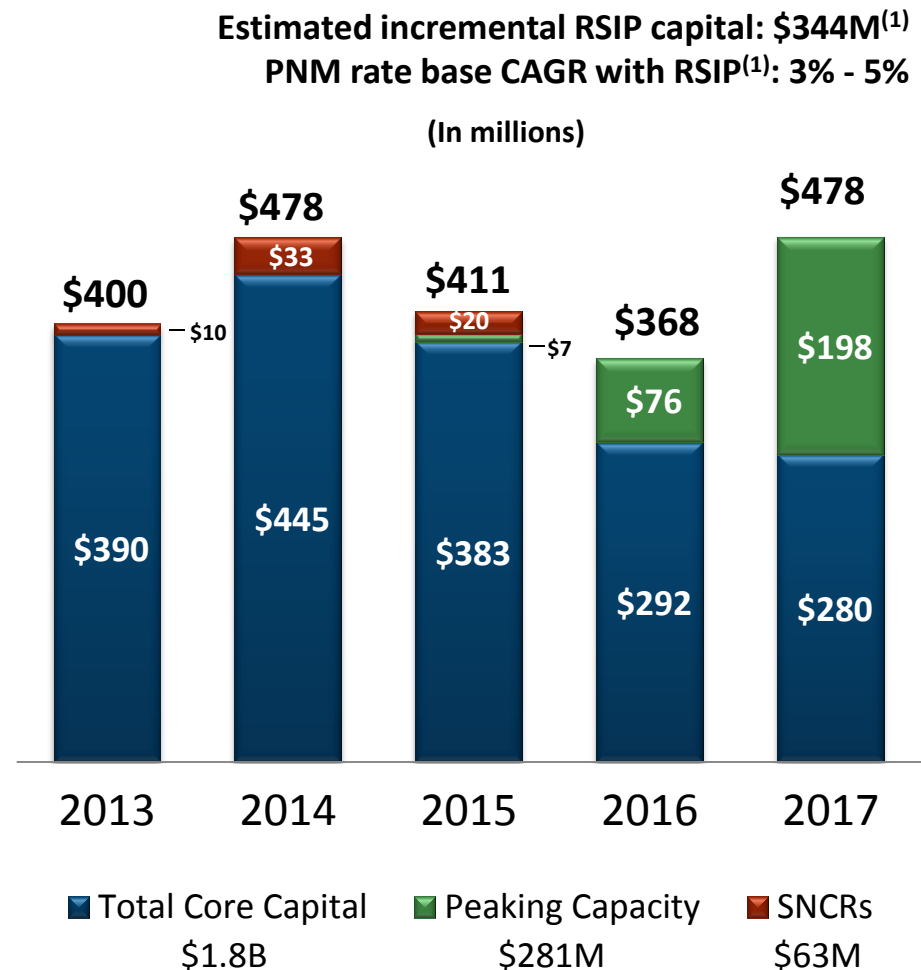
## The U.S. Environmental Protection Agency's (EPA) Clean Air Act requires regional haze reduction near national parks

- Compliance should be achieved through Best Available Retrofit Technology (BART)
- San Juan Generating Station's alternative for BART compliance:
  - Revised State Implementation Plan (RSIP)
    - Shut down units 2 and 3 by year-end 2017
    - Install Selective Non-Catalytic Reduction (SNCR) technology on units 1 and 4 by early 2016
    - Recently approved by the NM EIB

Action Item	Expected Start	Expected Completion
EPA review and approval of RSIP	Q4 2013	Q4 2014
NMPRC approval for retirement and replacement power	December 2013	Q4 2014 – Q1 2015
SNCR construction	Q1 2015	Q1 2016
Units 2 & 3 shut down		December 31, 2017

# Rate Base Growth: Sources of Potential BART Rate Base Growth

- Potential options to replace 340 MW:
  - Peaking capacity
    - 150-200 MW gas peaker
    - 40 MW gas peaker
  - Base load<sup>(1)</sup>
    - 134 MW nuclear capacity at Palo Verde 3 or
    - Additional gas generation



<sup>(1)</sup> Base load replacement power is not included in the \$344M of capital spend

Amounts may not add due to rounding

# Earnings Growth: Today's Base Potential Earnings Power

*Minimizing regulatory lag, improving market prices, and reducing Corporate debt could improve current EPS by \$0.15 to \$0.24 without rate base growth*

	2013 Rate Base	Mid Point Guidance Range		Potential Earnings Power			Growth Potential EPS	Potential Achievement
		Return	EPS	Allowed Return	Allowed Equity Ratio	Resulting EPS		
PNM Regulated Business								
PNM retail and renewables <sup>(1)</sup>	\$1.9B	10%	\$1.21	10%	50% - 51%	\$1.21		
FERC Transmission	\$150M	8%	\$0.07	9%–10%	52%	\$0.08–\$0.09	\$0.01–\$0.02	2015
FERC Generation	\$69M	4%	\$0.02	9%–10%	50%	\$0.04–\$0.05	\$0.02–\$0.03	2015 <sup>(2)</sup>
Costs not included in rates <sup>(3)</sup>			(\$0.03)			(\$0.03)		
PV3 Unregulated Generation			(\$0.07)			(\$0.07)–\$0.00	\$0.00–\$0.07	See Note 4
TNMP	\$561M	10%	\$0.33	10%	45%	\$0.33		
Corporate/Other			(\$0.16)			(\$0.04) <sup>(5)</sup>	\$0.12	2016
Total	\$2.7B		\$1.37			\$1.52–\$1.61	\$0.15–\$0.24	

<sup>(1)</sup> Renewable rate rider implemented on August 20, 2012.

<sup>(2)</sup> FERC Generation's potential achievement would occur with the resolution of new long term rates for the Gallup contract, the full impact of which would be achieved in 2015.

<sup>(3)</sup> Consists primarily of certain incentive compensation and pension-related costs associated with the sale of PNM Gas.

<sup>(4)</sup> The potential earning range assumes a price of \$34 to \$42 per MWh.

<sup>(5)</sup> PNM Resources holding company 9.25% debt matures May 15, 2015. From time to time, the company may buy back debt prior to maturity.

This table is not intended to represent a forward-looking projection of earnings.

