



# Q3 2015 Earnings Presentation

October 30, 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

# Q3 2015 Financial Results and Company Updates

## Financial Results:

	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Ongoing EPS	\$0.76	\$0.68	\$1.41	\$1.25
GAAP EPS	\$0.76	\$0.69	\$1.34	\$1.21

EPS shown on a diluted basis

- 2015 Guidance range narrowed to \$1.56 - \$1.61

## Company Updates:

**PNM received the 2015 ReliabilityOne™ Award for Outstanding Midsize Utility**

# BART Regulatory Process Update

## Regulatory Schedule

Hearings Concluded	October 20
Hearing Examiner Recommended Decision Expected	November
Final Order Expected	December <sup>(1)</sup>

<sup>(1)</sup> Pending NM Supreme Court Decision as described below.

## N.M. Supreme Court Schedule

Briefs Filed	October 27
Oral arguments	November 9
Decision Expected	November

## Terms of Settlement

**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 (~\$1,100/kW)

**San Juan Units 2 & 3**

Approval of retirement and recovery of half of the undepreciated investment, estimated to be ~\$128M

**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

# Regulatory Update

Filing	Action	Timing	Docket No.
<b>PNM:</b>			
BART Filing	Filed December 20, 2013	Final approval expected Q4 2015	13-00390-UT
NMPRC 2016 Renewable Plan	Filed June 1, 2015	Final approval expected November 2015	15-00166-UT
Future Test Year Notice of Inquiry	Issued July 15, 2015	Closed on August 5, 2015 pending NM Supreme Court action	15-00216-UT
August 2015 General Rate Case Filing	Filed August 27, 2015	Rates expected to be implemented Q3 2016	15-00261-UT
<b>FERC:</b>			
Transmission Formula Rates	Filed December 31, 2012	Settlement filed March 20, 2015 with rates effective April 1, 2015	ER13-685-000 & ER13-690-000
Navopache Wholesale Generation Contract	Filed April 8, 2015	Settlement filed October 29, 2015	EL15-59-000
<b>TNMP:</b>			
TNMP TCOS	Filed July 17, 2015	Approved with rates effective September 10, 2015	44953

# Financial Overview

Chuck Eldred

Executive Vice President and CFO

# Load and Economic Conditions

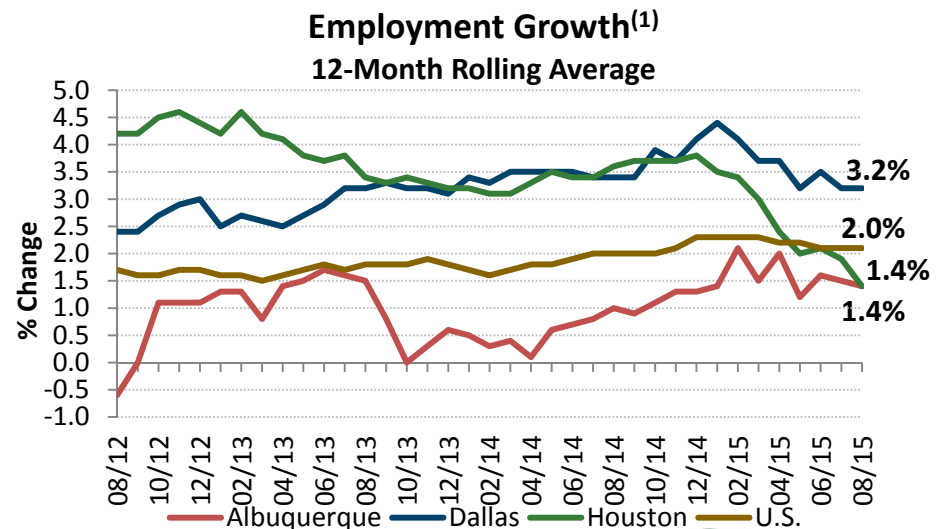
## Regulated Retail Energy Sales

(weather-normalized)

	PNM		
	% of FY 2014 Sales	Q3 2015 vs. Q3 2014	YTD 2015 vs. YTD 2014
Residential	39%	(1.1%)	0.0%
Commercial	47%	(2.6%)	(2.2%)
Industrial	12%	0.0%	(3.5%)
<b>Total Retail</b>		<b>(1.7%)</b>	<b>(1.4%)</b>
<b>2015 Load Forecast: (2%) – 0%</b>			

	TNMP		
	% of FY 2014 Sales	Q3 2015 vs. Q3 2014	YTD 2015 vs. YTD 2014
Residential	50%	1.7%	3.5%
Commercial	46%	1.6%	2.1%
<b>Total Retail</b>		<b>1.5%</b>	<b>2.7%</b>
<b>2015 Load Forecast: 2% – 3%</b>			

	Average Customer Growth		
	Q3 2015 vs. Q3 2014	YTD 2015 vs. YTD 2014	2015 Forecast
PNM	0.8%	0.7%	0.5%
TNMP	1.4%	1.5%	1.0%

