



# 2016 Earnings Guidance

December 18, 2015

# 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

# BART Update

## *NMPRC Approval Received Dec. 16, 2015*

### FERC Approval

- Targeted by year-end

### Coal Contract and Ownership Restructuring Agreement

- Targeted by year-end

### SNCR Equipment

- Targeted to be in service Jan. 2016

### Timing of Recovery

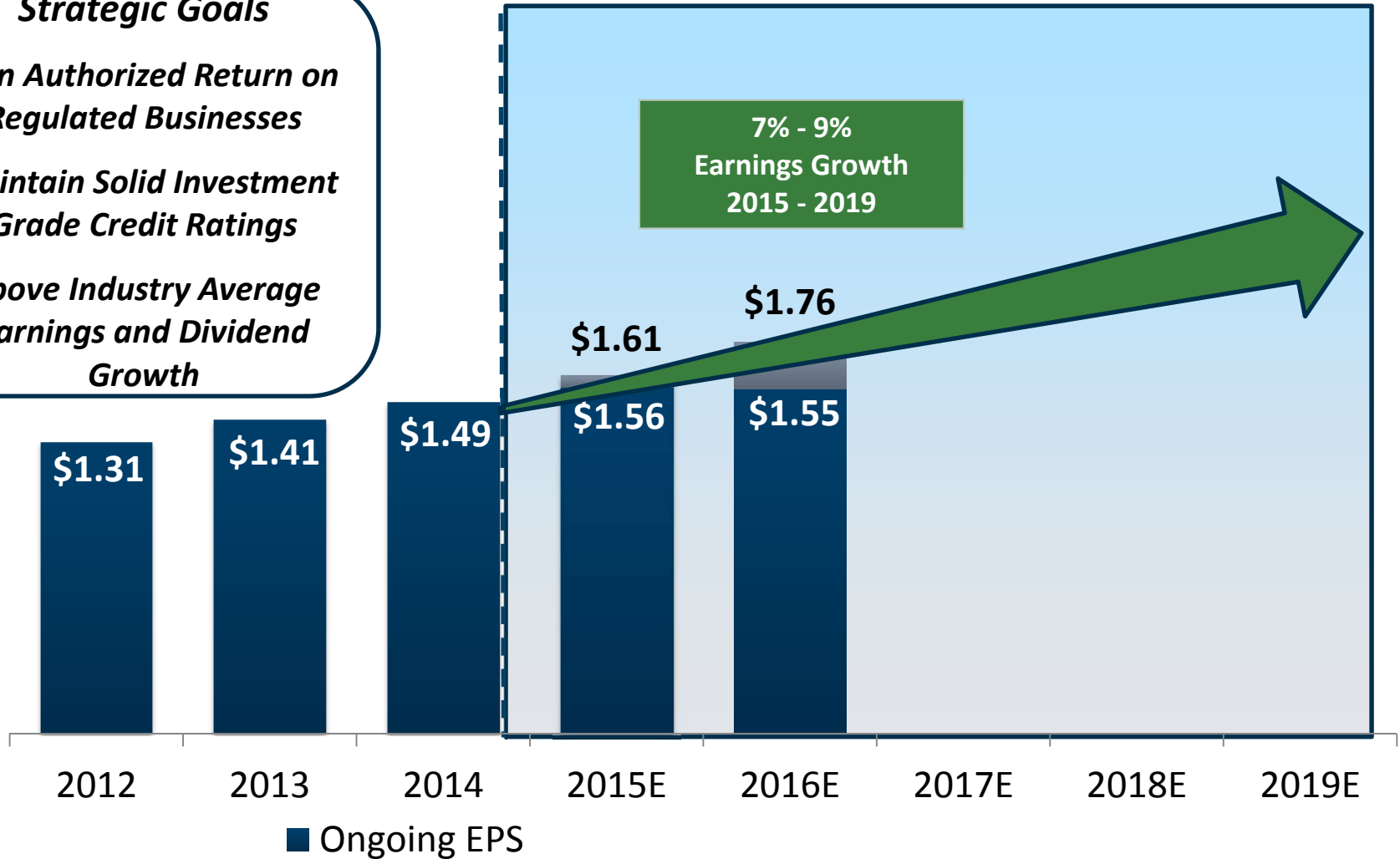
- 2016 Rate Case: SNCR equipment, including balanced draft
- 2018 Rate Case: Retirement of San Juan Units 2 and 3; CCNs for San Juan Unit 4 and Palo Verde Unit 3

NMPRC: N.M. Public Regulation Commission  
BART: Best Available Retrofit Technology  
FERC: Federal Energy Regulatory Commission  
SNCR: Selective Non-Catalytic Reduction  
CCN: Certificate of Convenience and Necessity

# Above Industry Average Earnings Growth Through 2019

**Strategic Goals**

- Earn Authorized Return on Regulated Businesses*
- Maintain Solid Investment Grade Credit Ratings*
- Above Industry Average Earnings and Dividend Growth*



