



Q2 2014 Earnings Presentation

August 1, 2014



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 10-Q filings with the Securities and Exchange Commission, which factors 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 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 2014 Financial Results and Company Updates

	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Ongoing EPS	\$0.39	\$0.38	\$0.57	\$0.56
GAAP EPS	\$0.36	\$0.34	\$0.52	\$0.48

- Company narrows 2014 Guidance Range to \$1.44 - \$1.51
- San Juan Generating Station Ownership
 - Progress made toward resolving ownership following two-unit shutdown

EPS shown on a diluted basis

Load and Economic Conditions

Regulated Retail Energy Sales

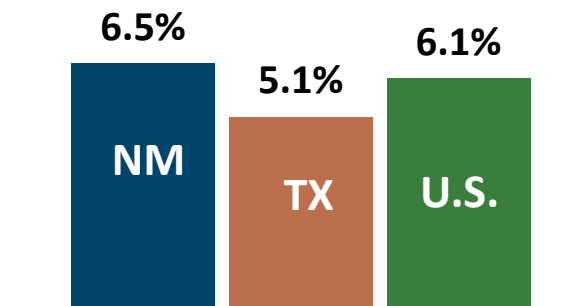
(weather-normalized)

	PNM		
	% of FY 2013 Sales	Q2 2014 vs. Q2 2013	YTD 2014 vs. YTD 2013
Residential	39%	0.5%	(2.0%)
Commercial	46%	(2.7%)	(1.8%)
Industrial	12%	(11.5%)	(8.4%)
Total Retail		(3.1%)	(3.0%)
2014 Revised PNM Load Forecast: (3%) – (2%)			

	TNMP		
	% of FY 2013 Sales	Q2 2014 vs. Q2 2013	YTD 2014 vs. YTD 2013
Residential	51%	2.5%	2.5%
Commercial	44%	(0.1%)	6.5%
Total Retail		0.9%	4.1%
2014 TNMP Load Forecast: 1% – 3%			

YTD Average Customer Growth	
PNM	TNMP
0.6%	1.1%

Unemployment Rate⁽¹⁾



⁽¹⁾ U.S. Bureau of Labor Statistics, June 2014

BART Agreement Update

RSIP and BART Filing Components

- Retirement of San Juan Units 2 and 3 and recovery of expected 12/31/17 undepreciated investments (\$205M)
- Installation of SNCR technology on San Juan Units 1 and 4 (\$91M)
- CCNs for Palo Verde Unit 3 (\$2,500/kW) and 132 MW of San Juan Unit 4
- Proposed replacement power: 177 MW gas peaker (\$189M) and 40 MW solar facility (\$79M)

RSIP: Revised State Implementation Plan
BART: Best Available Retrofit Technology
SNCR: Selective Non-Catalytic Reduction

EPA Review of RSIP

- December 17, 2013:**
Application deemed complete
- April 30, 2014:**
EPA proposed approval
- September 29, 2014:**
EPA final action expected

NMPRC Review of BART Filing

- December 20, 2013:**
PNM submitted filing to NMPRC
- 2014 - 2015:**
NMPRC review
 - August 29, 2014: Staff and Intervener testimony due
 - October 6 – 24, 2014: Hearing with Hearing Examiner
 - February 2015: Final Order expected

Settlement discussions may occur at any time.

Regulatory Update

Filing	Action	Timing	Docket No.
NMPRC Delta Person CCN (peaking capacity)	Filed January 3, 2013	Closed July 17, 2014	13-00004-UT
NMPRC La Luz CCN (peaking capacity)	Filed May 17, 2013	Approved June 18, 2014	13-00175-UT
NMPRC BART Filing	Filed December 20, 2013	February 2015	13-00390-UT
NMPRC 2015 Renewable Plan	Filed June 2, 2014	Year End 2014	14-00158-UT
FERC Transmission Formula Rates	Filed December 31, 2012	2014	ER13-685-000 and ER13-690-000
TNMP TCOS	Filed July 18, 2014	Q3 2014	42691