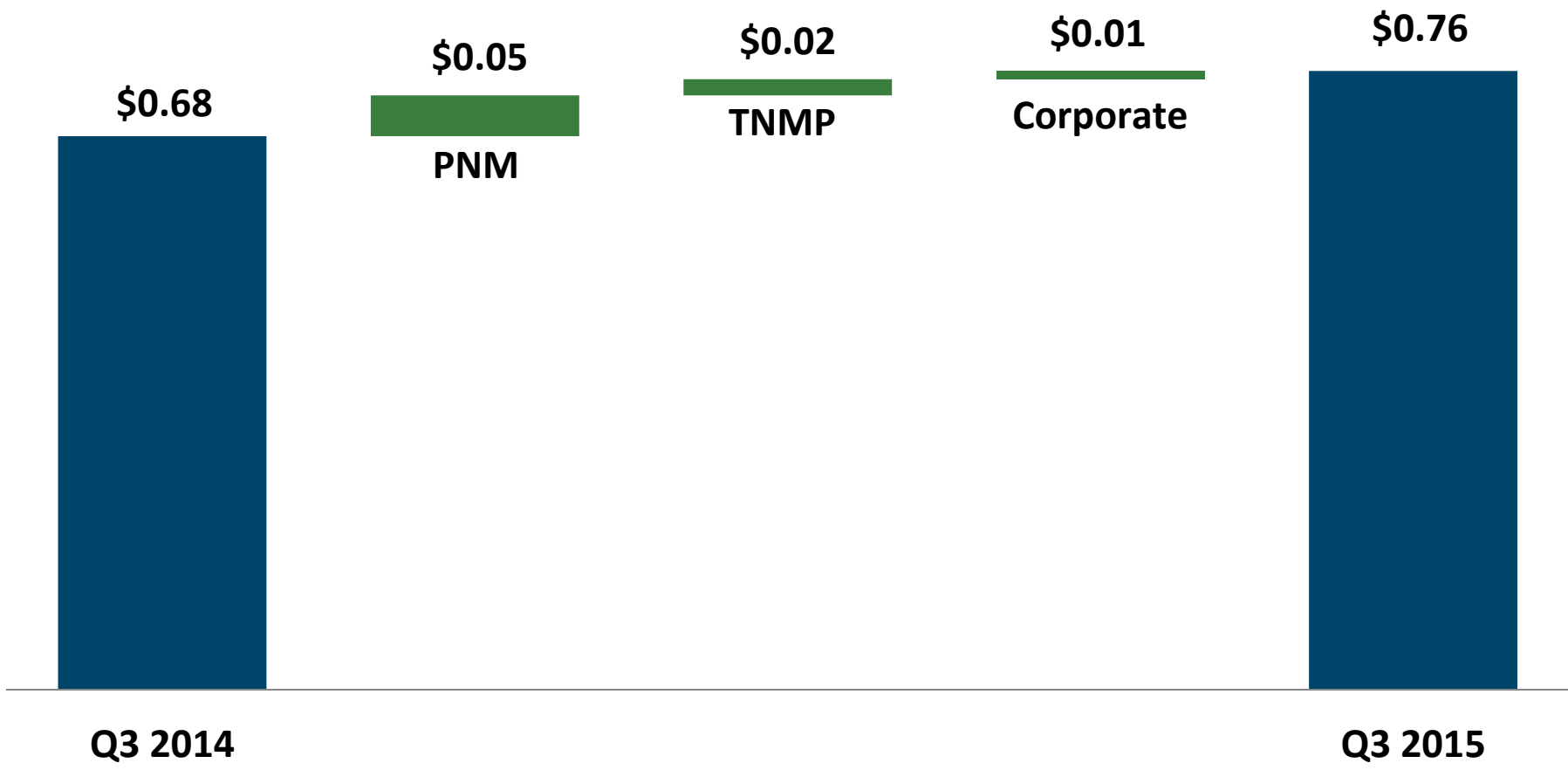


<sup>(1)</sup> U.S. Bureau of Labor Statistics, August 2015