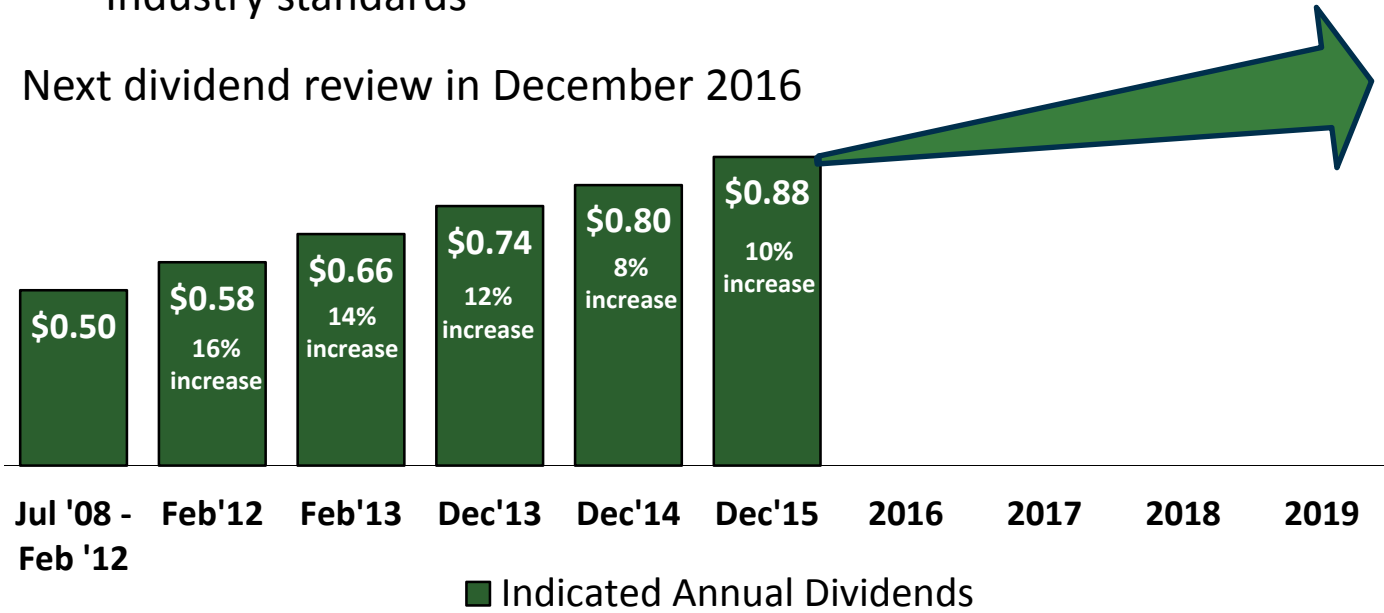
2012 – 2014 actual results represent ongoing earnings per diluted share  
 2015E represents the ongoing earnings guidance range of \$1.56 - \$1.61 per diluted share  
 2016E represents the ongoing earnings guidance range of \$1.55 - \$1.76 per diluted share

# Above Industry Average Dividend Growth

- The annual common stock dividend raised by 10% in December 2015 to \$0.88 per share
- Expect above industry average dividend growth while targeting the 50% - 60% payout ratio range
- The Board will continue to evaluate the dividend on an annual basis, considering:
  - Sustainability and growth
  - Capital planning
  - Industry standards
- Next dividend review in December 2016

**Dividend rate:**  
\$0.88 <sup>(1)</sup>  
**Payout ratio:**  
50-57% <sup>(2)</sup>  
**Dividend yield:**  
3.0% <sup>(3)</sup>

(1) Indicated annual rate  
 (2) Based on the 2016 guidance range  
 (3) Based on 12/15/15 stock price of \$28.94



# 2016 Guidance

Chuck Eldred

Executive Vice President and CFO

# 2016 Guidance

	2015 Guidance Mid Point			2016 Earnings Potential	
	Avg Rate Base	Return	EPS	Avg Rate Base	EPS
PNM Retail	\$2.0 B	7.5%	\$0.97	\$2.4 B	\$1.11 - \$1.27 <sup>(1)</sup>
PNM Renewables <sup>(2)</sup>	\$135 M	10.0%	\$0.08	\$100 M	\$0.06
PNM FERC Transmission <sup>(3)</sup>	\$230 M	5.5%	\$0.08	\$180 M	\$0.08 - \$0.10
PV3 <sup>(4)</sup>			(\$0.02)		(\$0.12)
Items not in rates <sup>(5)</sup>			\$0.03		\$0.00 - \$0.03
<b>Total PNM</b>	<b>\$2.3 B</b>		<b>\$1.14</b>	<b>\$2.7 B</b>	<b>\$1.13 - \$1.34</b>
TNMP <sup>(6)</sup>	\$650 M	10.125%	\$0.52	\$750 M	\$0.45
Corporate/Other <sup>(7)</sup>			(\$0.08)		(\$0.08) - (\$0.06)
<b>Total PNM Resources</b>	<b>\$3.0 B</b>		<b>\$1.58</b>	<b>\$3.4 B</b>	<b>\$1.50 - \$1.73</b>

2016 Guidance
EPS
\$1.08 - \$1.24
\$0.06
\$0.09 - \$0.10
(\$0.14)
\$0.03 - \$0.04
<b>\$1.12 - \$1.30</b>
\$0.49 - \$0.51
(\$0.06) - (\$0.05)
<b>\$1.55 - \$1.76</b>

<sup>(1)</sup> The August 2015 General Rate Case filing proposes a 10.5% ROE. The currently authorized 10% ROE has been used for this presentation. Implementation of new rates between July and October 2016 reduces the 2016 earnings potential of \$1.49 by (\$0.38) – (\$0.22).

