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# Q1 2017 Earnings Review

April 28, 2017



# Safe Harbor Statement

Statements made in this presentation that relate to future events or PNM Resources, Inc.'s ("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 and Overview

Pat Vincent-Collawn

Chairman, President and CEO

# Q1 2017 Financial Results and Key Highlights

## Financial Results:

	Q1 2017	Q1 2016
GAAP EPS	\$0.29	\$0.13
Ongoing EPS	\$0.28	\$0.13

- 2017 Ongoing EPS Guidance of \$1.77 - \$1.87 affirmed

## Key Highlights:

- Agreement on parameters reached in PNM general rate case
  - Filed with NMPRC to request a brief extension for parties to seek approvals to sign
- Integrated Resource Plan updates

# Regulatory Update

Filing	Action	Timing	Docket No.
PNM 2018 General Rate Case Filing	Settlement agreement to be filed May 5, 2017	Decision expected in Q4 2017	16-00276-UT
PNM Integrated Resource Plan	Draft issued April 20, 2017	To be filed no later than July 3, 2017	N/A
PNM Advanced Metering Infrastructure	Hearings held in February, March 2017	TBD	15-00312-UT
Investigation/Rulemaking on Utility Ratemaking Policies	Public Workshop August 9, 2017	Decision expected Q3 or Q4 2017	17-00046-UT
PNM Appeal of 2015 General Rate Case to New Mexico Supreme Court	Appeal filed September 30, 2016	No statutory timeline	S-1-SC-36115
TNMP TCOS	Filed January 20, 2017	Rates effective March 14, 2017	46786
TNMP General Rate Case	N/A	To be filed no later than September 2018	N/A

# Financial Overview

Chuck Eldred

Executive Vice President and CFO

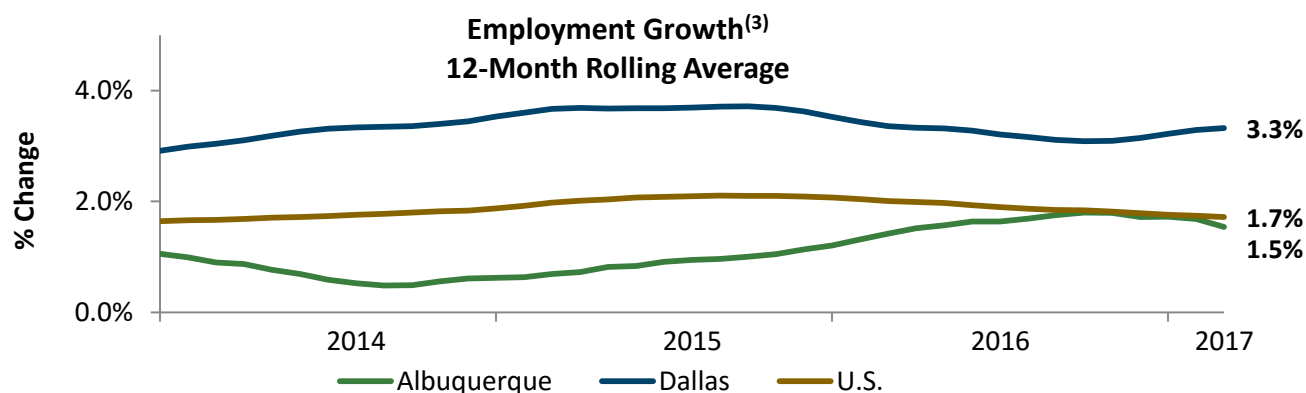
# Load and Economic Conditions

## Regulated Retail Energy Sales and Customers

(weather-normalized, leap-year adjusted)

<b>PNM</b>	<b>% of 2016 Sales Volumes</b>	<b>Q1 2017 vs. Q1 2016</b>
Retail Load:		
Residential	40%	1.6%
Commercial	47%	(2.6%)
Industrial	11%	(3.8%)
<b>Total Retail Load</b>		<b>(0.8%)</b>
	<i>2017 Load Growth Forecast: (1%) – 0%</i>	
<b>Avg. Customers</b>		<b>0.7%</b>
	<i>2017 Customer Growth Forecast: 0.7%</i>	