# Dividend Growth: Strong Dividend Growth Potential

**2013 Dividend:**

**\$0.66**

**Payout ratio:**

**48% <sup>(1)</sup>**

**Dividend yield:**

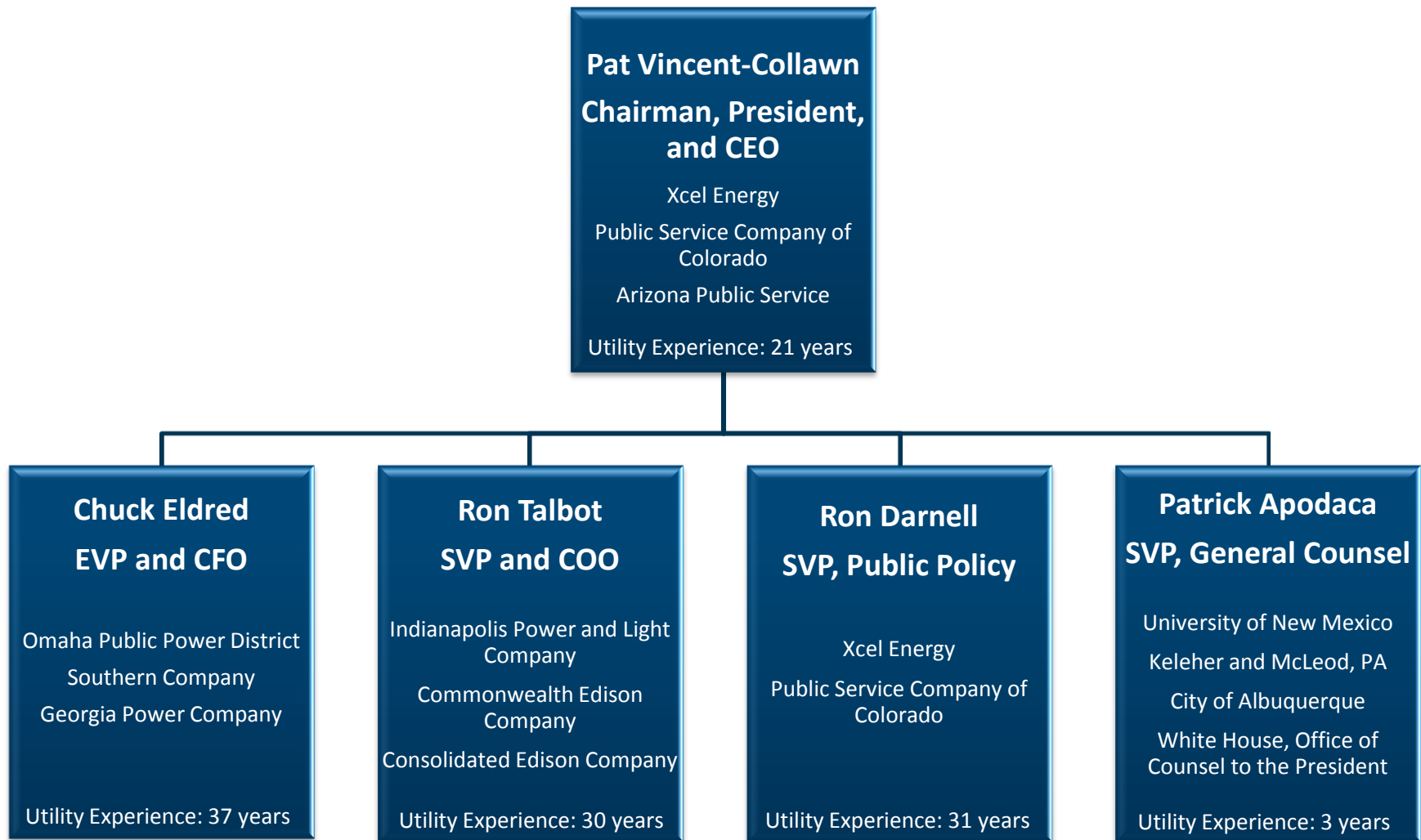
**2.9% <sup>(2)</sup>**

<sup>(1)</sup> Assumes mid-point of the 2013 guidance range

<sup>(2)</sup> Based on 9/19/13 stock price of \$22.47

- The annual common stock dividend was raised by 14% on February 28, 2013
- Long-term target: 50% - 60% payout ratio
  - Above average dividend growth expected
- The Board will continue to evaluate the dividend considering:
  - Sustainability and growth
  - Capital investment needs
  - Industry standards
- Annual dividend review has been moved to December
  - Expect a comparable dividend increase that will allow us to achieve our target payout ratio

# Leadership Team



# PNM Overview

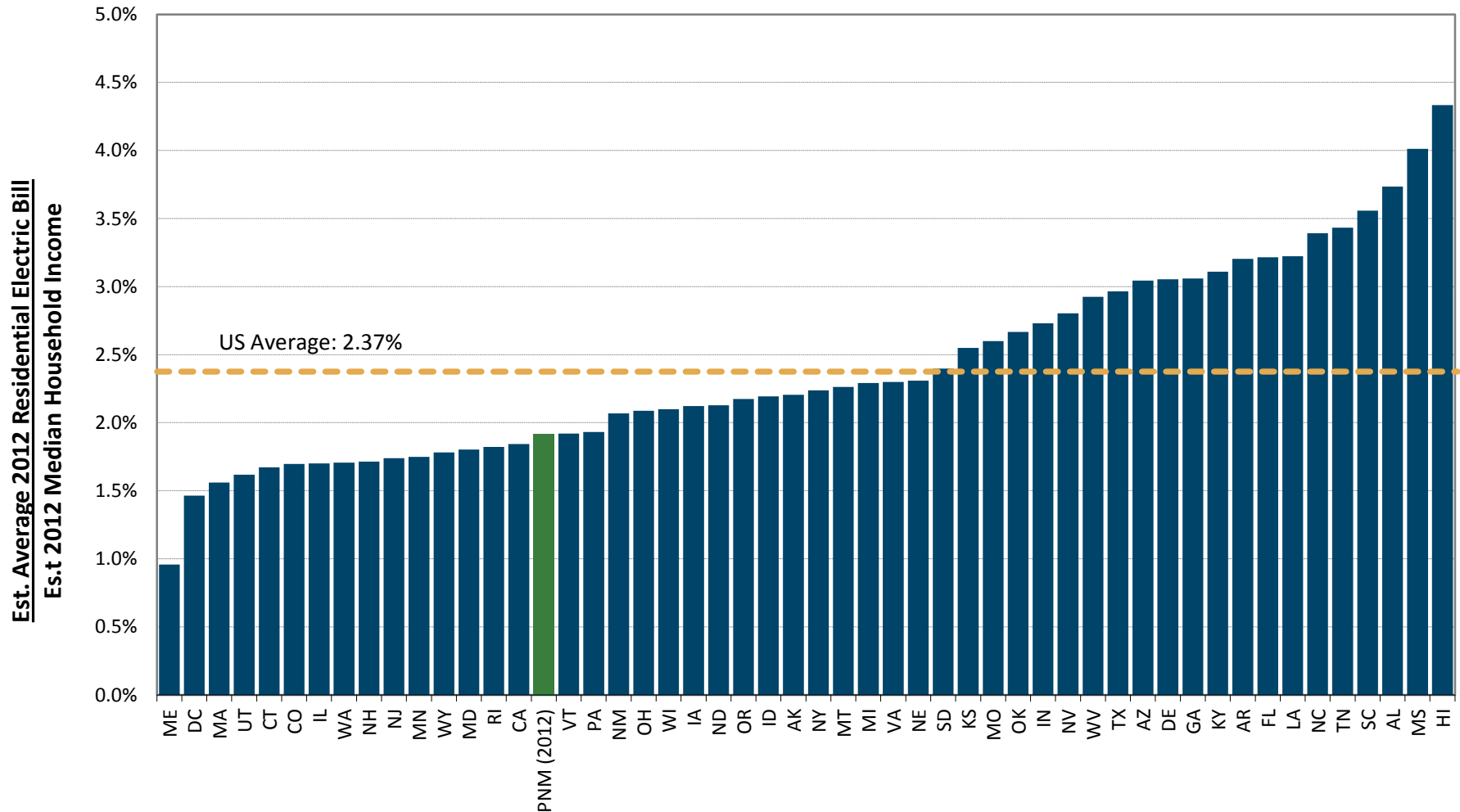


# PNM: Recent Accomplishments

## Significant progress has been made to improve PNM's financial health

- Increasing credit rating
  - S&P credit rating raised to BBB; Moody's outlook moved to positive
- Earning our allowed return at PNM Retail
  - Retail rates increased \$72M in August of 2011
  - Retail Renewable Rider implemented in August of 2012
    - Expected 2013 revenue is \$22.7M with rates reset annually
  - Improving regulatory environment in New Mexico
    - Future Test Year construct in place
    - Qualification requirements enacted for future NMPRC Commissioners
- Improving FERC regulatory outcomes
  - FERC Generation settlement with Navopache Electric increased rates by \$5.3M
  - FERC Generation interim contract with City of Gallup will increase contract year revenues by \$3.1M
  - FERC Transmission transition to formula rates requested 2012
    - Results in requested increase of \$1.3M