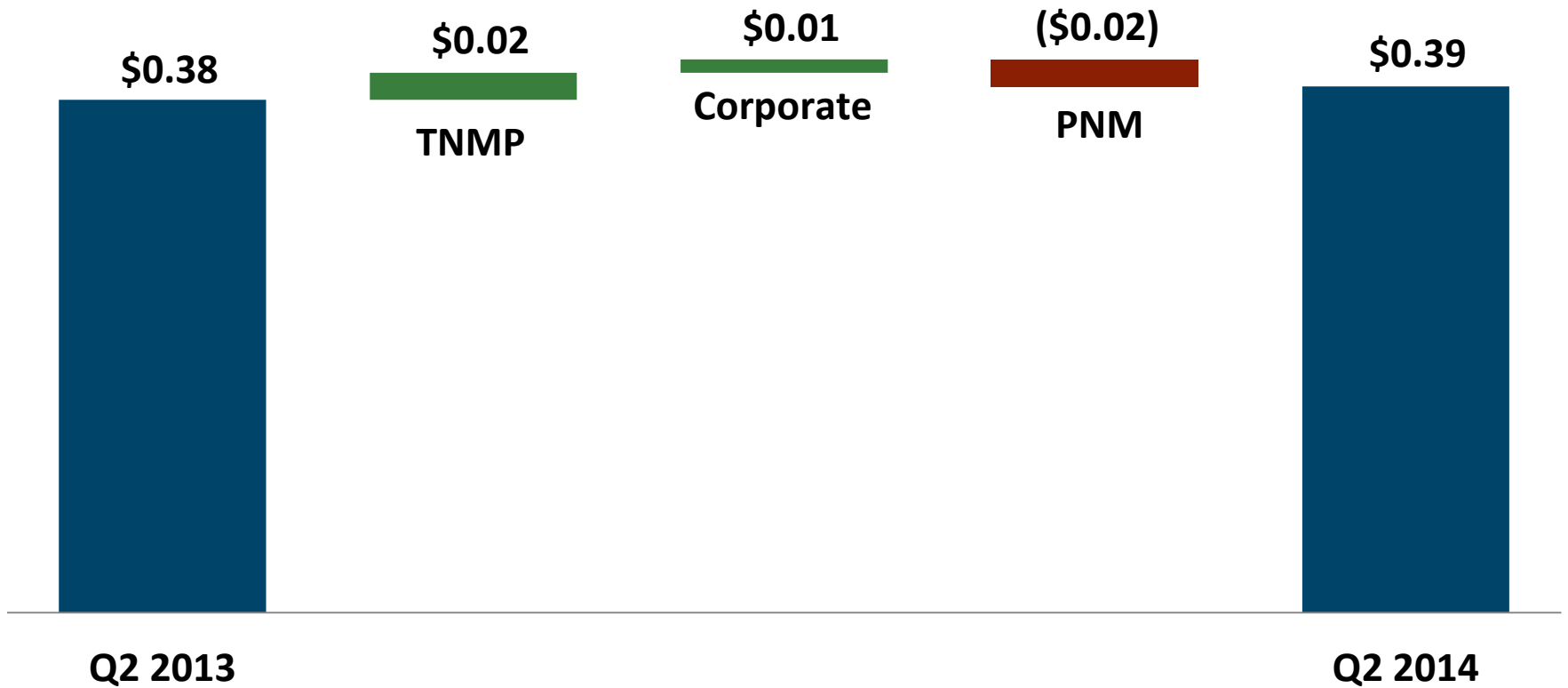
Financial Overview

Chuck Eldred

Executive Vice President and CFO

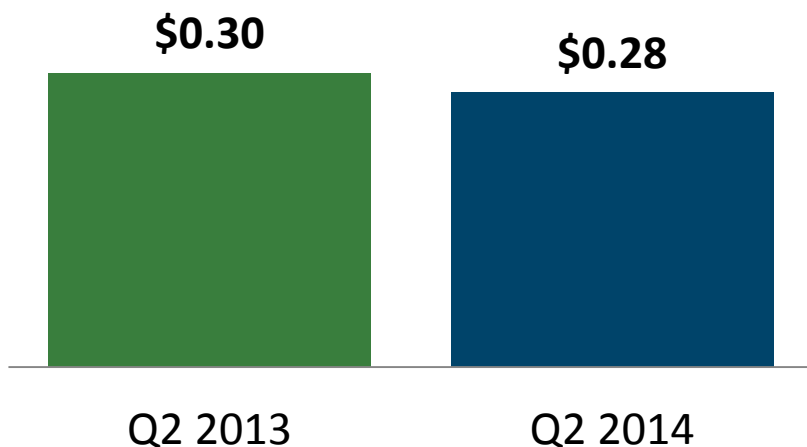
Q2 2014 Financial Summary

Ongoing EPS



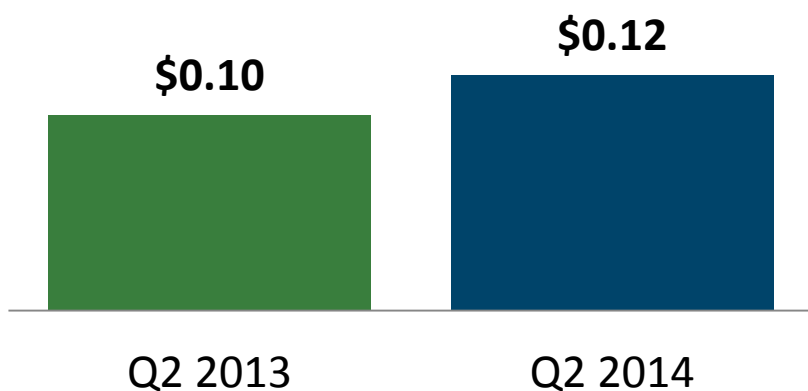
PNM and TNMP: Q2 2014 vs Q2 2013 EPS (Ongoing)

PNM



Q2 2014 Key Performance Drivers	Δ EPS
Rate Relief	\$0.01