<sup>(2)</sup> PNM Renewables reflect assets collected through the Renewable Rate Rider.

<sup>(3)</sup> Transmission is recovered under the FERC formula rate methodology, which uses prior year average rate base and assumes mid-year rate increases, at a 10% ROE. To reflect this inherent lag in the methodology, 2016 earnings potential represents the prior year average rate base and uses an ROE range of 7 – 9%.

<sup>(4)</sup> 2016 Earnings Potential assumes a forward market price of \$29/MWh; a price of \$43/MWh is required to break even. 2016 Guidance assumes a fully-hedged market price of ~\$26/MWh.

<sup>(5)</sup> Consists primarily of Palo Verde Nuclear Decommissioning Trust gains and losses, AFUDC, refined coal, certain incentive compensation, and earnings in 2016 associated with the Navopache contract.

<sup>(6)</sup> TNMP EPS includes \$0.02 of CTC, which is fully amortized in 2020. TNMP Earnings Potential is based on allowed returns in the most recently filed general rate case. Changes in certain factors, including load growth and lower debt costs, present opportunities for further potential.

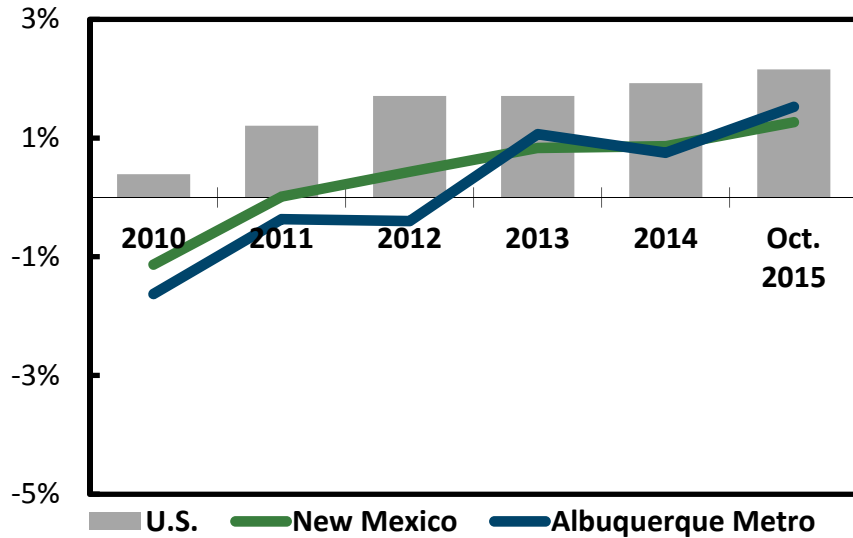
<sup>(7)</sup> Corporate/Other includes the 65MW ownership of San Juan Unit 4 and short and intermediate term bank debt. PNM Resources' \$119M 9.25% debt was retired May 15, 2015.