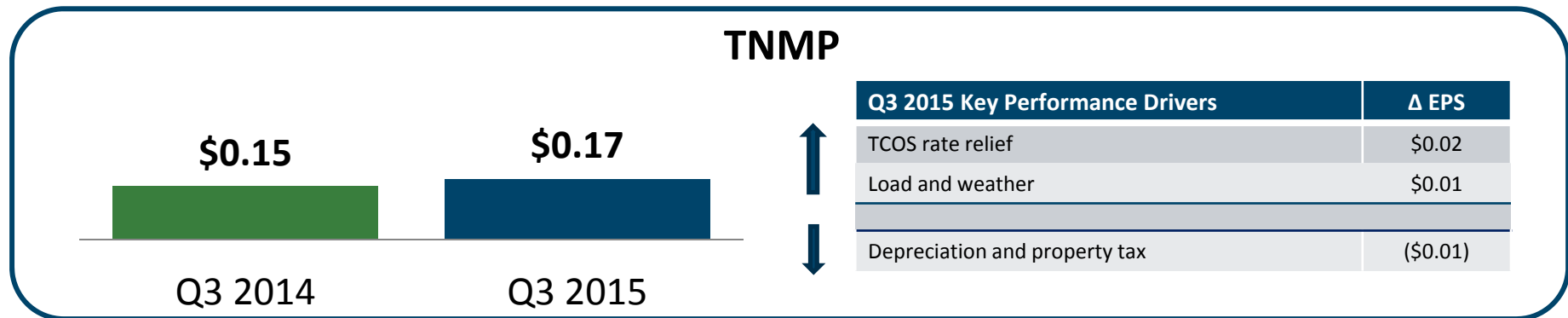
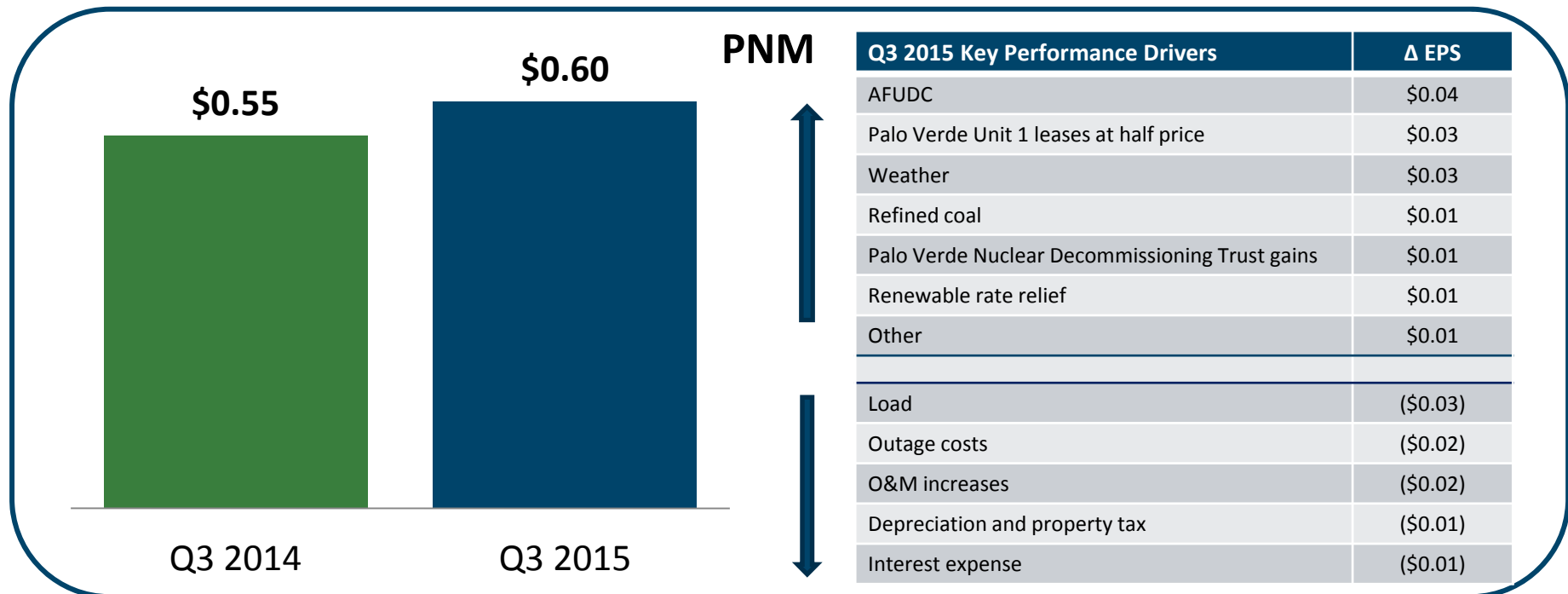