<b>TNMP</b>	<b>% of 2016 Sales Revenues</b>	<b>Q1 2017 vs. Q1 2016</b>
Volumetric Load <sup>(1)</sup> :		
Residential		5.7%
<b>Total Volumetric Load</b>	<b>52%</b>	<b>5.4%</b>
<b>Demand-Based Load<sup>(2)</sup></b>	<b>48%</b>	<b>6.7%</b>
	<i>2017 Load Growth Forecast: 2% – 3%</i>	
<b>Avg. End Users</b>		<b>1.2%</b>
	<i>2017 End User Growth Forecast: 1.6%</i>	



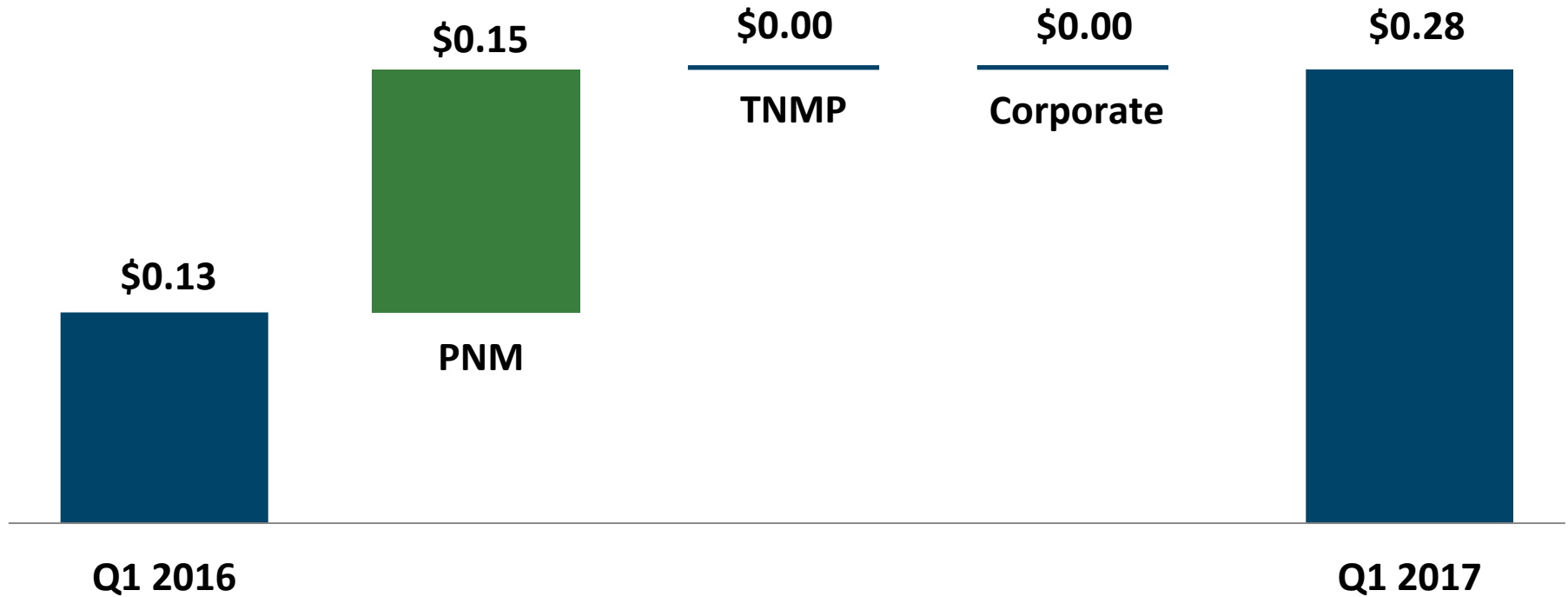
<sup>(1)</sup> Primarily Residential usage; represents per-kWh billings

<sup>(2)</sup> Commercial and Industrial usage; represents per-kW monthly peak billings