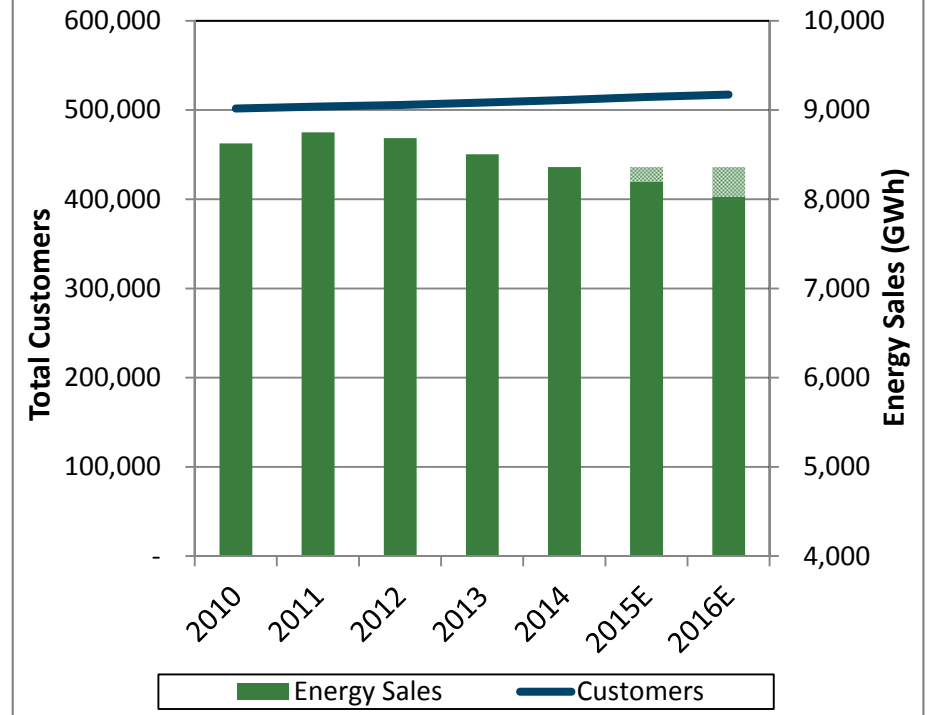
# New Mexico Economic Conditions

## NM and Albuquerque Metro Employment growth trends upwards

Employment Growth Rates  
(12 Month Rolling Average)



PNM Customer Counts and Retail Energy Sales<sup>(1)</sup>



2016 Load Projection (2.0%) - 0.0%<sup>(2)</sup>  
2016 Expected Customer Growth 0.5%

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

<sup>(2)</sup>Weather-normalized

# PNM Rate Case Assumptions

	2016 PNM Rate Case Assumptions
Rate case filed with 10.5% ROE	
Each 25 bps difference in ROE (annually)	+/- \$0.04
Rate implementation could occur anytime between July 1 and Oct. 1 (assumes 10.5% ROE and \$123.5M increase in revenue requirement)	Up to \$0.40
July 1 implementation	\$0.40
Aug. 1 implementation	\$0.32
Sep. 1 implementation	\$0.25
Oct. 1 implementation	\$0.19

Rate Case Schedule:	
January 29, 2016	Staff and Intervenor Testimony due
February 22, 2016	Rebuttal Testimony due
March 9, 2016	Pre-Hearing Conference
March 14 - 25, 2016	Hearings
Q3 2016	Effective Date

# PNM Guidance (Ongoing)

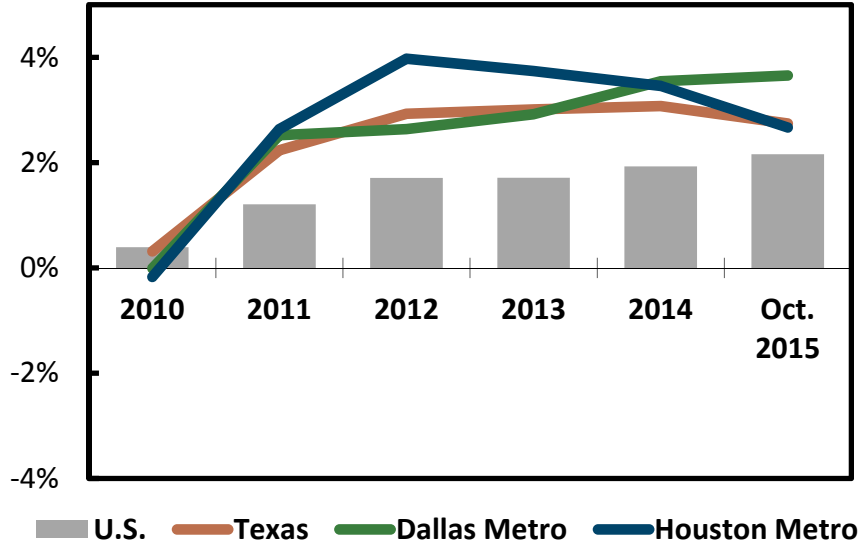


2015E – 2016E Other Key Performance Drivers	Year-over-Year Δ EPS
Elimination of Palo Verde Unit 2 lease costs	\$0.12
2015 Weather	\$0.03
Outage costs	\$0.00 - \$0.02
Palo Verde Unit 3	(\$0.12)
Load	(\$0.10) - \$0.00
AFUDC	(\$0.07) - (\$0.06)
Depreciation and property tax	(\$0.06) - (\$0.04)
Interest expense	(\$0.05) - (\$0.04)
FERC Generation Navopache contract	(\$0.03)
El Paso Natural Gas FERC tariff refund	(\$0.03)
Renewable rider	(\$0.03)

