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# Q2 2017 Earnings Review

July 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

# Q2 2017 Financial Results and Key Highlights

## Financial Results:

	Q2 2017	Q2 2016	YTD 2017	YTD 2016
GAAP EPS	\$0.47	\$0.34	\$0.75	\$0.47
Ongoing EPS	\$0.49	\$0.40	\$0.77	\$0.53

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

## Key Highlights:

- Filed settlement agreement in PNM general rate case
  - Hearings scheduled for August
- Filed Integrated Resource Plan as scheduled
  - Proposes coal-free generation portfolio in 2031
- Moody's raised outlook to positive for PNM and PNM Resources

# Regulatory Update

Filing	Action	Timing	Docket No.
PNM 2018 General Rate Case	Revised settlement agreement filed May 23, 2017	Suspension period currently ends January 6, 2018	16-00276-UT
PNM Integrated Resource Plan	Filed July 3, 2017	Protest period ends August 2, 2017	N/A
PNM Advanced Metering Infrastructure	Order establishing updated procedural schedule issued June 13, 2017	Supplemental hearings scheduled for October 25-26, 2017; decision expected Q1 2018	15-00312-UT
PNM 2018 Renewable Plan	Filed June 1, 2017	Decision expected Q4 2017	17-00129-UT
NMPRC Rulemaking on Utility Ratemaking Policies	Comments filed July 10, 2017	Public workshop to be held September 14, 2017	17-00046-UT
PNM Appeal of 2015 General Rate Case to New Mexico Supreme Court	Filed September 30, 2016	No statutory timeline	S-1-SC-36115
FERC Transmission Formula Rate Update	Filed June 1, 2017	Informational filing submitted; rates effective June 1, 2017	N/A
TNMP TCOS	Filed July 19, 2017	Rates expected to be implemented Q3 2017	47422
TNMP General Rate Case	N/A	Expected to be filed May 2018	N/A