# PNM Rates Compare Favorably in the United States



Sources: EIA Form 861, US Census Bureau, PNM Filing Data

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

# PNM Energy Efficiency

## NM Efficient Use of Energy Act

- Requires cumulative savings of 5% of load (based on 2005) by 2014
  - 411 GWh is PNM's required cumulative energy efficiency savings
  - 271 GWh in savings has been achieved through the end of 2012

## Energy Efficiency Rider

- Recovery of approved program costs and utility incentive collected through rate rider
  - Currently collecting \$16 M in program costs and \$1.8 M in utility incentive

## Current Energy Efficiency Program

- Residential Lighting 40%
- Refrigerator Recycling 8%
- Commercial Small Business 15%
- Commercial Comprehensive 31%
- Other 6%

## Annual Environmental Benefits

- Equivalent to annual emissions from 8,272 passenger vehicles
- Equivalent to power required for 11,017 homes for one year
- Annual avoided water: 28,317,554 gallons

# Significant Strides with Historical Environmental Upgrades

## San Juan Generating Station Major Environmental Upgrade

PNM completed a four-year, \$320M environmental upgrade to install environmental controls in 2009

Most significant upgrade in plant's history

Reduces four main plant emissions of NO<sub>x</sub>, SO<sub>x</sub>, particulate matter, and mercury

## Environmental Upgrade Results Reduction Since 2006

NO<sub>x</sub> Emissions: 44%

SO<sub>2</sub> Emissions: 71%

Particulate Matter: 72%

Mercury Emissions: 87%

Mercury Removal: 99%

## Additional Estimated Reduction Results Following RSIP Implementation

NO<sub>x</sub> Emissions: 62%

SO<sub>2</sub> Emissions: 67%

Particulate Matter: 50%

Mercury Emissions: 50%

Mercury Removal: 99%

# PNM Load Growth and Economic Conditions

## Regulated Retail Energy Sales

Comparison of 2013 vs. 2012  
(weather-normalized and leap-year adjusted)

PNM	Q2 2013 vs. Q2 2012	YTD 2013 vs. YTD 2012
Residential	(2.9%)	(1.8%)
Commercial	2.0%	0.3%
Industrial	(4.1%)	(5.1%)
<b>Total Retail</b>	<b>(0.6%)</b>	<b>(1.2%)</b>

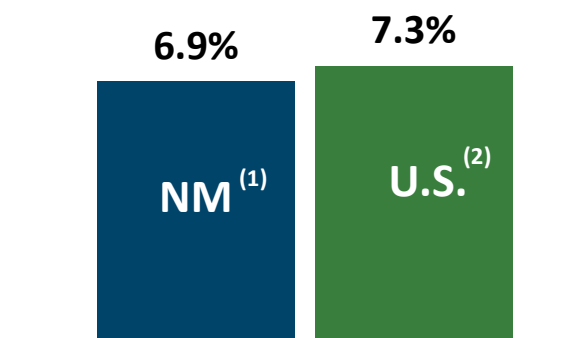
### 2013 Load Forecast

0.0% - (1.0%)

### 2013 YTD Average Customer Growth

0.5%

## Unemployment Rate



## Positive Economic Indicators

- GRT (sales tax equivalent) collections have increased for 3 consecutive months as of May 2013
- Residential building permit growth of 16% on a 12-month rolling average as of July 2013
  - PNM hit record peak demand level of 2,008 MW on June 27, 2013

<sup>(1)</sup> U.S. Bureau of Labor Statistics, July 2013

<sup>(2)</sup> U.S. Bureau of Labor Statistics, August 2013

PNM data excludes Economy Service customers

# PNM: Pathway to Continued Success

- Continue to earn allowed return
  - Minimize regulatory lag through timely rate case filings
  - Synchronize revenues and expenses
  - Use future test year
  - Balance future rate increases for customers while ensuring the appropriate return is earned for our shareholders
- Continue to strengthen investment grade credit metrics
- Continue to control costs

# TNMP Overview

# TNMP: Recent Accomplishments

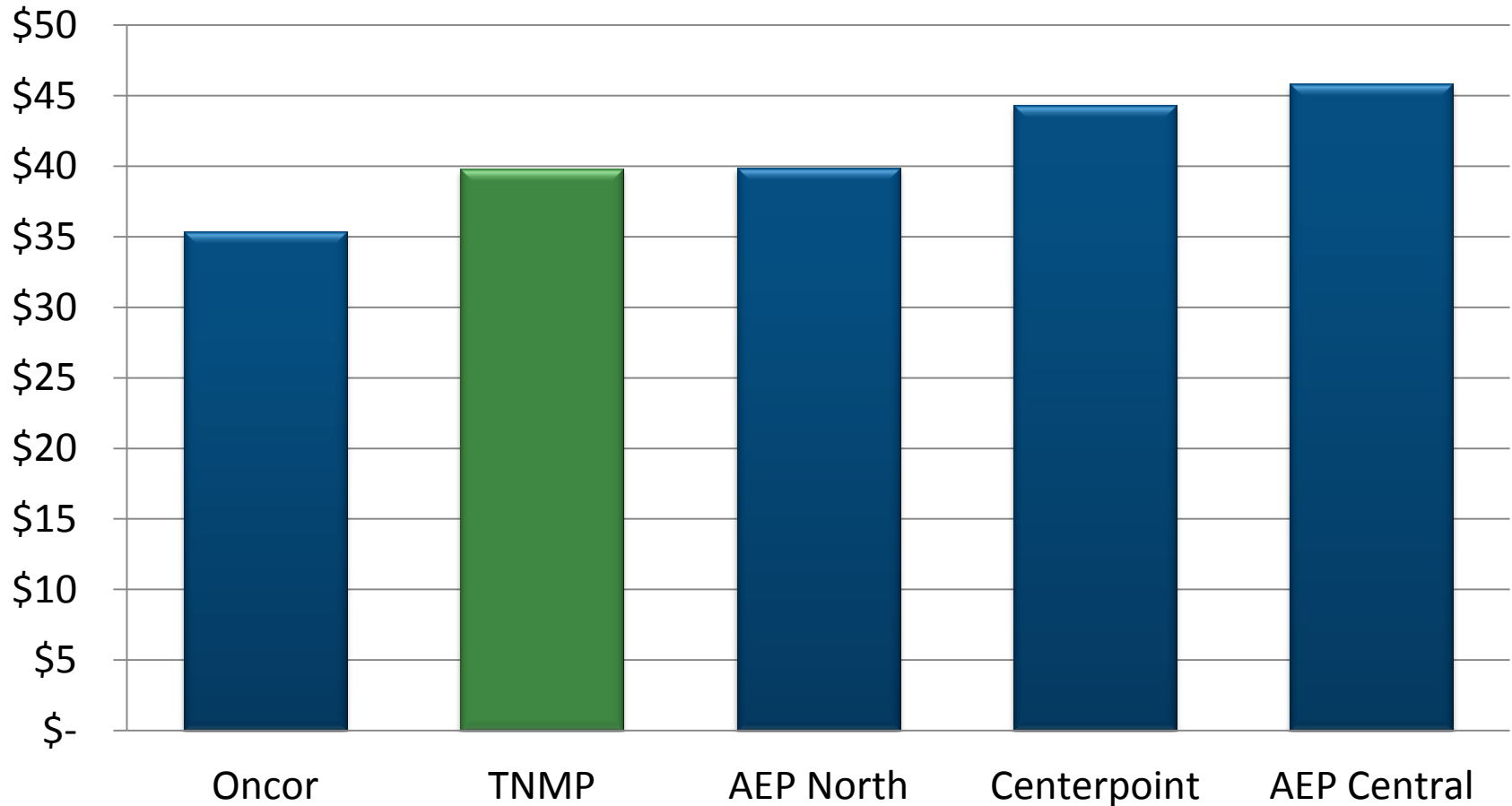
## **Constructive Texas regulatory framework provides solid earnings potential**