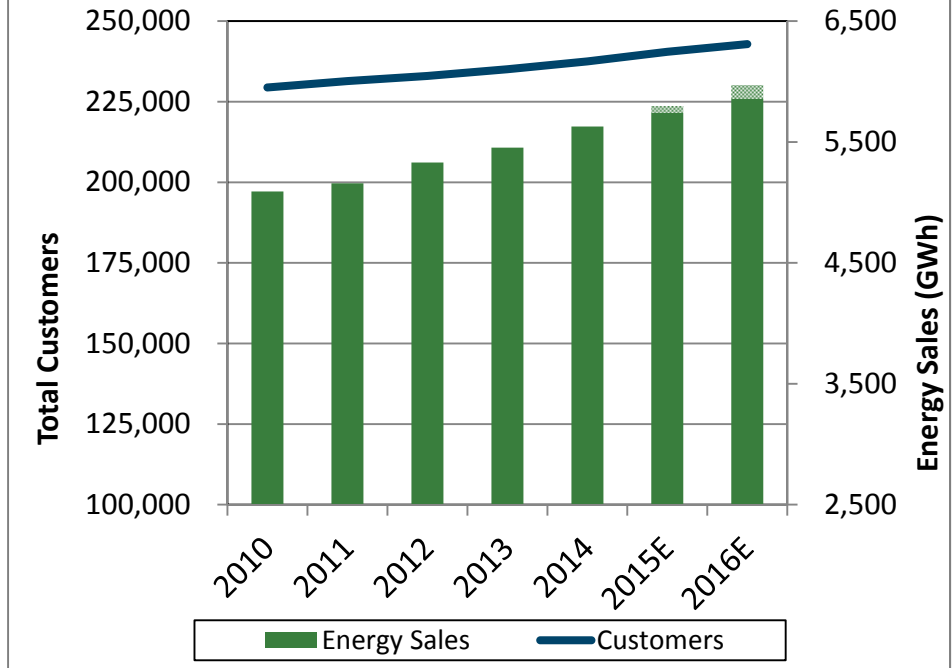
# Texas Economic Conditions

## Strong Employment Growth Continues in Texas

Employment Growth Rates  
(12 Month Rolling Average)



TNMP Customer Counts and Retail Energy Sales<sup>(1)</sup>



**2016 load projection 2-3%<sup>(2)</sup>**  
**2016 expected customer growth 1%**

<sup>(1)</sup>Excludes Transmission Service end-users

<sup>(2)</sup>Weather-normalized

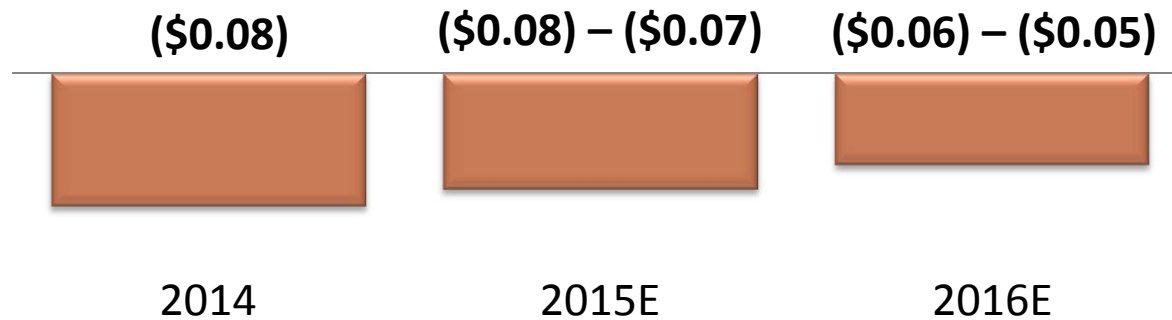
# TNMP Guidance (Ongoing)



2015E – 2016E Key Performance Drivers	Year-over-Year Δ EPS
TCOS rate relief	\$0.03 - \$0.04
Load	\$0.02 - \$0.03
O&M increases	(\$0.02) - \$0.00
Depreciation and property tax	(\$0.03) - (\$0.02)
Interest expense	(\$0.02)

# Corporate and Other Guidance (Ongoing)

## Corporate and Other EPS



2015E – 2016E Key Performance Drivers and Assumptions	Year-over-Year Δ EPS
Interest savings on retired 9.25% debt	\$0.03
Interest expense on higher short-term debt levels	(\$0.02) - (\$0.01)
San Juan Unit 4 restructuring agreement benefit	\$0.01

# 2017 - 2019 Potential Earnings Power

	Allowed Return / Equity Ratio	2017 Earnings Potential		2018 Earnings Potential		2019 Earnings Potential	
		Avg Rate Base	EPS	Avg Rate Base	EPS	Avg Rate Base	EPS
<b>PNM Retail</b> <sup>(1)</sup>	10% / 50%	\$2.4 B	\$1.49	\$2.5 B	\$1.55	\$2.5 B	\$1.59
<b>PNM Renewables</b> <sup>(2)</sup>	10% / 50%	\$95 M	\$0.06	\$90 M	\$0.06	\$85 M	\$0.05
<b>PNM FERC</b> <sup>(3)</sup>	10% / ~50%	\$185 M	\$0.08-\$0.10	\$205 M	\$0.09-\$0.12	\$275 M	\$0.12-\$0.15
<b>PV3</b> <sup>(4)</sup>			(\$0.13)	<i>Included in PNM Retail</i>		<i>Included in PNM Retail</i>	
<b>Items not in rates</b> <sup>(5)</sup>			\$0.01-\$0.04		(\$0.02)-\$0.01		(\$0.01)-\$0.05
<b>Total PNM</b>		<b>\$2.7 B</b>	<b>\$1.51 - \$1.56</b>	<b>\$2.8 B</b>	<b>\$1.68 - \$1.74</b>	<b>\$2.9 B</b>	<b>\$1.75 - \$1.84</b>
<b>TNMP</b> <sup>(6)</sup>	10.125% / 45%	\$805 M	\$0.48	\$855 M	\$0.50	\$935 M	\$0.56
<b>Corporate/Other</b> <sup>(7)</sup>			(\$0.06)-(\$0.04)		(\$0.06)-(\$0.04)		(\$0.06)-(\$0.04)
<b>Total PNM Resources</b>		<b>\$3.5 B</b>	<b>\$1.93 - \$2.00</b>	<b>\$3.7 B</b>	<b>\$2.12 - \$2.20</b>	<b>\$3.8 B</b>	<b>\$2.25 - \$2.36</b>