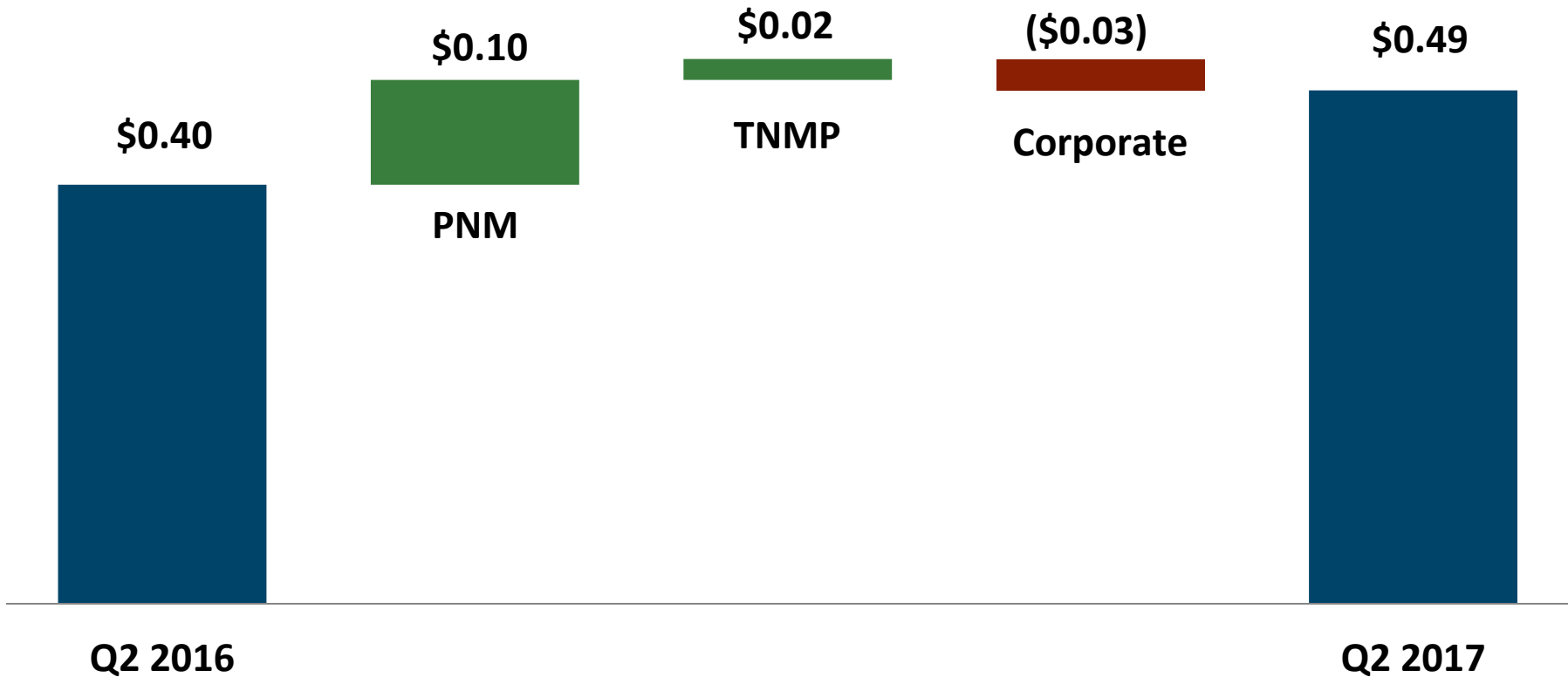
# Financial Overview

Chuck Eldred

Executive Vice President and CFO

# Q2 2017 Financial Summary

## Ongoing EPS



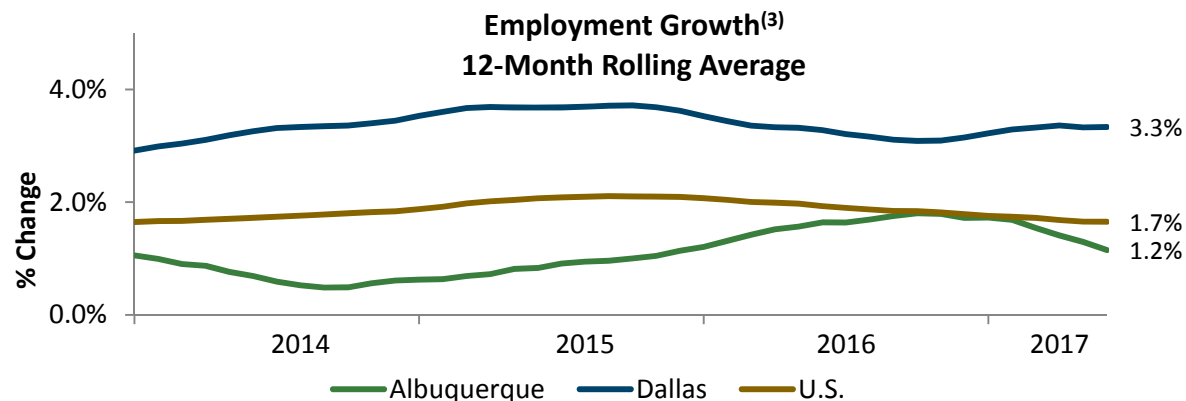
# Load and Economic Conditions

## Regulated Retail Energy Sales and Customers

(weather-normalized, leap-year adjusted)

PNM	% of 2016 Sales Volumes	Q2 2017 vs. Q2 2016	YTD 2017 vs. YTD 2016
Retail Load:			
Residential	40%	(0.9%)	0.4%
Commercial	47%	0.3%	(1.0%)
Industrial	11%	(1.0%)	(2.4%)
<b>Total Retail Load</b>		<b>(0.2%)</b>	<b>(0.5%)</b>
	<b>2017 Load Growth Forecast: (1%) – 0%</b>		
<b>Avg. Customers</b>		<b>0.6%</b>	<b>0.7%</b>
	<b>2017 Customer Growth Forecast: 0.7%</b>		

TNMP	% of 2016 Sales Revenues	Q2 2017 vs. Q2 2016	YTD 2017 vs. YTD 2016
Volumetric Load <sup>(1)</sup> :			
Residential		1.5%	3.3%
<b>Total Volumetric Load</b>	<b>52%</b>	<b>1.1%</b>	<b>3.0%</b>
<b>Demand-Based Load<sup>(2)</sup></b>	<b>48%</b>	<b>3.1%</b>	<b>4.9%</b>
	<b>2017 Load Growth Forecast: 2% – 3%</b>		
<b>Avg. End Users</b>		<b>1.2%</b>	<b>1.2%</b>
	<b>2017 End User Growth Forecast: 1.6%</b>		