- Consolidated Tax Savings Adjustment policy reform approved
- S&P Credit rating increased to A-; Moody's outlook increased to positive
- General rate case settlement resulting in a rate increase of \$10.25M in February 2011
- Smart meter rider approval in July 2011 led to implementation of \$12M surcharge
- Energy efficiency program costs collected through Energy Efficiency Cost Recovery Factor
  - TNMP has achieved performance bonuses in 2010, 2011, and 2012
- TCOS and DCOS filings provide the ability to recover transmission and distribution cost of service investments on a timely basis
  - TNMP's latest TCOS filing requesting additional revenue of \$2.8M was approved with rates in place September 17, 2013



# TNMP Rates Compare Favorably in Texas

## Residential Total Wires Charge for 1,000 kWh



Source: TDU tariffs for retail delivery service, as of March 31, 2013.

# TNMP Energy Efficiency

## Public Utility Regulatory Act

- Establishes annual demand savings goals for electric utilities
  - 30% reduction of peak demand growth, subject to customer rate caps, is TNMP's 2013 goal
  - 5.1 MW targeted savings to achieve in 2013

## Energy Efficiency Cost Recovery Factor (EECRF)

- Recovery of program costs through rate rider
- 2012 performance bonus of \$650k was calculated as a percentage of net benefits

## Current Energy Efficiency Program

- Residential Programs 60%
- Commercial Programs<sup>(1)</sup> 36%
- Load Management Programs 4%

## Annual Environmental Benefits<sup>(2)</sup>

- Equivalent to annual greenhouse gas emissions from 1,944 passenger vehicles
- Equivalent to CO<sub>2</sub> emissions from 1,406,277 gallons of gasoline
- Equivalent to enough electricity use for 1,397 homes for one year

<sup>(1)</sup> Not including Load Management

<sup>(2)</sup> Based on projected kWh savings

# TNMP Load Growth and Economic Conditions

## Regulated Retail Energy Sales

Comparison of 2013 vs. 2012  
(weather-normalized and leap-year adjusted)

TNMP	Q2 2013 vs. Q2 2012	YTD 2013 vs. YTD 2012
Residential	(8.2%)	(2.8%)
Commercial	12.8%	7.5%
<b>Total Retail</b>	<b>(0.1%)</b>	<b>0.9%</b>

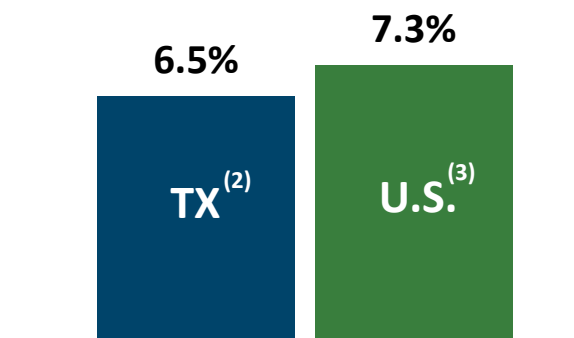
### 2013 Load Forecast

1.0% - 3.0%

### YTD 2013 Average Customer Growth

0.9%

## Unemployment Rate



## Positive Economic Indicators

- Dallas and Houston employment and GDPs rank in top 10 of US metros
- Residential building permit growth of 15% on a 12-month rolling average as of July 2013
- 34,000 new jobs created in Texas in June and July 2013

<sup>(1)</sup> U.S. Bureau of Labor Statistics, July 2013

<sup>(2)</sup> U.S. Bureau of Labor Statistics, August 2013

TNMP data excludes Transmission Service end-users

## TNMP: Pathway to Continued Success

- Continue to earn allowed rate of return through timely execution of general rate case filings and use of transmission and distribution cost of service filings
- Invest in the business
- Retain solid credit metrics
- Continue to control costs

# Financial Overview

# Selected Balance Sheet Information

(In millions)	Dec 31, 2012	Jun 30, 2013
<b>Long-Term Debt (incl. current portion)</b>		
PNM	\$1,215.6	\$1,290.6
TNMP	311.6	336.2
Corporate/Other	145.1	136.9
Consolidated	<b>\$1,672.3</b>	<b>\$1,763.7</b>
<b>Total Debt (incl. short-term) <sup>(1)</sup></b>		
PNM	\$1,236.7	\$1,290.6
TNMP	311.6	361.2
Corporate/Other	282.7	271.9
Consolidated	<b>\$1,831.0</b>	<b>\$1,923.7</b>