# Q3 2015 Financial Summary

## Ongoing EPS



# PNM and TNMP: Q3 2015 vs Q3 2014 EPS (Ongoing)



# 2015 Guidance (Ongoing)

## Original 2015 Guidance Range:



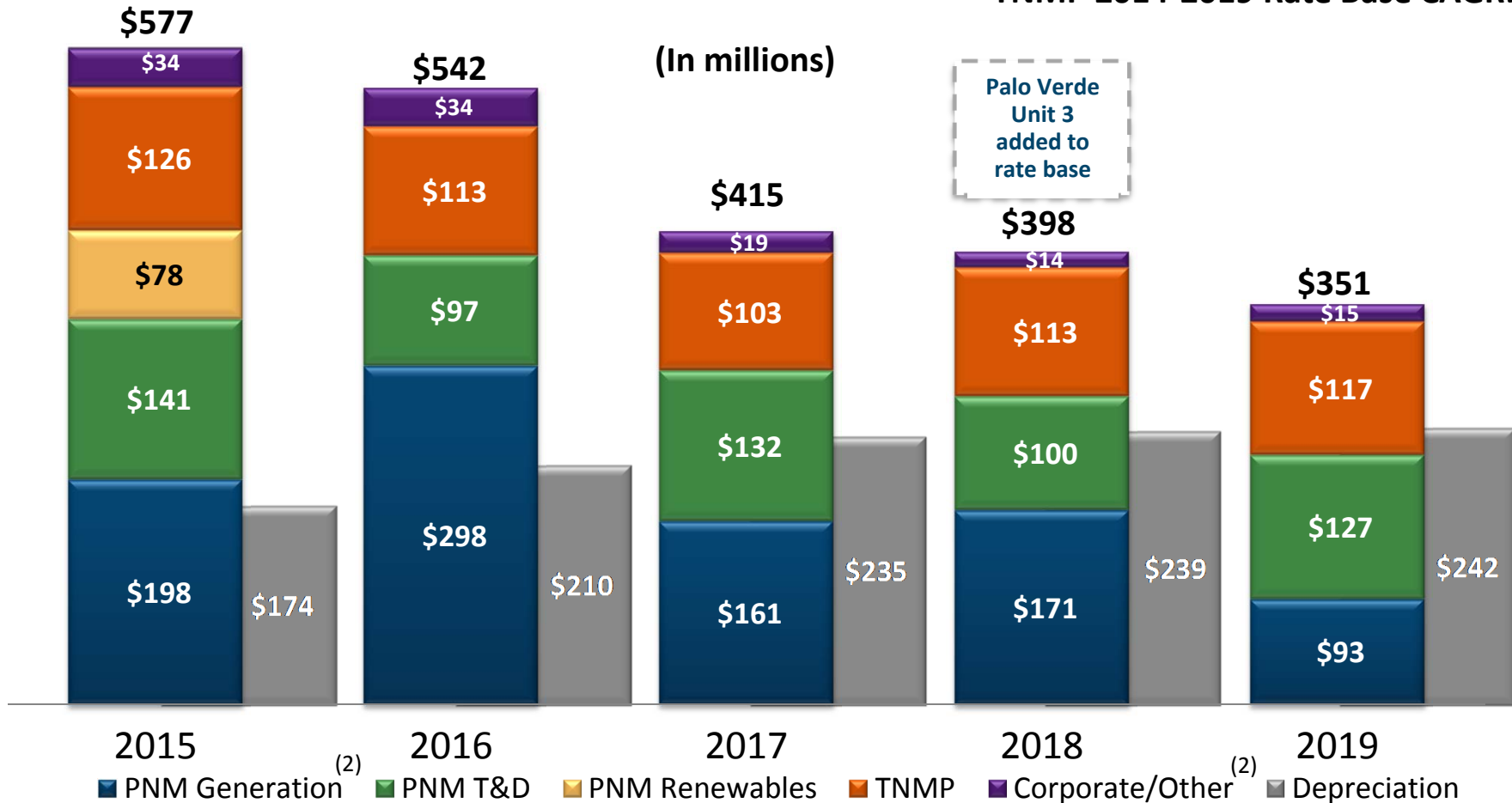
## Narrowed 2015 Guidance Range:



# 5-Year Capital Forecast

2015 – 2019 Total Capital Plan: \$2.3B

PNM 2014-2019 Rate Base CAGR: 5 - 7%<sup>(1)</sup>  
 TNMP 2014-2019 Rate Base CAGR: 7 - 9%



Palo Verde Unit 3 added to rate base

<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 2015-2017 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.

# 2016 Potential Earnings Power

	Allowed Return / Equity Ratio	2015 Guidance Mid Point			2016 Earnings Potential		
		Avg Rate Base	Return	EPS	Avg Rate Base	Growth	EPS
<b>PNM Retail</b> <sup>(1)</sup>	10% / 50%	\$2.0 B	7.5%	\$0.97	\$2.4 B	\$0.52	\$1.49
<b>PNM Retail – Timing</b> <sup>(2)</sup>						(\$0.38)-(\$0.22)	(\$0.38)-(\$0.22)
<b>PNM Renewables</b> <sup>(3)</sup>	10% / 50%	\$135 M	10.0%	\$0.08	\$100 M	(\$0.02)	\$0.06
<b>PNM FERC</b> <sup>(4)</sup>	10% / ~50%	\$230 M	5.5%	\$0.08	\$180 M	\$0.00-\$0.02	\$0.08-\$0.10
<b>PV3</b> <sup>(5)</sup>				(\$0.02)		(\$0.10)	(\$0.12)
<b>Items not in rates</b> <sup>(6)</sup>				\$0.03		(\$0.03)-\$0.00	\$0.00-\$0.03
<b>Total PNM</b>		<b>\$2.3 B</b>		<b>\$1.14</b>	<b>\$2.7 B</b>	<b>(\$0.01) - \$0.20</b>	<b>\$1.13 - \$1.34</b>
<b>TNMP</b> <sup>(7)</sup>	10.125% / 45%	\$650 M	10.125%	\$0.52	\$750 M	(\$0.07)	\$0.45
<b>Corporate/Other</b> <sup>(8)</sup>				(\$0.08)		\$0.00-\$0.02	(\$0.08)-(\$0.06)
<b>Total PNM Resources</b>		<b>\$3.0 B</b>		<b>\$1.58</b>	<b>\$3.4 B</b>	<b>(\$0.09) - \$0.14</b>	<b>\$1.50 - \$1.73</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> Implementation of the August 2015 General Rate Case between July and October 2016 could decrease earnings potential in 2016.