<sup>(3)</sup> U.S. Bureau of Labor Statistics, February 2017

# Q1 2017 Financial Summary

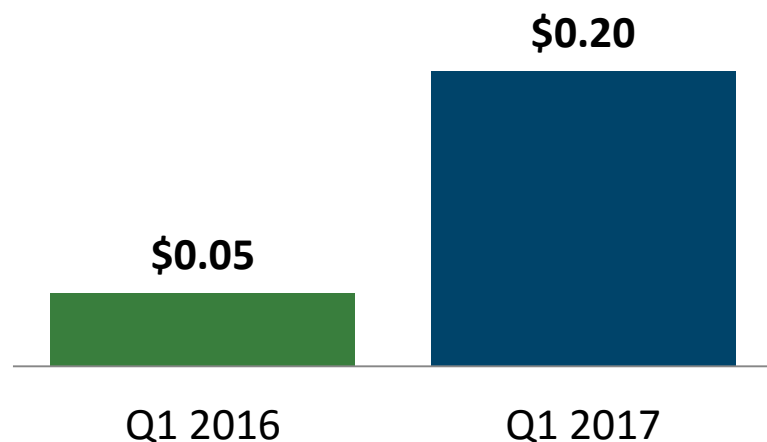
## Ongoing EPS





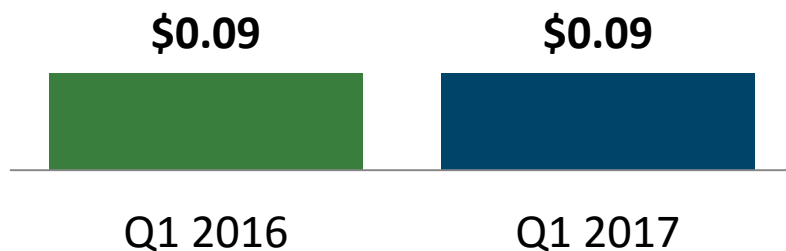
# Q1 2017 vs Q1 2016 EPS (Ongoing): PNM and TNMP

## PNM



Q1 2017 Key Performance Drivers	Δ EPS
Retail rate relief	\$0.08
Outage costs	\$0.05
Restructuring cost savings	\$0.03
Transmission	\$0.01
Palo Verde Unit 3 market prices	\$0.01
Palo Verde Nuclear Decommissioning Trust gains	\$0.01
Other	\$0.03
Weather	(\$0.02)
Depreciation and property tax	(\$0.02)
FERC Generation Navopache contract	(\$0.02)
O&M increases	(\$0.01)

## TNMP



Q1 2017 Key Performance Drivers	Δ EPS
Load	\$0.02
TCOS rate relief	\$0.01
Weather	(\$0.01)
Depreciation and property tax	(\$0.01)
Other	(\$0.01)

# Questions and Answers

# Appendix

# 2017 EPS Guidance (Ongoing)

## 2017 Guidance



# 2017 - 2019 Potential Earnings Power

	Allowed Return / Equity Ratio	2017 Guidance Midpoint			2018 Earnings Potential		2019 Earnings Potential	
		Avg Rate Base	Return	EPS	Avg Rate Base	EPS	Avg Rate Base	EPS
<b>PNM Retail</b> <sup>(1)</sup>	9.575% / 50%	\$2.3 B	9.3%	\$1.33	\$2.4 B	\$1.42	\$2.4 B	\$1.41
<b>Supreme Court Appeal</b> <sup>(2)</sup>							\$0 - \$150 M	\$0.00 - \$0.09
<b>PNM Renewables</b> <sup>(3)</sup>	9.575% / 50%	\$95 M	9.575%	\$0.06	\$90 M	\$0.05	\$85 M	\$0.05
<b>PNM FERC</b> <sup>(4)</sup>	10% / ~50%	\$180 M	7.9%	\$0.09	\$245 M	\$0.11 - \$0.14	\$275 M	\$0.12 - \$0.16
<b>PV3</b> <sup>(5)</sup>				(\$0.12)	<i>Included in PNM Retail</i>		<i>Included in PNM Retail</i>	
<b>Items not in Rates</b> <sup>(6)</sup>				(\$0.03)		(\$0.03) - \$0.00		(\$0.03) - \$0.00
<b>Total PNM</b>		<b>\$2.6 B</b>		<b>\$1.33</b>	<b>\$2.7 B</b>	<b>\$1.55 - \$1.61</b>	<b>\$2.7 - \$2.9 B</b>	<b>\$1.55 - \$1.71</b>
<b>TNMP</b> <sup>(7)</sup>	10.125% / 45%	\$815 M	10.125%	\$0.52	\$890 M	\$0.53	\$965 M	\$0.56
<b>Corporate/Other</b> <sup>(8)</sup>				(\$0.03)		(\$0.06) - (\$0.04)		(\$0.06) - (\$0.04)
<b>Total PNM Resources</b>		<b>\$3.4 B</b>		<b>\$1.82</b>	<b>\$3.6 B</b>	<b>\$2.02 - \$2.10</b>	<b>\$3.7 - \$3.9 B</b>	<b>\$2.05 - \$2.23</b>

<sup>(1)</sup> Recently authorized 9.575% ROE has been used for all forecasted years.