<sup>(1)</sup> Excludes inter-company debt

# Liquidity and Capital Structure

## Target cap structures:

50/50 at PNM

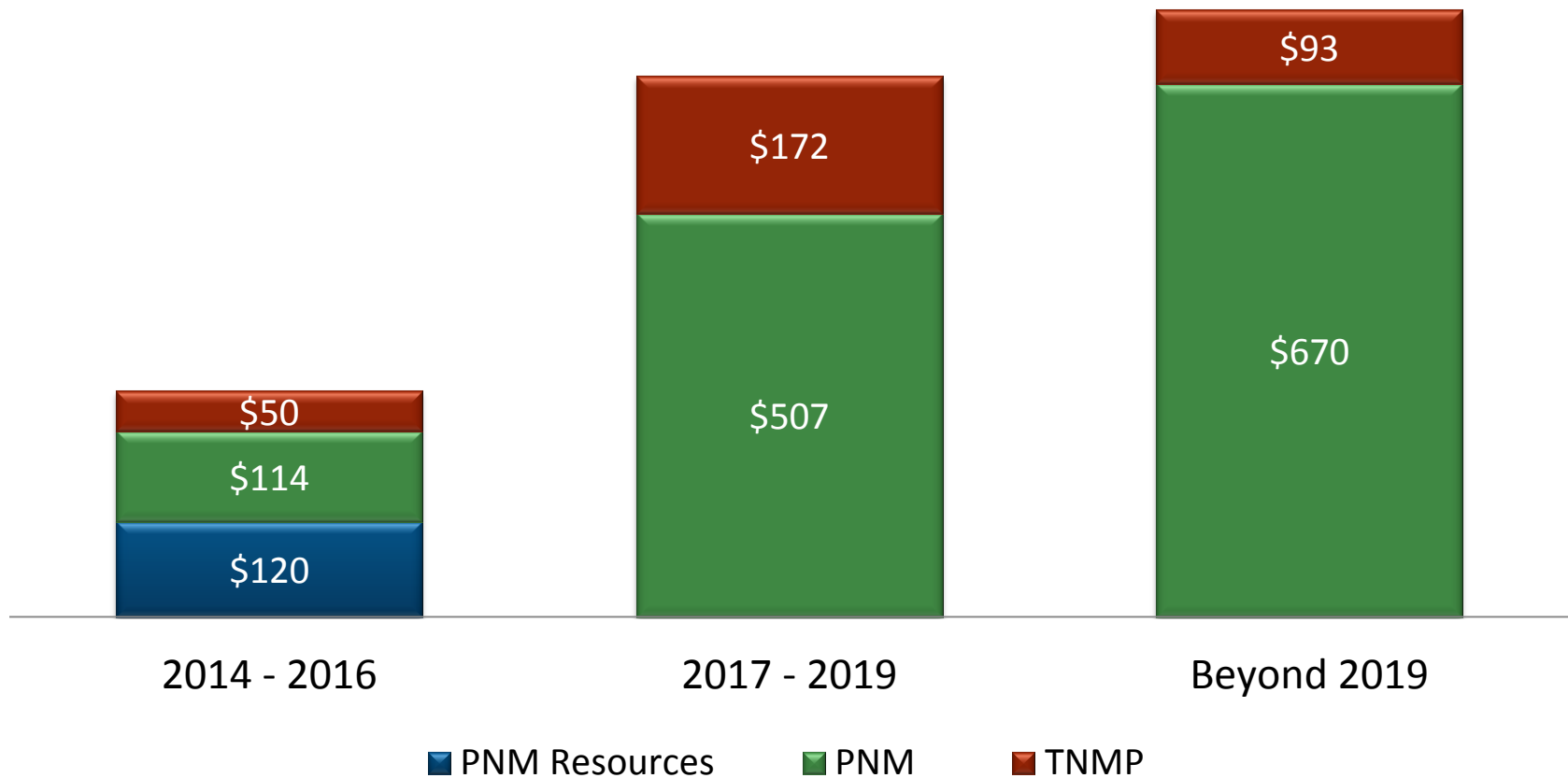
55/45 at TNMP

	PNM	TNMP	Corporate/ Other	PNM Resources Consolidated
Financing Capacity as of July 26, 2013				
Total Capacity <sup>(1)</sup>	\$400.0	\$75.0	\$300.0	\$775.0
Less short-term debt <sup>(1)</sup> and LOC balances	3.2	22.3	38.6	64.1
Plus invested cash	6.7	-	3.1	9.8
<b>Total Available Liquidity as of 7/26/13</b>	<b>\$403.5</b>	<b>\$52.7</b>	<b>\$264.5</b>	<b>\$720.7</b>

<sup>(1)</sup>Not included are PNM's fully drawn \$75M term loan due 10/21/14 and Corporate/Other's fully drawn \$100M term loan due 12/27/13.

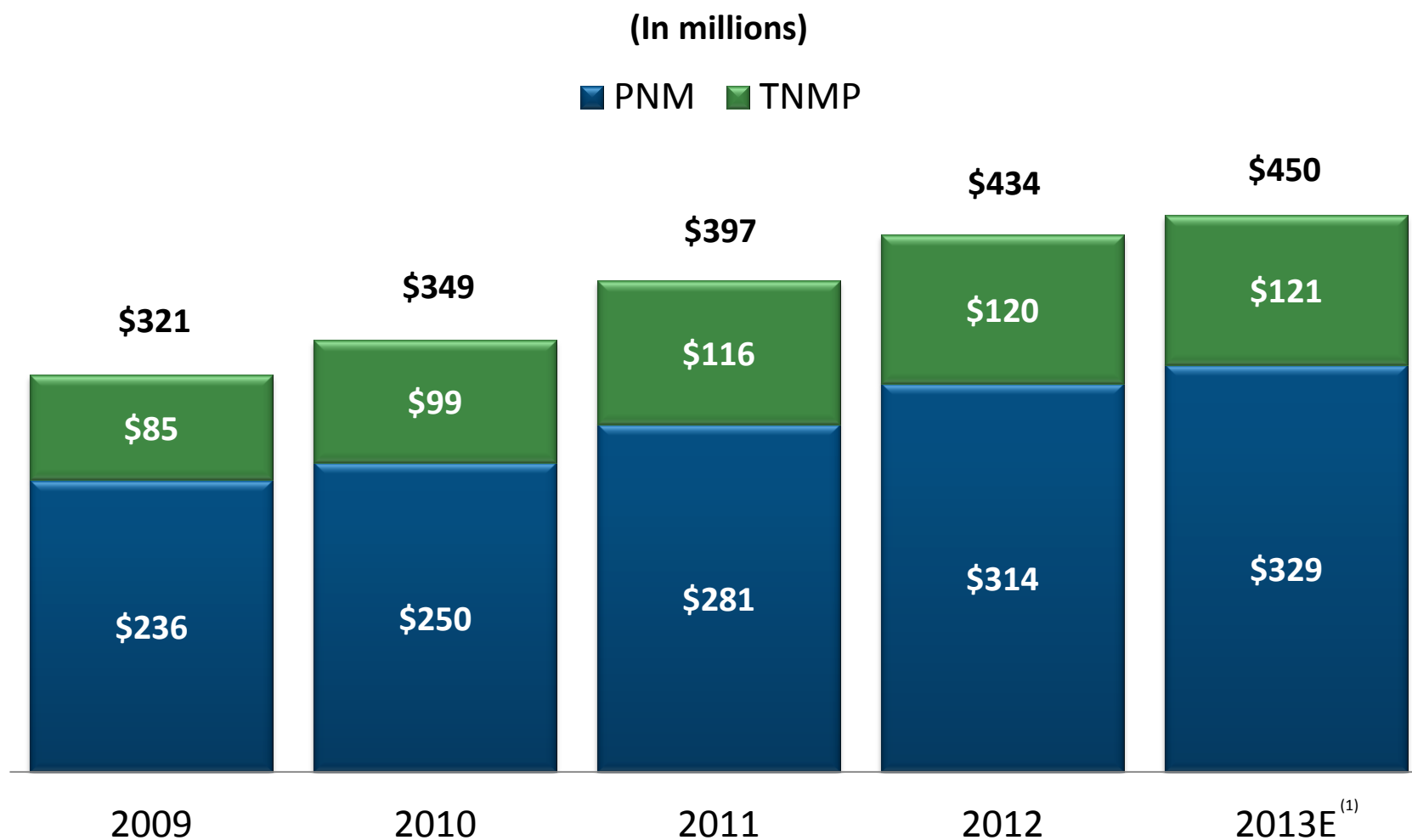
# Upcoming Debt Maturities

## Long-term Debt Maturities (In millions)





# Ongoing EBITDA Improvement



<sup>(1)</sup> Mid-point of guidance range

# PNM Resources Summary

## Rate Base Growth

- Core capital \$1.8 B
- Environmental capital \$343 K
- Opportunity to add PV3 to rate base