<sup>(3)</sup> PNM Renewables reflect assets collected through the Renewable Rate Rider.

<sup>(4)</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>(5)</sup> 2016 Earnings Potential assumes a forward market price of \$29/MWh; a price of \$43/MWh is required to break even.

<sup>(6)</sup> Consists primarily of Palo Verde Nuclear Decommissioning Trust gains and losses, AFUDC, refined coal, certain incentive compensation, and earnings potential associated with the Navopache contract in 2016.

<sup>(7)</sup> TNMP EPS includes \$0.02 of CTC, which is fully amortized in 2020. 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.

<sup>(8)</sup> Corporate/Other includes the 65MW ownership of San Juan Unit 4 before 2018 and short and intermediate term bank debt. PNM Resources' \$119M 9.25% debt was retired May 15, 2015.

# 2017 and 2019 Potential Earnings Power

	2017 Earnings Potential		2019 Earnings Potential	
	Avg Rate Base	EPS	Avg Rate Base	EPS
<b>PNM Retail</b> <sup>(1)</sup>	\$2.4 B	\$1.49	\$2.5 B	\$1.59
<b>PNM Renewables</b> <sup>(2)</sup>	\$95 M	\$0.06	\$85 M	\$0.05
<b>PNM FERC</b> <sup>(3)</sup>	\$185 M	\$0.08-\$0.10	\$275 M	\$0.12-\$0.15
<b>PV3</b> <sup>(4)</sup>		(\$0.10)	<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		(\$0.01)-\$0.05
<b>Total PNM</b>	<b>\$2.7 B</b>	<b>\$1.54 - \$1.59</b>	<b>\$2.9 B</b>	<b>\$1.75 - \$1.84</b>
<b>TNMP</b> <sup>(6)</sup>	\$805 M	\$0.48	\$935 M	\$0.56
<b>Corporate/Other</b> <sup>(7)</sup>		(\$0.08)-(\$0.06)		(\$0.06)-(\$0.04)
<b>Total PNM Resources</b>	<b>\$3.5 B</b>	<b>\$1.94 - \$2.01</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, 2017 and 2019 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 \$31/MWh; a price of \$44/MWh is required to break even. PV3 is included in PNM rates beginning in 2018.

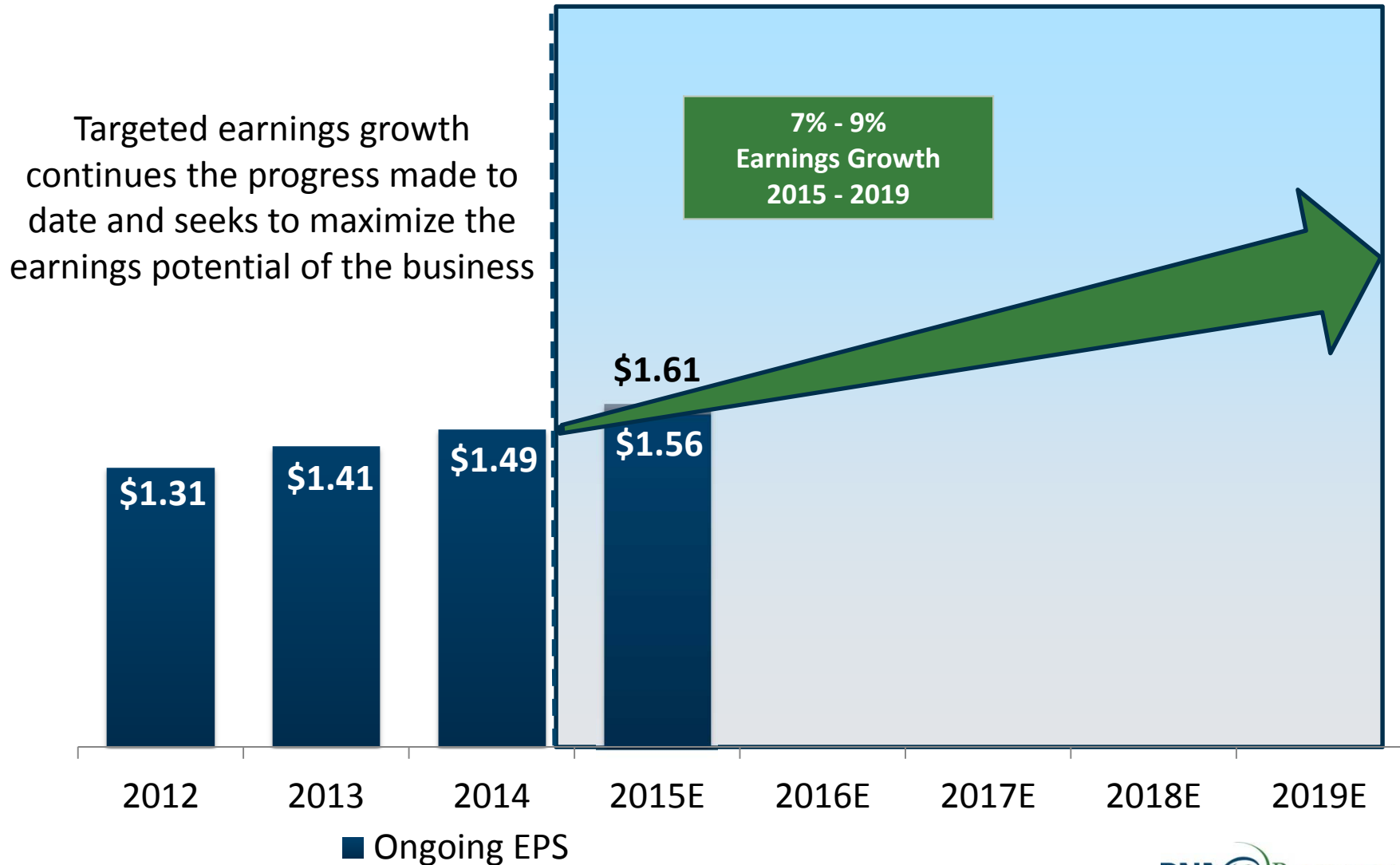
<sup>(5)</sup> Consists primarily of Palo Verde Nuclear Decommissioning Trust gains and losses, AFUDC, refined coal, certain incentive compensation, earnings potential associated with the Navopache contract in 2017, and the 65MW ownership of San Juan Unit 4 in 2019.