PV3 Market Prices	\$0.01
Outage Costs	\$0.01
Off System Sales Sharing	\$0.01
Load	(\$0.02)
Weather	(\$0.02)
2003-2008 IRS Settlement	(\$0.02)

TNMP



Q2 2014 Key Performance Drivers	Δ EPS
Rate Relief	\$0.01
O&M	\$0.01

2014 Guidance (Ongoing)

Original 2014 Guidance Range:



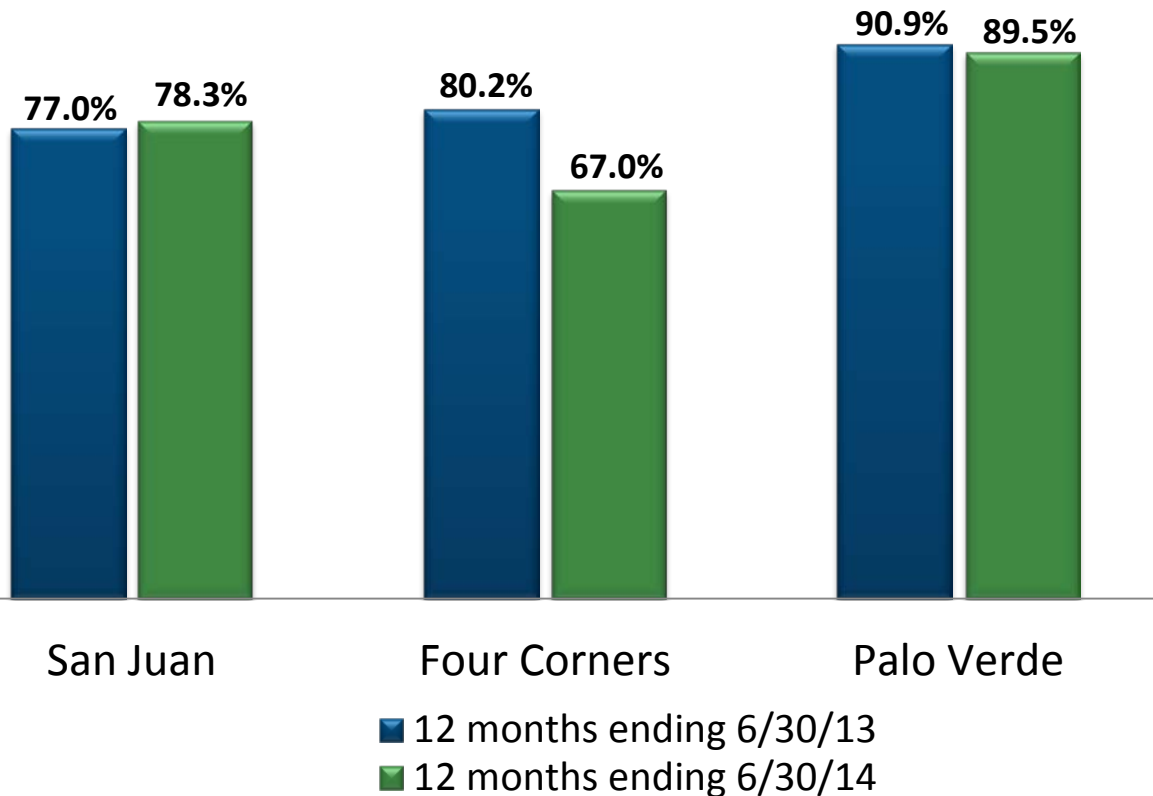
Narrowed 2014 Guidance Range:



Questions & Answers

Appendix

PNM Plant EAF and Outages



2014 - 2015 Outage Schedule

Unit	Duration in Days	Time Period
San Juan		
1	46	Q1 2015
4	46	Q4 2015
Four Corners		
4	13	Q4 2014
5	73	Q1 – Q2 2015
Palo Verde		
1	34	Q4 2014
3	34	Q2 2015
2	34	Q4 2015

Capital Forecast

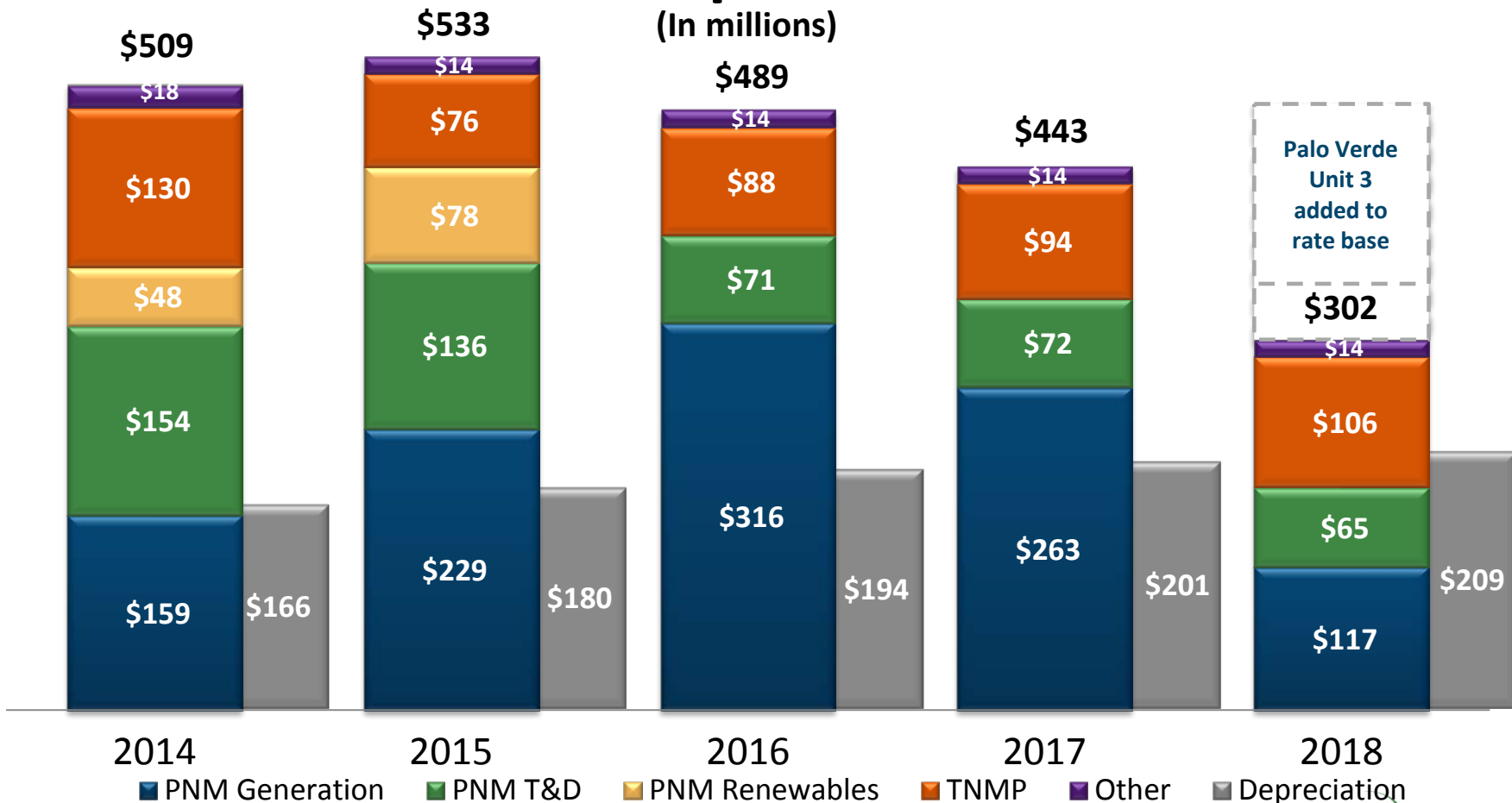
2014 – 2018 Total Capital Plan: \$2.3B

PNM Rate Base CAGR: 6 - 8%⁽¹⁾

TNMP Rate Base CAGR: 5 - 7%

5 Year Capital Forecast

(In millions)



⁽¹⁾Includes the addition of PV3 to rate base, which does not have associated capital spending.
Amounts may not add due to rounding

Weather Impact

PNM	Q2 2014	Q2 2013	2014 Normal⁽¹⁾
Heating Degree Days	361	281	289
Cooling Degree Days	510	586	490
EPS Impact <i>compared to normal</i>	\$0.00	\$0.02	

TNMP	Q2 2014	Q2 2013	2014 Normal⁽¹⁾