<sup>(1)</sup> The August 2015 General Rate Case filing proposes a 10.5% ROE. The currently authorized 10% ROE has been used for this presentation.

<sup>(2)</sup> PNM Renewables reflect assets collected through the Renewable Rate Rider.

<sup>(3)</sup> Transmission is recovered under the FERC formula rate methodology, which uses prior year average rate base and assumes mid-year rate increases, at a 10% ROE. To reflect this inherent lag in the methodology, earnings potential represents the prior year average rate base and uses an ROE range of 7 – 9%.

<sup>(4)</sup> 2017 Earnings Potential assumes a forward market price of \$28/MWh; a price of \$44/MWh is required to break even. PV3 is included in PNM rates beginning in 2018.

<sup>(5)</sup> Consists primarily of Palo Verde Nuclear Decommissioning Trust gains and losses, AFUDC, refined coal, certain incentive compensation, earnings in 2017 associated with the assets previously allocated to the Navopache contract, and the 65MW ownership of San Juan Unit 4 beginning in 2018.

<sup>(6)</sup> TNMP Earnings Potential includes \$0.02 of CTC in 2017 and 2018 and \$0.01 in 2019. TNMP allowed returns are based on the most recently filed general rate case. Changes in certain factors, including load growth and lower debt costs, present opportunities for further potential. 2019 Earnings Potential includes the refinancing \$172M of 9.5% debt for \$0.02.

<sup>(7)</sup> Corporate/Other includes the 65MW ownership of San Juan Unit 4 before 2018 and short and intermediate term bank debt.

# Questions & Answers

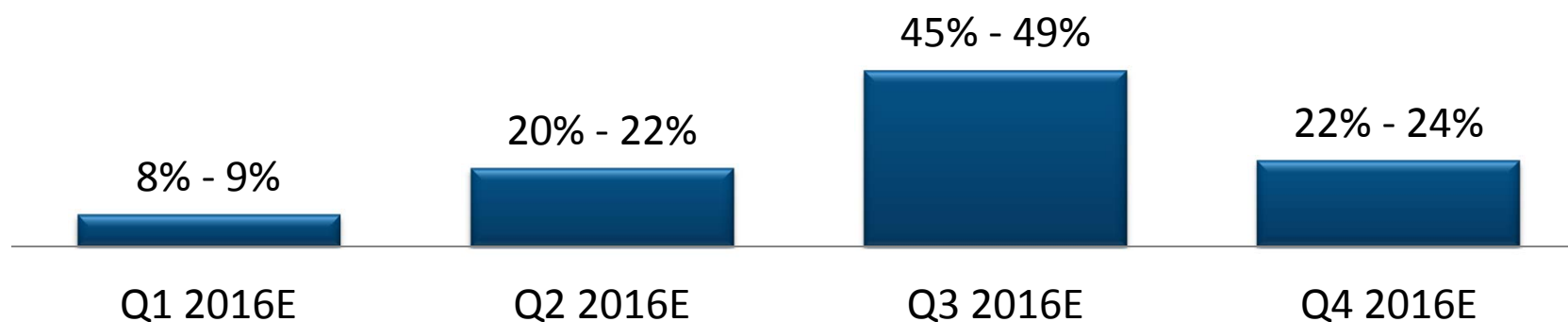


# Appendix

# EBITDA and Quarterly Earnings Distribution Guidance (Ongoing)

Ongoing EBITDA (In millions)		
	2015E	2016E
Consolidated PNMR	\$494 - \$501	\$528 - \$565
PNM	\$332 - \$336	\$354 - \$394
TNMP	\$149 - \$151	\$152 - \$156