<sup>(2)</sup> Reflects a range of outcomes for the New Mexico Supreme Court appeal of the August 2015 General Rate Case final order. For purposes of writing down the value of the assets under appeal at Sept. 30, 2016, a minimum 15-month appeal timeframe was used. Potential average rate base presented in 2019 to be conservative includes: PV2 64MW Acquisition Adjustment (~\$75M), PV2 Leasehold Improvements (~\$25M) and Balanced Draft Technology (~\$50M).

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

<sup>(4)</sup> PNM FERC earnings potential reflects a return of 7-9% versus the allowed return of 10%, as FERC formula rate methodology uses prior year average rate base and provides for mid-year rate increases.

<sup>(5)</sup> 2017 Guidance Midpoint assumes a forward market price of \$29/MWh; a price of \$44/MWh is required to break even. PV3 is included in PNM rates beginning in 2018.

<sup>(6)</sup> Consists primarily of Palo Verde Nuclear Decommissioning Trust gains and losses, AFUDC, 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>(7)</sup> TNMP EPS includes \$0.02 of Competitive Transition Charge recovery in 2017 Guidance Midpoint and 2018 Earnings Potential and \$0.01 in 2019 Earnings Potential.

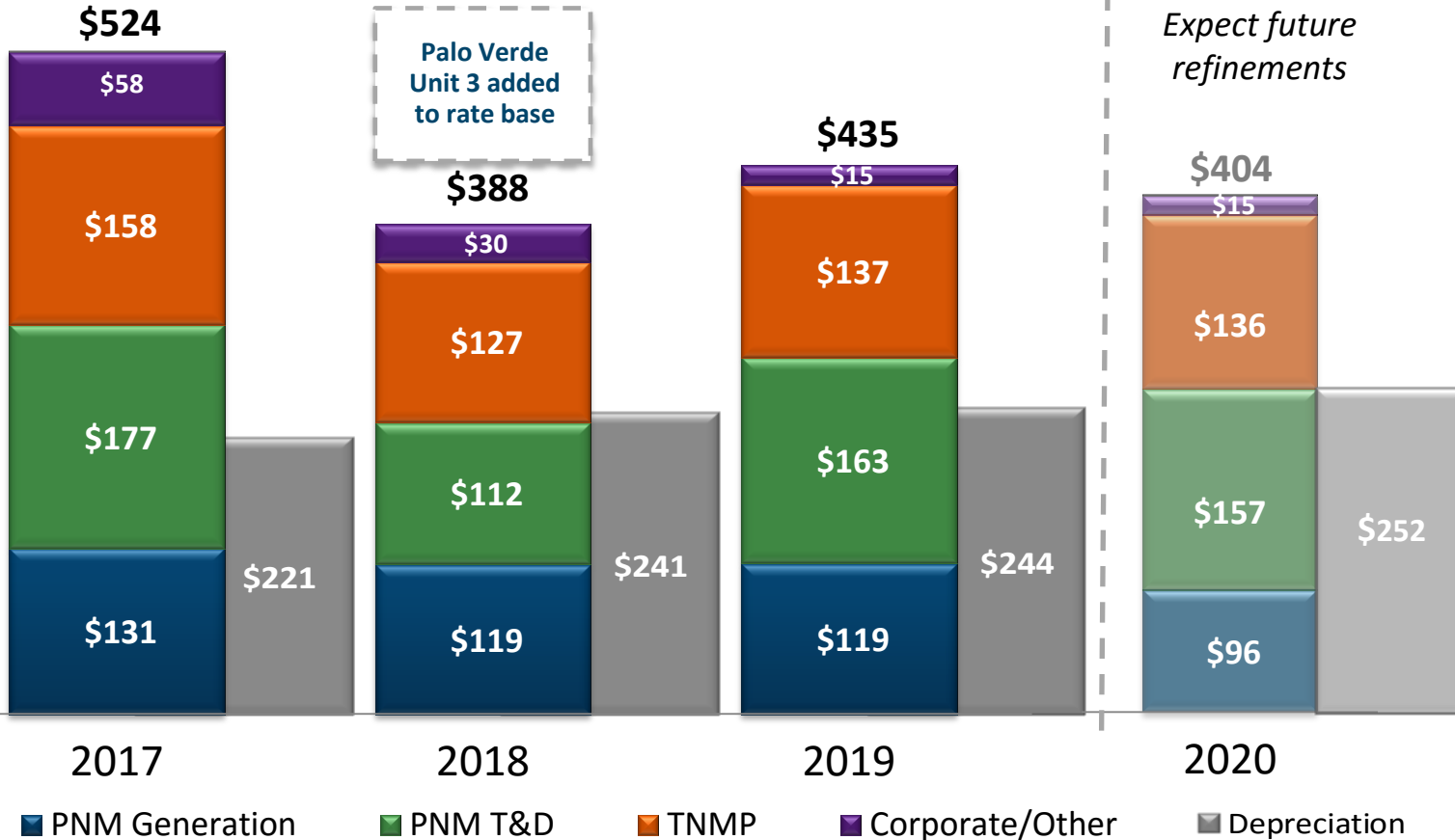
<sup>(8)</sup> Corporate/Other includes earnings associated with the 65MW ownership of San Juan Unit 4 before PNM assumes ownership in 2018, short and intermediate term bank debt, and the net impact of Westmoreland financing through NM Capital Utility Corporation.