Heating Degree Days	78	125	42
Cooling Degree Days	990	992	1,111
EPS Impact <i>compared to normal</i>	(\$0.005)	\$0.00	

⁽¹⁾ 2014 normal weather assumption reflects the 10-year average for the period 2003 - 2012.

Liquidity as of July 25, 2014

	PNM	TNMP	Corporate/ Other	PNM Resources Consolidated
Financing Capacity ⁽¹⁾ :	(In millions)			
Revolving credit facilities	\$450.0	\$75.0	\$300.0	\$825.0
As of 7/25/14:				
Short-term debt and LOC balances	\$45.4	\$0.1	\$7.7	\$53.2
Remaining availability	404.6	74.9	292.3	771.8
Invested cash	-	-	1.9	1.9
Available liquidity as of 7/25/14:	\$404.6	\$74.9	\$294.2	\$773.7

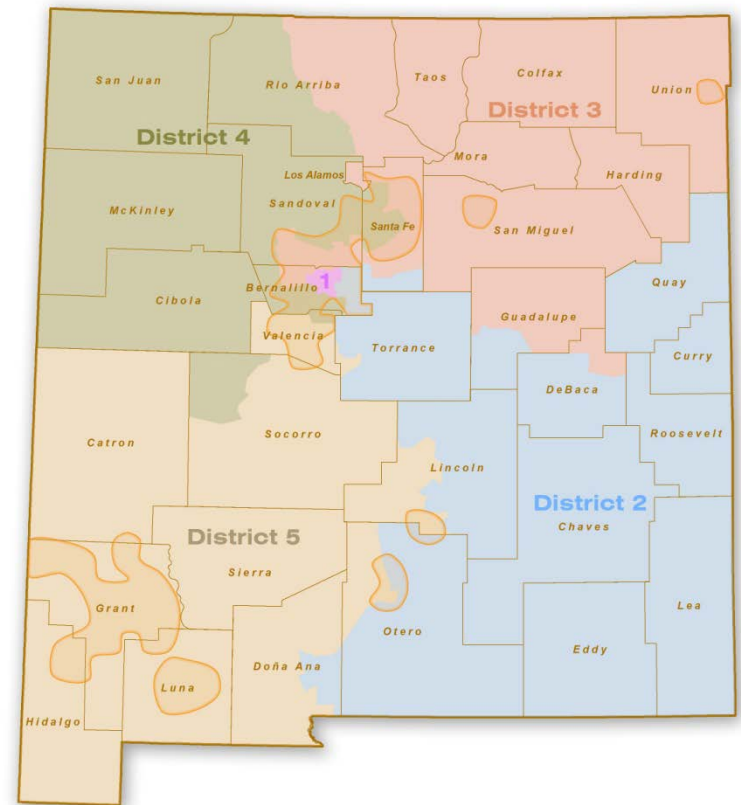
⁽¹⁾ Not included are PNM's fully drawn \$175M term loan due 9/4/15 and Corporate/Other's fully drawn \$100M term loan due 12/26/14.