## 2016 Quarterly Earnings Distribution



# 2016 Assumptions

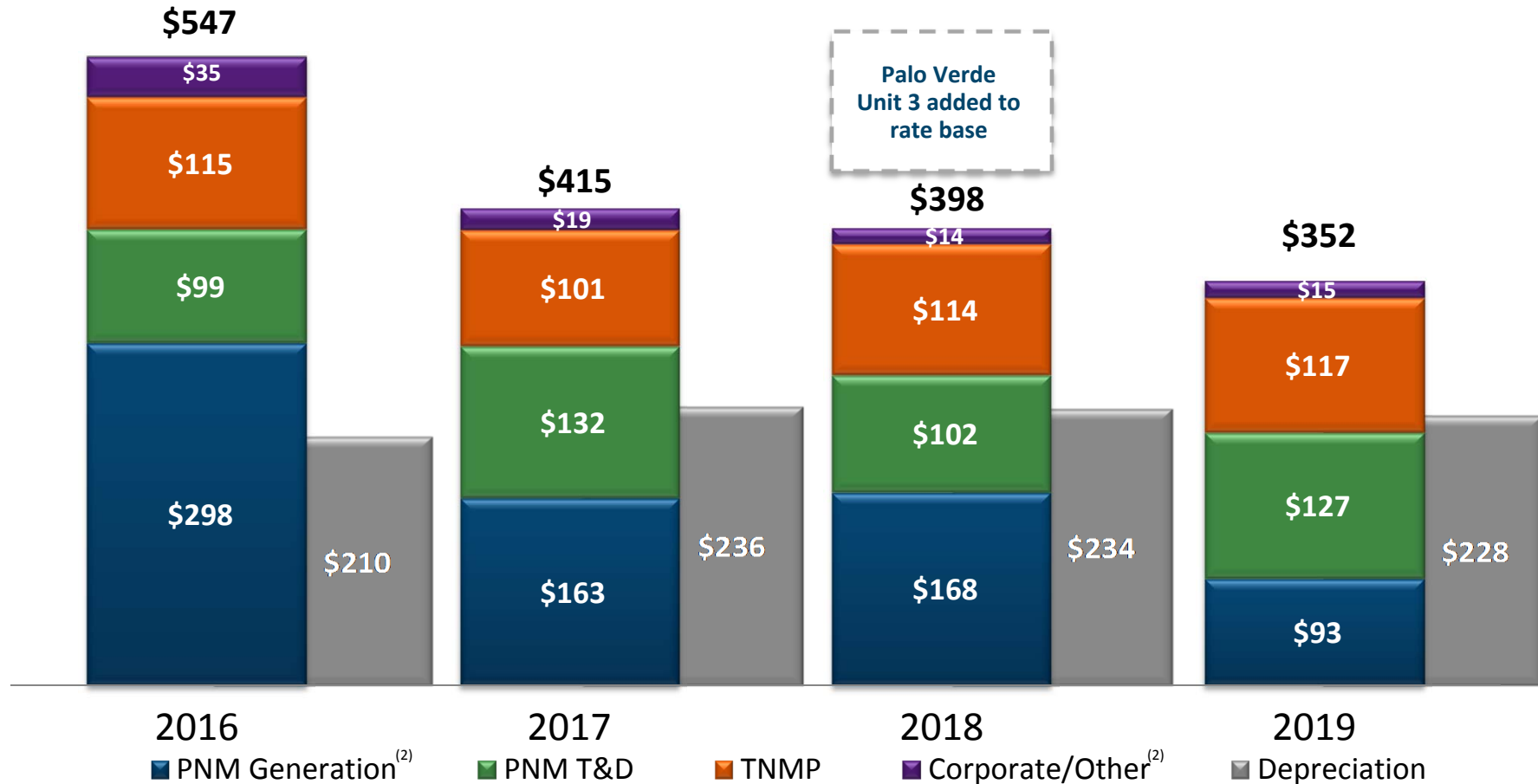
<i>amounts shown are before tax</i>	PNM	TNMP	Corporate/ Other
2016 Weather	-	-	N/A
Load	(2.0%) to 0.0% 1% = \$0.05	2.0% to 3.0% 1% = \$0.01	N/A
Palo Verde Unit 3 sales price (\$/MWh)	~\$26	N/A	N/A
Palo Verde Unit 2 lease expense reduction (partially offset by depreciation, property tax and interest costs)	\$16M	N/A	N/A
Outage costs	\$16M - \$19M	N/A	N/A
PV3 Nuclear Decommissioning Trust gains	\$15M - \$18M	N/A	N/A
Tax rate	37.1%	36.4%	31.4%
Average PNM Resources diluted shares outstanding	80.2M	80.2M	80.2M

# Capital Forecast

2016 – 2019 Total Capital Plan: \$1.7B

PNM 2015-2019 Rate Base CAGR: 5 - 7%<sup>(1)</sup>  
 TNMP 2015-2019 Rate Base CAGR: 7 - 9%

(In millions)