# Capital Forecast

2017 – 2020 Total Capital Plan: \$1.7B

PNM 2016-2020 Rate Base CAGR: 4 - 6%<sup>(1)</sup>  
 TNMP 2016-2020 Rate Base CAGR: 8 - 10%

(In millions)



Expect future refinements

Future refinements include:

- Outcome of Integrated Resource Plan
- Resources for potential data center customers
- Additional transmission opportunities to support renewable growth

<sup>(1)</sup> Includes the addition of PV3 to rate base in 2018, which does not have associated capital spending. Amounts may not add due to rounding.

# Weather Impact

<b>PNM</b>	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>2017 Normal<sup>(1)</sup></b>
Heating Degree Days	1,611	1,837	1,963
Cooling Degree Days	2	0	0
Net EPS Impact <i>compared to normal</i>	(\$0.03)	(\$0.01)	

<b>TNMP</b>	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>2017 Normal<sup>(1)</sup></b>
Heating Degree Days	554	859	1,009
Cooling Degree Days	240	82	93
Net EPS Impact <i>compared to normal</i>	(\$0.01)	\$0.00	

<sup>(1)</sup> 2016 normal weather assumption reflects the 10-year average for the period 2006 - 2015.

# PNM Scheduled Plant Outages and Retirements

## 2017-2018 Planned Outage Schedule

San Juan		
Unit	Duration in Days	Time Period
1	29	Q1 2018
4	29	Q2 2018

Four Corners		
Unit	Duration in Days	Time Period
4	11	Q2 2017
5	11	Q2 2017
5	95	Q3-Q4 2017
4	95	Q1-Q2 2018

Palo Verde		
Unit	Duration in Days	Time Period
2	33	Q2 2017
1	33	Q4 2017
3	33	Q2 2018
2	33	Q4 2018

## NMPRC Approved Unit Retirements

San Juan	
Unit	Retirement Date
2	12/31/2017
3	12/31/2017



# Balance Sheet and Credit Metrics

# Liquidity as of April 24, 2017

	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 4/24/17:				
Short-term debt and LOC balances	\$17.3	\$40.1	\$162.3	\$219.7
Remaining availability	432.7	34.9	137.7	605.3
Invested cash	-	-	1.5	1.5
<b>Total Available Liquidity</b>	<b>\$432.7</b>	<b>\$34.9</b>	<b>\$139.2</b>	<b>\$606.8</b>

(1) Excludes intercompany debt and term loans

# Selected Balance Sheet Information

(In millions)	Dec 31, 2016	Mar 31, 2017
<b>Long-Term Debt (incl. current portion) <sup>(1)</sup></b>		
PNM	\$1,631.4	\$1,632.0
TNMP	420.9	420.9
Corporate/Other	340.5	331.2
<b>Consolidated</b>	<b>\$2,392.7</b>	<b>\$2,384.2</b>
<b>Total Debt (incl. short-term) <sup>(2)</sup></b>		
PNM	\$1,692.4	\$1,648.2
TNMP	420.9	442.9
Corporate/Other	566.6	596.1
<b>Consolidated</b>	<b>\$2,679.8</b>	<b>\$2,687.3</b>

<sup>(1)</sup> Net of unamortized debt issuance costs

<sup>(2)</sup> Excludes intercompany debt

Amounts may not add due to rounding

# Credit Ratings

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

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

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

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

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

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