Regulatory Information

NMPRC Commissioners and Districts

Name	District	Term Ends	Party
Karen Montoya	District 1	2016	Democrat
Patrick Lyons	District 2	2014	Republican
Valerie Espinoza Vice Chair	District 3	2016	Democrat
Theresa Becenti-Aguilar Chairman	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. Each of the current commissioners is eligible for re-election upon the end of their current term.

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 ⁽¹⁾	Aug. 2013	Aug. 2019	Republican

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

⁽¹⁾Pending Senate confirmation.

Elections

NM Governor's Race

Candidate	Party	Current Office
Susana Martinez <i>Incumbent</i>	Republican	Governor (NM)
Gary King	Democrat	Attorney General (NM)

TX Governor's Race

Candidate	Party	Current Office
Greg Abbott	Republican	Attorney General (TX)
Wendy Davis	Democrat	State Senator (TX)

NMPRC Race

District	Candidate	Party
District 2	Patrick Lyons <i>Unopposed Incumbent</i>	Republican
District 4	Lynda Lovejoy <i>Unopposed in General Election</i> <i>Defeated incumbent, Theresa Becenti-Aguilar, in Primary Election</i> <i>Former NMPRC commissioner</i>	Democrat
District 5	Ben Hall <i>Incumbent</i>	Republican
	Sandy Jones <i>Former NMPRC commissioner</i>	Democrat

Balance Sheet and Credit Metrics

Selected Balance Sheet Information

(In millions)	Dec 31, 2013	Jun 30, 2014
Long-Term Debt (incl. current portion)		
PNM	\$1,290.6	\$1,390.6
TNMP	336.0	365.9
Corporate/Other	118.8	118.8
Consolidated	\$1,745.4	\$1,875.3
Total Debt (incl. short-term) ⁽¹⁾		
PNM	\$1,339.8	\$1,390.6
TNMP	336.0	365.9
Corporate/Other	218.8	223.8
Consolidated	\$1,894.6	\$1,980.3

⁽¹⁾ Excludes inter-company debt

Credit Ratings

S&P

	PNMR	PNM	TNMP
Issuer debt rating	BBB ⁽¹⁾	BBB ⁽¹⁾	A ⁽²⁾
Outlook	Positive	Positive	Positive

Moody's

	PNMR	PNM	TNMP
Debt rating	Baa3 ⁽¹⁾	Baa2 ⁽¹⁾	A2 ⁽²⁾
Outlook	Positive	Positive	Positive

⁽¹⁾ Senior unsecured debt

⁽²⁾ Senior secured debt

Environmental Compliance

San Juan BART Timeline

	Action Item	Expected Completion	Actual Completion
✓	EIB approval of RSIP submitted by NMED		September 5, 2013
✓	Submitted RSIP to EPA for approval		October 18, 2013
	EPA review and approval of RSIP <ul style="list-style-type: none"> ✓ Application deemed complete by EPA ✓ Preliminary approval by EPA <ul style="list-style-type: none"> ▪ Final action by EPA expected 	September 29, 2014	December 17, 2013 April 30, 2014
✓	Submitted BART filing to NMPRC for approval		December 20, 2013
	NMPRC approval for retirement and potential replacement power <ul style="list-style-type: none"> ✓ Application deemed complete by NMPRC ✓ Intervention deadline <ul style="list-style-type: none"> ▪ Staff and Intervener testimony deadline ▪ Rebuttal testimony deadline ▪ Hearing with Hearing Examiner ▪ Final Order expected 	August 29, 2014 September 19, 2014 October 6 – 24, 2014 February 2015	February 11, 2014 April 21, 2014
	SNCR construction	Q1 2016	
	Units 2 & 3 shut down	December 31, 2017	