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

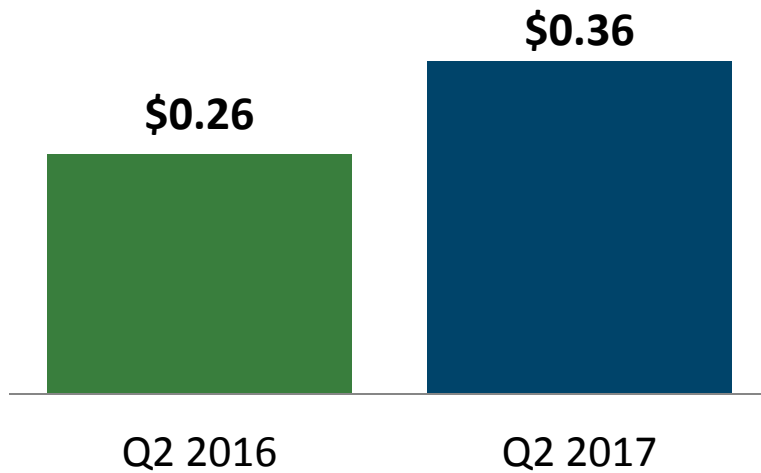
<sup>(2)</sup> Commercial and Industrial usage excluding Transmission customers; represents per-kW monthly peak billings

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



# Q2 2017 vs Q2 2016 EPS (Ongoing): PNM

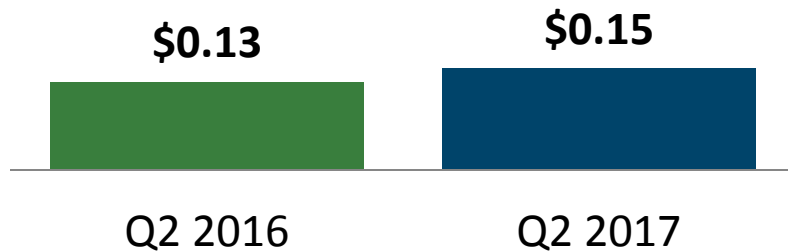
## PNM



Q2 2017 Key Performance Drivers	Δ EPS
Retail rate relief	\$0.09
Transmission	\$0.02
Outage costs	\$0.02
Restructuring cost savings	\$0.02
AFUDC	\$0.01
Palo Verde Unit 3 market prices	\$0.01
O&M increases	(\$0.02)
Depreciation and property tax	(\$0.02)
Q2 2016 interest income from IRS, net of fees	(\$0.02)
FERC Generation Navopache contract	(\$0.01)

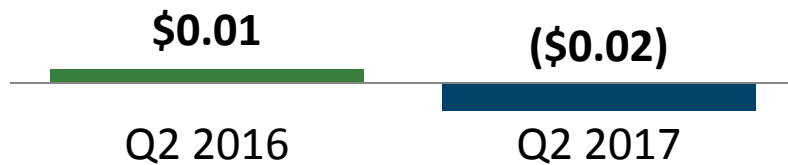
# Q2 2017 vs Q2 2016 EPS (Ongoing): TNMP and Corporate

## TNMP



Q2 2017 Key Performance Drivers	Δ EPS
Load	\$0.01
TCOS rate relief	\$0.01
Other	\$0.01
Depreciation and property tax	(\$0.01)

## Corporate



Q2 2017 Key Performance Drivers	Δ EPS
Westmoreland loan agreements	(\$0.01)
Interest expense	(\$0.01)
Other	(\$0.01)