<sup>(6)</sup> TNMP Earnings Potential includes \$0.02 and \$0.01 of CTC in 2017 and 2019, respectively. 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.

*This table is not intended to represent a forward-looking projection of 2017 or 2019 earnings guidance.*

# Earnings 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

# Questions & Answers



# Appendix

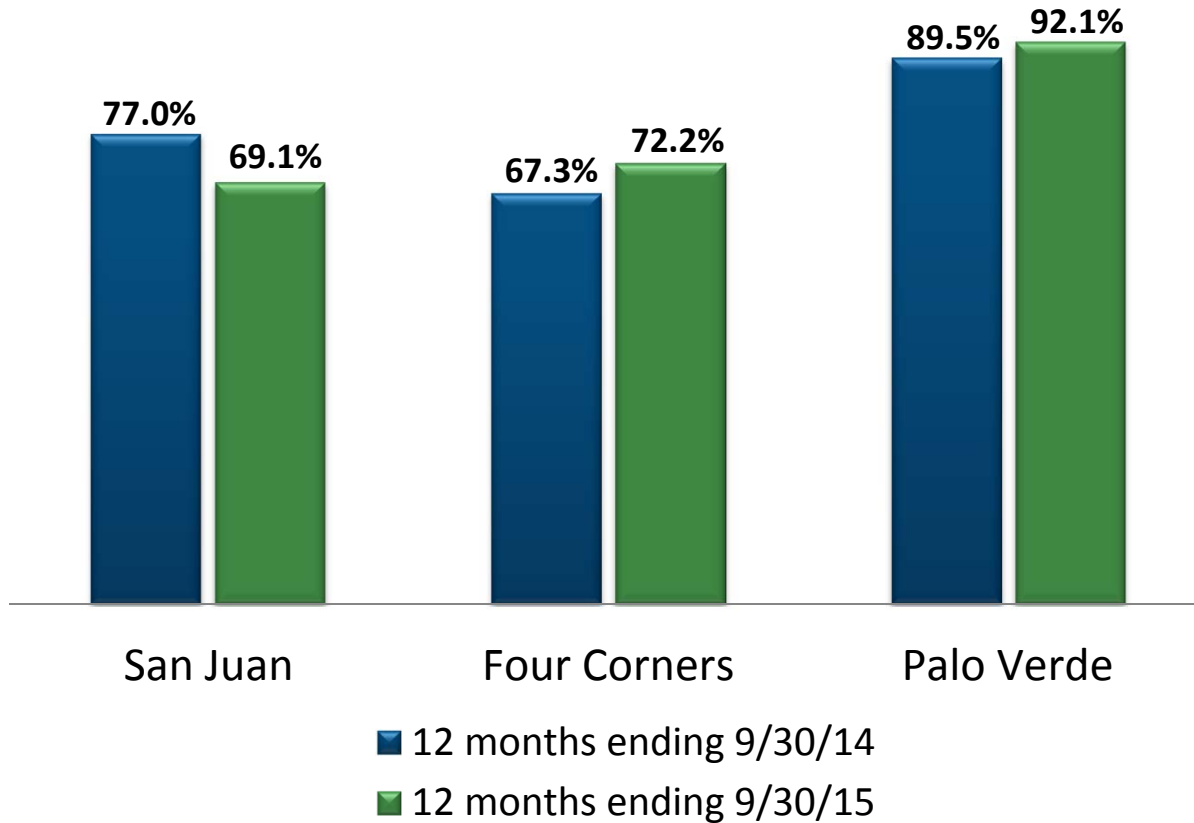
# Weather Impact

<b>PNM</b>	<b>Q3 2015</b>	<b>Q3 2014</b>	<b>2015 Normal<sup>(1)</sup></b>
Heating Degree Days	0	8	16
Cooling Degree Days	1,090	952	1,029
EPS Impact <i>compared to normal</i>	\$0.00	(\$0.03)	

<b>TNMP</b>	<b>Q3 2015</b>	<b>Q3 2014</b>	<b>2015 Normal<sup>(1)</sup></b>
Heating Degree Days	0	2	25
Cooling Degree Days	1,827	1,689	1,759
EPS Impact <i>compared to normal</i>	\$0.00	(\$0.01)	

<sup>(1)</sup> 2015 normal weather assumption reflects the 10-year average for the period 2004 - 2013.

# PNM Plant EAF and Outages



## 2015 - 2017 Outage Schedule

Unit	Duration in Days	Time Period
<b>San Juan</b>		
4	50	Q4 2015
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	29	Q4 2015
	33	Q2 2017
1	33	Q2 2016
	33	Q4 2017
3	33	Q4 2016

# Balance Sheet and Credit Metrics

## Liquidity as of October 23, 2015

	PNM	TNMP	Corporate/ Other	PNM Resources Consolidated
Financing Capacity <sup>(1)</sup> :	(In millions)			
Revolving credit facilities	<b>\$450.0</b>	<b>\$75.0</b>	<b>\$300.0</b>	<b>\$825.0</b>
As of 10/23/15:				
Short-term debt and LOC balances	\$3.2	\$20.1	\$6.2	\$29.5
Remaining availability	446.8	54.9	293.8	795.5