Environmental Control Equipment at Coal Units

Coal Unit	PNM Share Capacity (MW)	Low NOx Burners/ Overfired Air	Activated Carbon Injection ⁽¹⁾	SNCR ⁽²⁾	SCR ⁽²⁾	Baghouse ⁽³⁾	Scrubbers
San Juan Unit 1	170	X	X	Expected 2016		X	X
San Juan Unit 2	170	X	X			X	X
San Juan Unit 3	248	X	X			X	X
San Juan Unit 4	195	X	X	Expected 2016		X	X
Four Corners Unit 4	100	Pre-2000 low NOx burners-considered outdated			Expected 2018	X	X
Four Corners Unit 5	100	Pre-2000 low NOx burners-considered outdated			Expected 2018	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 ⁽¹⁾ (State Alternative) – SNCR	\$91M	SNCR technology on 2 units; Retire 2 units.
Clean Air Act – National Ambient Air Quality Standards (NAAQS)	Included in SNCR and SCR ⁽¹⁾ 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 and could alter how coal ash is managed. EPA has until December 19, 2014 to publish its final action.
Clean Water Act – 316(b)	Minimal to some exposure	PNM is performing analyses based upon EPA’s May 19, 2014 ruling on the issue. There is a low expected impact.
Effluent Limitation Guidelines (proposed)	Minimal to some exposure	PNM has reviewed the proposed rule and continues to assess the impact on SJGS. EPA has until September 30, 2015 to issue final effluent limits.
Four Corners (Units 4 and 5)		
Clean Air Act – Regional Haze - SCR	\$80M	Final BART determination filed with EPA on December 30, 2013. Impact to PNM: SCR controls for No _x on Units 4 & 5.
Clean Air Act – National Ambient Air Quality Standards (NAAQS)	Some exposure	The timing of the ozone NAAQS is uncertain and APS is unable to predict the impact of the adoption of a new standard.
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	IF EPA regulates CCRs as a hazardous waste or phases out APS’s ability to dispose of CCRs through the use of ash ponds, significant additional costs could be incurred for CCR disposal. EPA has until December 19, 2014 to publish its final action.
Clean Water Act – 316(b)	Some exposure	APS is performing analyses based on EPA’s May 19, 2014 ruling on the issue to determine the potential costs of compliance with the proposed rule.
Effluent Limitation Guidelines (proposed)	Some exposure	APS has reviewed the proposed rule and continues to assess the impact. EPA has until September 30, 2015 to issue final effluent limits.

⁽¹⁾ 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.

EPA's Proposed Clean Power Plan

The goal of the plan is an estimated 30% reduction in CO₂ emissions from the U.S. electric power sector in 2030, relative to 2005 levels.

- Requires each state to develop and implement a state plan to reduce its CO₂ emissions rate to meet state-specific standards based on 2012 average emissions rates for all affected fossil-fueled units in the state.
 - Issued under the authority of section 111(d) of the Clean Air Act (CAA).
- Results in a two-phased program:
 - Interim emission rate goal for “phased-in” period of 2020-2029.
 - New Mexico’s required interim reduction of emissions from 2012 will be 30%.
 - Final emissions rate goal must be achieved in 2030 and beyond.
 - New Mexico’s required final reduction of emissions from 2012 will be 34%.
- Assumes an RPS of 21% by 2030 and energy efficiency savings of 1.5% annually.

10 New Mexico Facilities Affected

Coal Plants

San Juan (*PNM*)

Escalante (*Tri-State*)

Natural Gas Combined Cycle Plants

Afton (*PNM*)

Luna (*PNM*)

Bluffview (*City of Farmington*)

Hobbs (*Xcel*)

Oil and Gas Steam Plants

Reeves (*PNM*)

Cunningham (*Xcel*)

Rio Grande (*El Paso*)

Maddox (*Xcel*)