## Earnings Growth

- Earnings potential of \$0.15-\$0.24 without additional rate base

## Dividend Growth

- Above average dividend growth expected
- Next dividend review December 2013

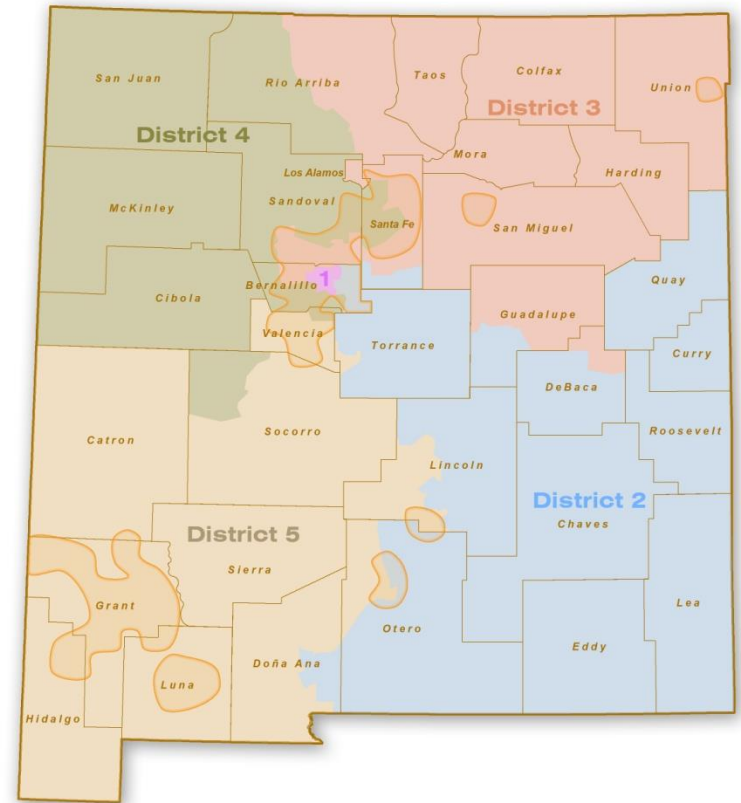
**Top Quartile Total Return Expected**

# Appendix

# NMPRC Commissioners and Districts

Name	District	Term Ends	Party
Karen Montoya	District 1	2016	Democrat
Patrick Lyons	District 2	2014	Republican
Valerie Espinoza <i>Vice Chair</i>	District 3	2016	Democrat
Theresa Becenti-Aguilar	District 4	2014	Democrat
Ben Hall <i>Chairman</i>	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

# Public Utility Commission of Texas Commissioners

Name	Term Began	Term Ends	Party
Donna Nelson Chairman	Aug. 2008	Aug. 2015	Republican
Kenneth Anderson	Sept. 2008	Aug. 2017	Republican
Brandy Marty	Aug. 2013	Aug. 2019 <sup>(1)</sup>	Republican

Commissioners are appointed by Governor of Texas. Length of term is determined by the Governor.

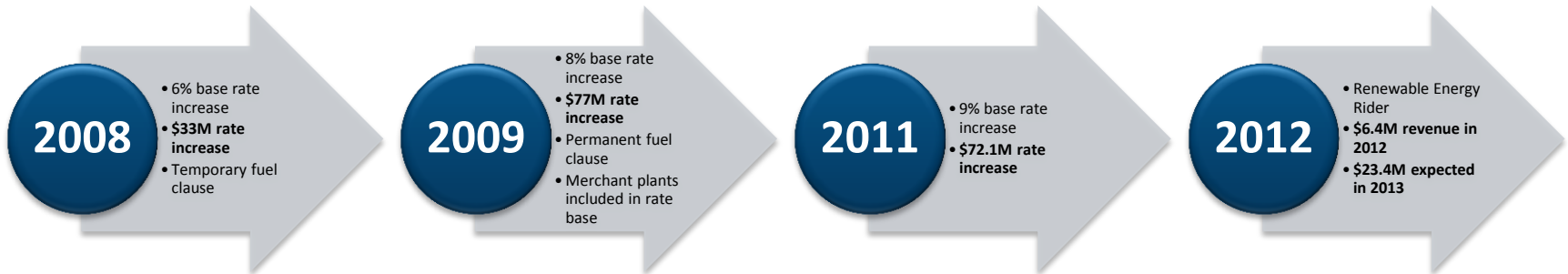
<sup>(1)</sup> Pending Senate confirmation.

# PNM Regulatory Update

Filing	Action	Timing	Docket No.
NMPRC Energy Efficiency Plan	Filed October 5, 2012	Q4 2013	12-00317-UT
NMPRC Delta Person CCN (peaking capacity)	Filed January 3, 2013	Approved June 26, 2013 Close expected by year-end	13-00004-UT
NMPRC La Luz CCN (peaking capacity)	Filed May 17, 2013	2014	13-00175-UT
NMPRC 2014 Renewable Plan	Filed July 1, 2013	Q4 2013	13-00183-UT
FERC Generation Contract Extension (City of Gallup)	Filed May 1, 2013	Approved June 21, 2013	ER13-1396
FERC Transmission Formula Rates	Filed December 31, 2012	2014	ER13-685-000 and ER13-690-000