Invested cash	34.1	-	11.0	45.1
<b>Total Available Liquidity</b>	<b>\$480.9</b>	<b>\$54.9</b>	<b>\$304.8</b>	<b>\$840.6</b>

(1) Does not include intercompany debt and the following other short-term debt:

PNM's fully drawn \$125M term loan due 6/21/16,

Corporate/Other's fully drawn \$100M term loan due 12/21/15

## Selected Balance Sheet Information

(In millions)	Dec 31, 2014	Sep 30, 2015
<b>Long-Term Debt (incl. current portion)</b>		
PNM	\$1,490.7	\$1,590.0
TNMP	365.7	365.4
Corporate/Other	118.8	150.0
<b>Consolidated</b>	<b>\$1,975.1</b>	<b>\$2,105.4</b>
<b>Total Debt (incl. short-term) <sup>(1)</sup></b>		
PNM	\$1,490.7	\$1,590.0
TNMP	370.7	365.4
Corporate/Other	219.4	252.6
<b>Consolidated</b>	<b>\$2,080.7</b>	<b>\$2,208.0</b>

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

# Debt Ratings

<b>PNMR</b>	<b>S&amp;P</b>	<b>Moody's</b>
Debt rating	BBB <sup>(1)</sup>	Baa3 <sup>(1)</sup>
Issuer outlook	Positive	Stable

<b>PNM</b>	<b>S&amp;P</b>	<b>Moody's</b>
Debt rating	BBB <sup>(2)</sup>	Baa2 <sup>(2)</sup>
Issuer outlook	Positive	Stable

<b>TNMP</b>	<b>S&amp;P</b>	<b>Moody's</b>
Debt rating	A- <sup>(3)</sup>	A1 <sup>(3)</sup>
Issuer outlook	Positive	Stable

<sup>(1)</sup> Issuer/Corporate rating

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

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

# Environmental Compliance



# 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	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

<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 Environmental Regulation- SJGS