# 2017 EPS Guidance (Ongoing)

## 2017 Guidance



# Questions and Answers

# Appendix

# 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	\$2.3 B	\$1.38	\$2.3 B	\$1.37
<b>PNM Rate Case Phase-In</b> <sup>(2)</sup>						(\$0.23)		
<b>Supreme Court Appeal</b> <sup>(3)</sup>							\$0 - \$150 M	\$0.00 - \$0.09
<b>PNM Renewables</b> <sup>(4)</sup>	9.575% / 50%	\$95 M	9.575%	\$0.06	\$90 M	\$0.05	\$85 M	\$0.05
<b>PNM FERC</b> <sup>(5)</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>(6)</sup>				(\$0.12)	<i>Included in PNM Retail</i>		<i>Included in PNM Retail</i>	
<b>Items not in Rates</b> <sup>(7)</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>\$2.6 B</b>	<b>\$1.28 - \$1.34</b>	<b>\$2.7 - \$2.9 B</b>	<b>\$1.51 - \$1.67</b>
<b>TNMP</b> <sup>(8)</sup>	10.125% / 45%	\$815 M	10.125%	\$0.52	\$815 M	\$0.48	\$965 M	\$0.56
<b>Corporate/Other</b> <sup>(9)</sup>				(\$0.03)		(\$0.08) - (\$0.06)		(\$0.07) - (\$0.05)
<b>Total PNM Resources</b>		<b>\$3.4 B</b>		<b>\$1.82</b>	<b>\$3.5 B</b>	<b>\$1.68 - \$1.76</b>	<b>\$3.7 - \$3.9 B</b>	<b>\$2.00 - \$2.18</b>

<sup>(1)</sup> Currently authorized 9.575% ROE has been used for all forecasted years. Average rate base in 2018 and 2019 has been reduced by approximately \$65M to represent the (\$0.04) EPS impact of the lost equity return on the Four Corners SCR investment (debt-only return included in the proposed 2018 general rate case settlement).

<sup>(2)</sup> Reflects the \$30M of revenue collection delayed to 1/1/2019 as part of the proposed 2018 general rate case settlement.

<sup>(3)</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 September 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>(4)</sup> PNM Renewables reflect assets collected through the Renewable Rate Rider.

<sup>(5)</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>(6)</sup> 2017 Guidance Midpoint assumes a hedged price of \$29/MWh; a price of \$44/MWh is required to break even. PV3 is included in PNM rates beginning in 2018.

<sup>(7)</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>(8)</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. 2018 average rate base has been held at the 2017 level to reflect the required suspension of TCOS filings during general rate case proceedings.

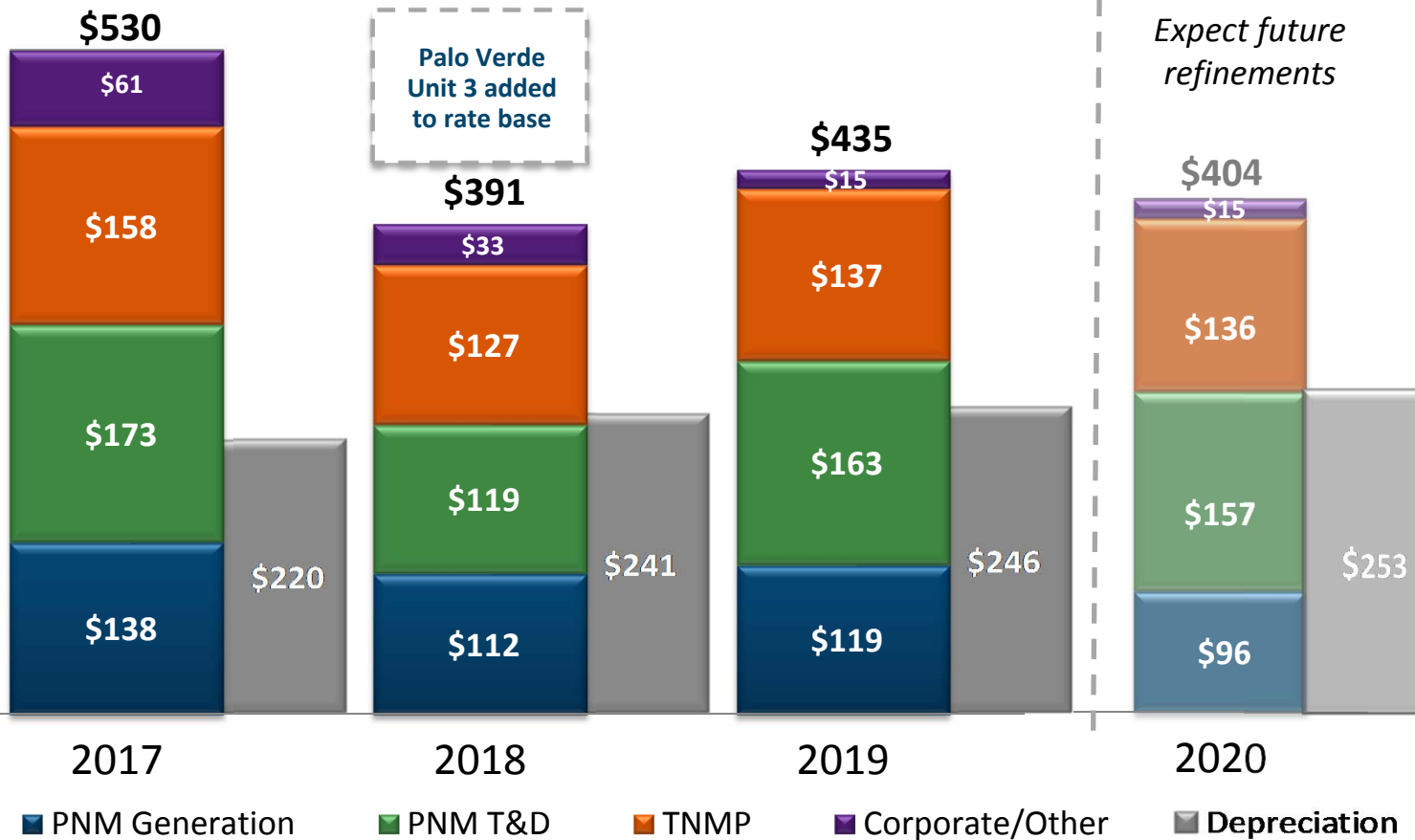
<sup>(9)</sup> Corporate/Other includes earnings associated with the 65MW ownership of San Juan Unit 4 before PNM assumes ownership in 2018, short and intermediate term bank debt, and the net impact of Westmoreland financing through NM Capital Utility Corporation.