# PNM Historical Rate Cases

## PNM Retail Rate Cases

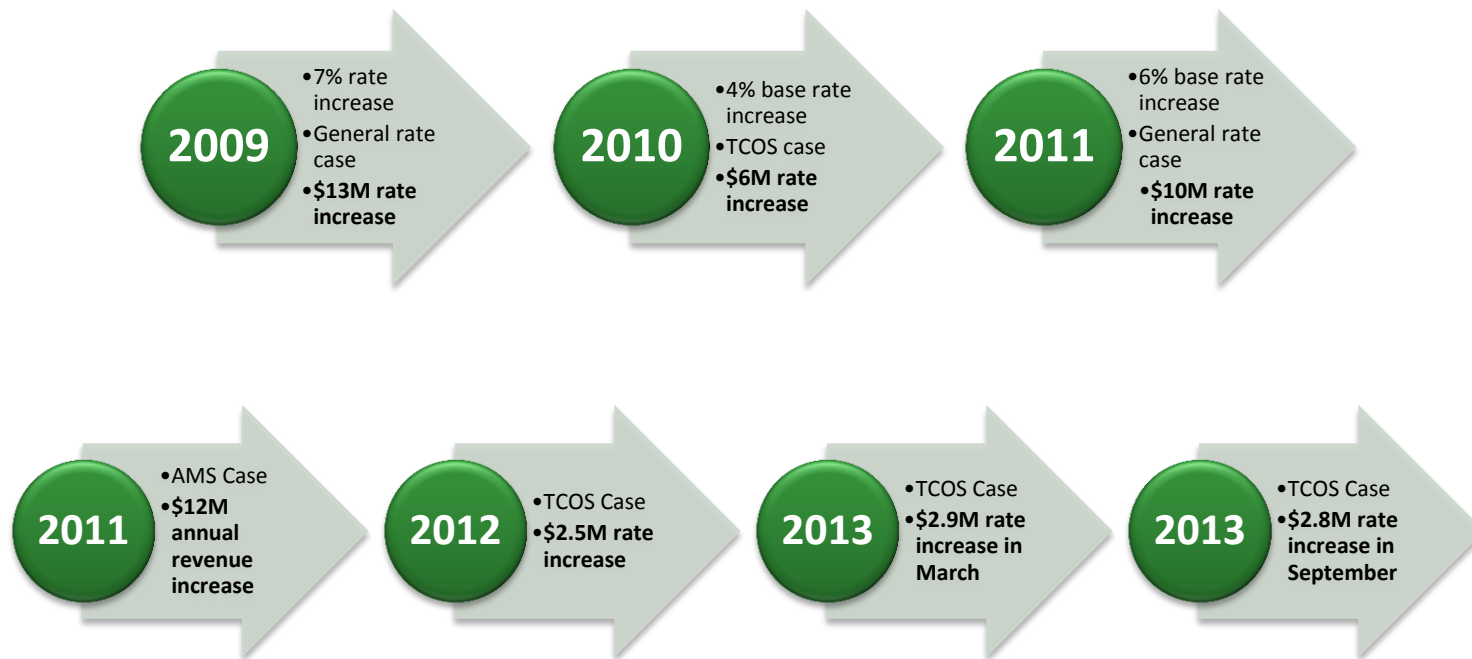


## FERC Rate Cases



# TNMP Historical Rate Cases

## TNMP Rate Cases



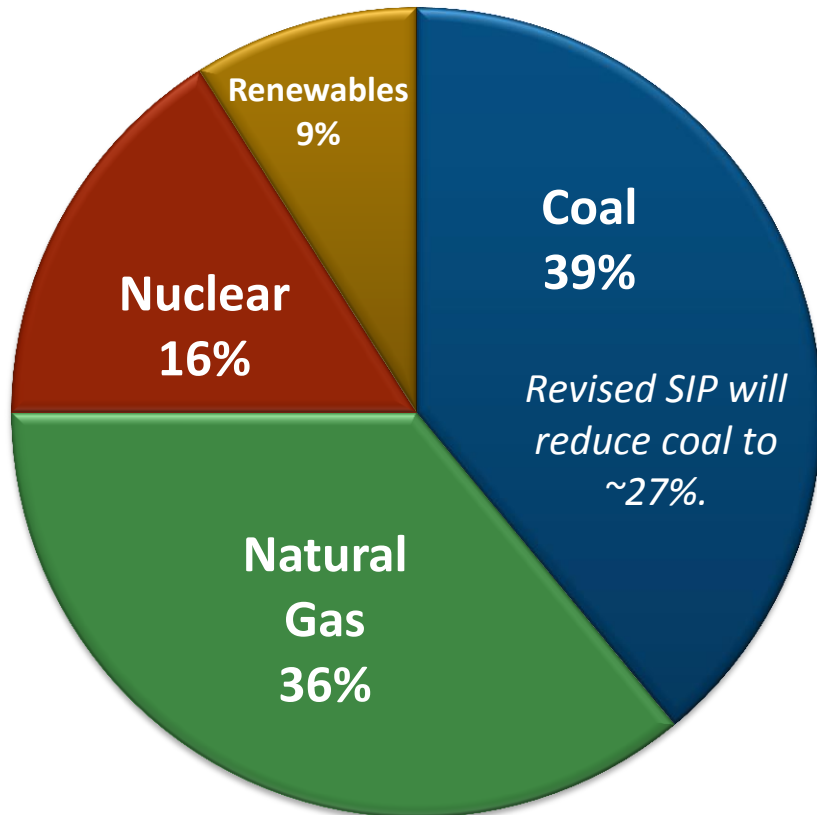


# PNM Diversified Fuel Mix

## Capacity

**2,538 MW**

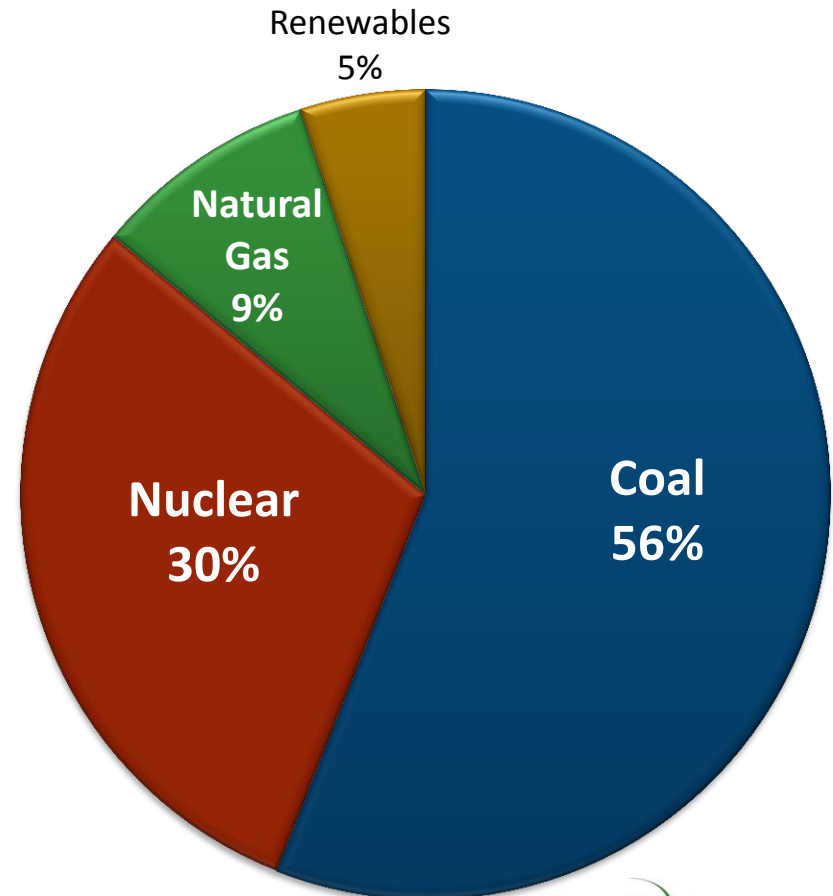
Based on 12 months ending 12/31/12



## Energy <sup>(1)</sup>

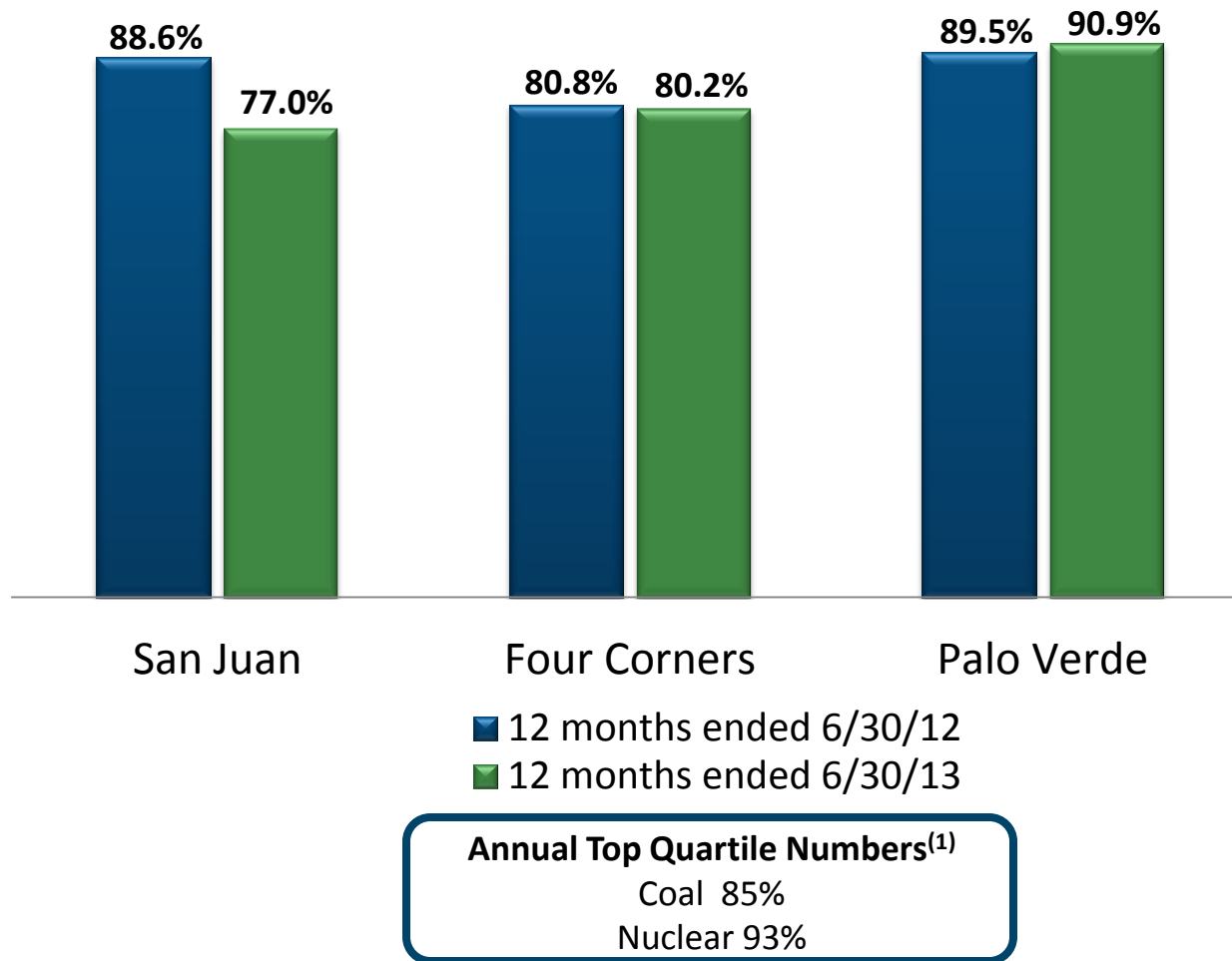
**10,947 GWh**

Based on 12 months ending 12/31/12



<sup>(1)</sup> Includes PNM generation and PPAs

# PNM Plant EAF and Outages



## 2013 - 2014 Outage Schedule

Unit	Duration in Days	Time Period
<b>San Juan</b>		
4	54	Q1 – Q2 2013
1	12	Q1 2014
2	28	Q1 2014
<b>Four Corners</b>		
4	21	Q2 2013
5	13	Q2 2014
4	13	Q4 2014
<b>Palo Verde</b>		
1	30	Q1 – Q2 2013
3	34	Q4 2013
2	34	Q2 2014
1	34	Q4 2014

<sup>(1)</sup>Annual top quartile numbers from the North American Electricity Reliability Corporation as of September 2012.

# San Juan Ownership and Participants

Unit	Total MW	PNM MW	PNM Ownership	Other Participants/Ownership
1	340	170	50%	Tucson Electric 50% (170 MW)
2	340	170	50%	Tucson Electric 50% (170 MW)
3	497	249	50%	Southern California Power Authority 41.8% (208 MW) Tri-State 8.2% (41 MW)
4	507	195	38.457%	M-S-R Public Power Agency 28.8% (146 MW) City of Anaheim 10.04% (51 MW) City of Farmington 8.475% (43 MW) Los Alamos County 7.2% (37 MW) Utah Associated Municipal Power Systems 7.028% (36 MW)
<b>Total</b>	<b>1,684</b>	<b>783</b>		

# Palo Verde Nuclear Generating Station Unit 1 and 2 Leases

## Lease Expiration

- Unit 1: January 15, 2015
- Unit 2: January 15, 2016
- Optional renewal lease periods extend to:
  - 2023 for 4 leases of Unit 1
  - 2018 for 3 leases of Unit 2
  - 2024 for 1 lease of Unit 2

## Notice Dates

	Unit 1	Unit 1 Decision	Unit 2	Unit 2 Decision
1 <sup>st</sup> Notice	January 2012	Retain control of the generation	January 2013	Retain control of the generation
2 <sup>nd</sup> Notice	January 2013	Extend leases	January 2014	TBD <sup>(1)</sup>

## Yearly Payment Amounts

- Total PV Units 1 and 2
  - \$56.8M initial lease payment per year
  - \$28.4M renewal lease payment per year (50% of original payment)