San Juan Generating Station	Estimated Compliance Costs (PNM Share)	Comments
Clean Air Act – Regional Haze <sup>(1)</sup> (State Alternative) – SNCR	\$78M	SNCR technology on 2 units; Retire 2 units.
Clean Air Act – National Ambient Air Quality Standards (NAAQS)	Included in SNCR and SCR <sup>(1)</sup> estimates	Balanced draft will assist with NAAQS compliance. On October 1, 2015, EPA published the new primary and secondary ozone NAAQS. The standard decreased from 75 ppb to 70 ppb. EPA and NMED will initiate a 2-year process to determine attainment/non-attainment areas. It is uncertain at this time if San Juan County will become non-attainment for ozone.
Mercury Rules (MATS)	None to minimal	Testing shows 99% or greater removal.
Resource Conservation and Recovery Act – Coal Ash	Minimal to some exposure	EPA published the final coal combustion residuals (CCR) rule on April 20, 2015. The rule regulates CCR as a non-hazardous waste under Subtitle D of RCRA. SJGS operations are in compliance with the CCR rule which became effective October 19, 2015. The rule does not apply to placement of coal ash in mines – Office of Surface Mining (OSM) is expected to issue its own rule in 2015 and OSM will be influenced by EPA’s rule.
Clean Water Act – 316(b) Cooling Water Intake Structures	Minimal to some exposure	On September 22, 2015, EPA granted approval to terminate SJGS’s National Pollutant Discharge Elimination System (“NPDES”) permit. Although SJGS has been a zero discharge facility for several years, EPA required the plant to maintain a NPDES permit. The cooling water intake structure rule still applies as the plant operates under EPA’s NPDES Multi-Sector General Stormwater Permit. PNM will work with EPA Region 6 to address any requirements.
Effluent Limitation Guidelines (Wastewater Discharge)	None to minimal exposure	EPA published the final Steam Effluent Guidelines Rule on September 30, 2015. Because SJGS is zero discharge for wastewater and no longer holds an NPDES process water permit, minimum to no requirements are expected.

<sup>(1)</sup> The additional 65 MW ownership of San Juan Unit 4 proposed in the BART supplemental stipulation is included in Corporate/Other for 2015-2017 and PNM beginning in 2018.

# Impact of Environmental Regulation- Four Corners

Four Corners (Units 4 and 5)	Estimated Compliance Costs (PNM Share)	Comments
Clean Air Act – Regional Haze – SCR	\$91M	Final BART determination filed with EPA on December 30, 2013. Impact to PNM: SCR controls for NO <sub>x</sub> on Units 4 & 5.
Clean Air Act – National Ambient Air Quality Standards (NAAQS)	Some to significant exposure	On October 1, 2015, EPA published the new primary and secondary NAAQS for ozone. The standard decreased from 75 ppb to 70 ppb. EPA <sup>(1)</sup> will initiate a 2-year process to determine attainment/non-attainment areas. It is uncertain at this time if San Juan County will become non-attainment for ozone.
Mercury Rules (MATS)	Slight exposure	APS has determined that no additional equipment will be required.
Resource Conservation and Recovery Act – Coal Ash	Some to significant exposure	EPA published the final coal combustion residuals (CCR) rule on April 20, 2015. The rule regulates CCR as a non-hazardous waste under Subtitle D of RCRA. APS will be required to make some modifications to their ash handling operations.
Clean Water Act – 316(b) Cooling Water Intake Structures	Some exposure	APS is in discussion with EPA Region 9, the NPDES permit writer for Four Corners, to determine the scope of requirements to achieve compliance with the 316(b) cooling water intake rule. APS does not believe that changes to plant operations will be material.
Effluent Limitation Guidelines (Wastewater Discharge)	Some exposure	EPA published the final Steam Effluent Guidelines Rule on September 30, 2015. Four Corners is uncertain what will be required to ensure compliance until a draft NPDES permit is proposed between 2018 and 2023 but believes compliance costs will not be material.

<sup>(1)</sup> NMED does not have jurisdiction over Navajo Nation. It is uncertain if and how EPA will engage NMED in determining attainment/nonattainment designations for those areas of San Juan County that fall on the Navajo Nation.

# Clean Power Plan

- On October 23, 2015, EPA published in the Federal Register the final Clean Power Plan (CPP) under section 111(d) of the Clean Air Act.
- Projected outcome = 32% reduction in CO<sub>2</sub> in the U.S. from 2005 levels by 2030
- Final guidelines require states to regulate CO<sub>2</sub> emissions from existing fossil generating units.
- The CPP establishes uniform national emission rates- **1305 lb CO<sub>2</sub>/MWh for coal/oil** and **771 lb CO<sub>2</sub>/MWh** for natural gas combined cycle. Rates are applied to each state to create state goals based upon generation mix.
- Compliance starts in 2022 with the final goal to be met in 2030 and beyond.
- For New Mexico, 36% reduction (rate-based) and 28% reduction (mass-based) from 10 affected facilities state-wide by 2030.
- Shutdown of two units at SJGS will reduce annual CO<sub>2</sub> emissions by approximately 5 to 6 M tons beginning in 2018 and is a significant step to allow NM to achieve compliance.
- States' (including NM) main job is to apply emissions limits to units and decide whether to allow trading.
- The Clean Power Plan allows states to
  - Be flexible with respect to timing and source of reductions,
  - Choose rate-based or mass-based compliance,
  - Choose what limits to impose on units,
  - Take on some of the units' burdens under the mass-based system (trade among affected units or with other states), and
  - Have the ability to trade emission reduction credits (ERCs) under a rate-based system or allowances under a mass-based system.

## 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)