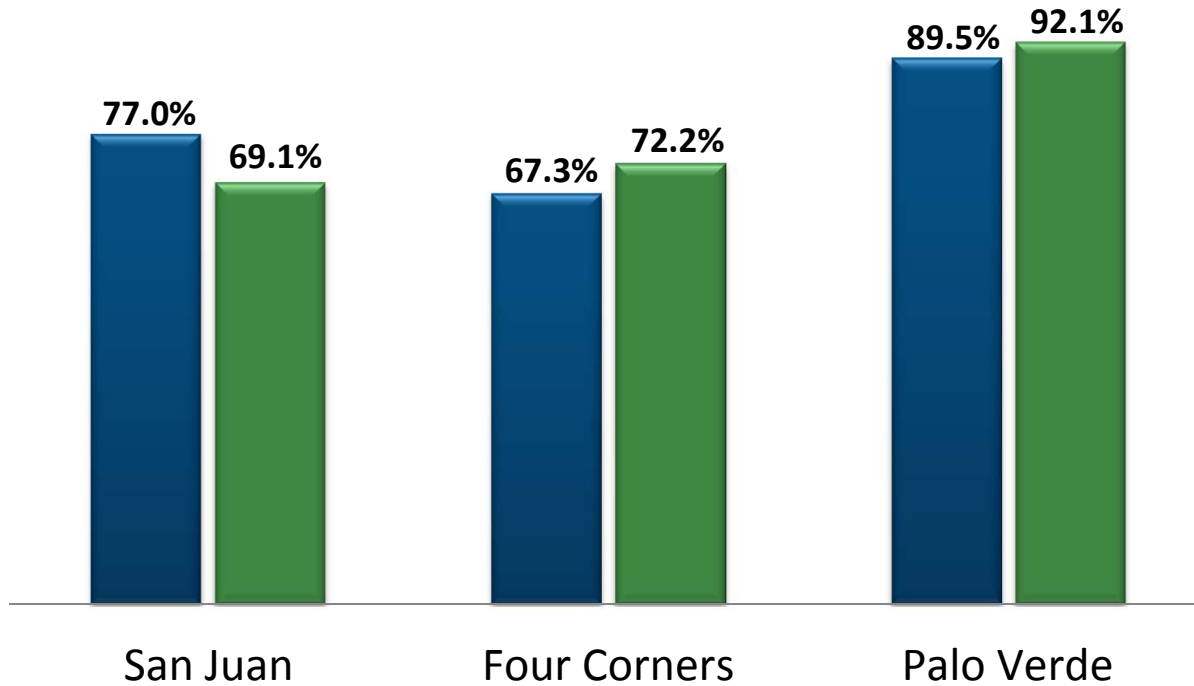


<sup>(1)</sup>Includes the addition of PV3 to rate base, which does not have associated capital spending.

<sup>(2)</sup>The additional 65 MW ownership of San Juan Unit 4 proposed in the BART supplemental stipulation is included in Corporate/Other for 2016-2017 and PNM beginning in 2018.

Beginning in July 2016, depreciation rates reflect the full rate change proposed in the August 2015 General Rate Case filing. Amounts may not add due to rounding.

# PNM Plant EAF and Outages



■ 12 months ending 9/30/14  
 ■ 12 months ending 9/30/15

## 2016 - 2017 Outage Schedule

Unit	Duration in Days	Time Period
<b>San Juan</b>		
3	11	Q1 2016
1	28	Q1-Q2 2017
<b>Four Corners</b>		
5	81	Q1 2016
	94	Q4 2017
4	20	Q1-Q2 2016
<b>Palo Verde</b>		
2	33	Q2 2017
1	33	Q2 2016
	33	Q4 2017
3	33	Q4 2016

# BART Regulatory Process Update

## Regulatory Schedule

Hearings Concluded	October 20
Hearing Examiner Recommended Decision	November 16
Final Order Received	December 16

## Coal Supply Agreement

- Agreement with Westmoreland Coal Company through 2022 with ability to extend
- Significantly improved pricing
- Westmoreland purchase of mine targeted by year-end

### Additional 132 MW of San Juan Unit 4

Approval of an unconditional CCN with an initial book value of zero plus SNCR and other capital investments

### Palo Verde Unit 3

Approval of CCN for 134 MW with an initial rate base value equal to book value (~\$1,118/kW)

### San Juan Units 2 & 3

Approval of retirement and recovery of half (estimated to be ~\$127.5M) of the undepreciated investment

### SNCR Technology

SNCR costs will be fully recovered by June 30, 2022; cost recovery determined in general rate case

BART: Best Available Retrofit Technology  
 SNCR: Selective Non-Catalytic Reduction  
 CCN: Certificate of Convenience and Necessity

# PNM Regulatory Update

Filing	Action	Timing	Docket No.
<b>NMPRC:</b>			
BART Filing	Filed December 20, 2013	Approved December 16, 2015	13-00390-UT
Future Test Year	Order modified November 30, 2015	Modified order allows future test year to begin no later than 13 months following a rate application	14-00332-UT
General Rate Case Filing	Filed August 27, 2015	Rates expected to be implemented Q3 2016	15-00261-UT
NMPRC 2016 Renewable Plan	Filed June 1, 2015	Approved November 18, 2015	15-00166-UT
San Juan Generating Station Natural Gas Plant CCN Application	Filed June 30, 2015	Filed November 3, 2015 to vacate the current procedural schedule for testimony and public hearing and hold the case in abeyance pending further review of the size of the proposed gas plant	15-00205-UT
<b>FERC:</b>			
Navopache Wholesale Generation Contract	Filed April 8, 2015	Settlement filed October 29, 2015; pending FERC approval	EL15-59-000
Transmission Formula Rates	Filed December 31, 2012	Settlement filed March 20, 2015 with rates effective April 1, 2015	ER13-685-000 & ER13-690-000