# 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 Renewable filing and Integrated Resource Plan
- Resources for potential data center customers
- Additional capital to support TNMP growth and transmission opportunities

<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>Q2 2017</b>	<b>Q2 2016</b>	<b>2017 Normal<sup>(1)</sup></b>
Heating Degree Days	308	360	304
Cooling Degree Days	487	504	492
Net EPS Impact <i>compared to normal</i>	\$0.00	\$0.01	

<b>TNMP</b>	<b>Q2 2017</b>	<b>Q2 2016</b>	<b>2017 Normal<sup>(1)</sup></b>
Heating Degree Days	21	39	55
Cooling Degree Days	1,034	928	1,083
Net EPS Impact <i>compared to normal</i>	\$0.00	(\$0.01)	

<sup>(1)</sup> 2017 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			Four Corners			Palo Verde		
Unit	Duration in Days	Time Period	Unit	Duration in Days	Time Period	Unit	Duration in Days	Time Period
1	29	Q1 2018	5	95	Q3-Q4 2017	1	33	Q4 2017
4	29	Q2 2018	4	95	Q1-Q2 2018	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 July 25, 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 7/25/17:				
Short-term debt and LOC balances	\$11.5	\$52.1	\$180.1	\$243.7
Remaining availability	438.5	22.9	119.9	581.3
Invested cash	-	-	1.5	1.5
<b>Total Available Liquidity</b>	<b>\$438.5</b>	<b>\$22.9</b>	<b>\$121.4</b>	<b>\$582.8</b>

(1) Excludes intercompany debt and term loans

## Selected Balance Sheet Information

(In millions)	Dec 31, 2016	June 30, 2017
<b>Long-Term Debt (incl. current portion) <sup>(1)</sup></b>		
PNM	\$1,631.4	\$1,631.9
TNMP	420.9	421.0
Corporate/Other	340.5	320.4
<b>Consolidated</b>	<b>\$2,392.7</b>	<b>\$2,373.4</b>
<b>Total Debt (incl. short-term) <sup>(2)</sup></b>		
PNM	\$1,692.4	\$1,669.9
TNMP	420.9	468.0
Corporate/Other	566.6	608.9
<b>Consolidated</b>	<b>\$2,679.8</b>	<b>\$2,746.9</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	Positive

<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	Positive

<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