## MW Owned vs. Leased

Unit 1		
Owned	2.3%	30 MW
Leased	7.9%	104 MW
<b>Total</b>	<b>10.2%</b>	<b>134 MW</b>

Unit 2		
Owned	4.6%	60 MW
Leased	5.6%	74 MW
<b>Total</b>	<b>10.2%</b>	<b>134 MW</b>

<sup>(1)</sup>Indicate decision to extend leases or use purchase option.

# PNM 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	195	X	X			X	X
Four Corners Unit 4	100	Pre-2000 low NOx burners-considered outdated				X	X
Four Corners Unit 5	100	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.

# PNM Impact of Proposed Environmental Regulation

	Estimated Compliance Costs (PNM Share)	Comments
<b>San Juan Generating Station</b>		
Clean Air Act – Regional Haze <sup>(1)</sup> (State Alternative) – SNCR	~\$63M	SNCR technology on 2 units; Retire 2 units See “Capital Spending Under Revised State Plan” slide
Clean Air Act – National Ambient Air Quality Standards (NAAQS)	Included in SNCR and SCR <sup>(1)</sup> estimates	Balanced Draft , which has been included in the Regional Haze solution, would assist with compliance with NAAQS
Mercury Rules (MATS)	None to minimal	Testing shows 99% or greater 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	Low expected impact (based upon current proposed regulation)
Effluent Limitation Guidelines (proposed)	Minimal to some exposure	PNM currently evaluating proposed rule which was published on April 19, 2013
<b>Four Corners (Units 4 and 5)</b>		
Clean Air Act – Regional Haze - SCR	~\$75M	Final BART determination issued August 6, 2012 Impact to PNM: SCR controls for Nox on Units 4 & 5
Mercury Rules (MATS)	Slight exposure	APS has determined that no additional equipment will be required
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
Effluent Limitation Guidelines (proposed)	Some exposure	APS currently evaluating proposed rule which was published on April 19, 2013

<sup>(1)</sup> Until the EPA issues final approval of the Revised State Plan, PNM is under the obligation to follow EPA’s Federal Implementation Plan: Estimated PNM share of cost to install SCR technology on 4 units at San Juan was ~\$385M - \$425M, assuming original timeline and costs. See “Capital Spending Under Revised State Plan” slide for additional information.