

# Q2 2018 Earnings Review

July 31, 2018



# 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 2018 Financial Results and Regulatory Updates

## Financial Results:

	Q2 2018	Q2 2017	YTD 2018	YTD 2017
GAAP EPS	\$0.48	\$0.47	\$0.67	\$0.75
Ongoing EPS	\$0.53	\$0.49	\$0.73	\$0.77

- 2018 Ongoing EPS Guidance raised to \$1.91 - \$1.98
- 2019 Ongoing EPS Guidance raised to \$2.08 - \$2.18

## Company Updates:

- TNMP: General rate review filing
  - Hearings begin September 7, 2018
- PNM: Generation portfolio transformation

# Transformation of PNM Generation Portfolio

## 2018

- June: Integrated Resource Plan hearings completed
- December: Compliance filing required by BART settlement outlining extent of further operation of San Juan Generating Station after 2022

## 2019

- January-March: Securitization bill may be addressed during legislative session
- Mid-year: Evaluation of replacement power RFPs complete; NMPRC filings for abandonment and replacement power CCNs

## 2022

- Construction of replacement power complete and retirement of San Juan Generating Station after coal contract expires in June, subject to NMPRC approval of CCNs and abandonment filing

# Financial Overview

Chuck Eldred

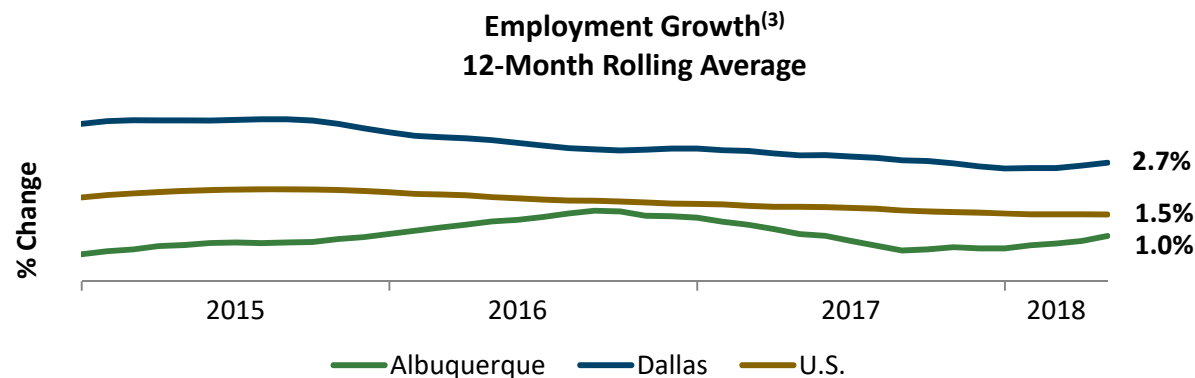
Executive Vice President and CFO

# Load and Economic Conditions

## Regulated Retail Energy Sales and Customers

(weather-normalized)

PNM / TNMP	Q2 2018 vs. Q2 2017	YTD 2018 vs. YTD 2017	2018E	2019E
PNM Residential & Commercial	1.1%	0.2%	~0.3%	
<b>Total PNM Retail Load</b>	<b>1.0%</b>	<b>(0.1%)</b>	<b>0% – 0.5%</b>	
<i>PNM Avg. Customers</i>	0.8%	0.8%	~0.5% per year	
<b>TNMP Total Volumetric Load<sup>(1)</sup></b>	<b>1.4%</b>	<b>2.5%</b>	2% – 3% per year	
<b>TNMP Demand-Based Load<sup>(2)</sup></b>	<b>7.0%</b>	<b>6.2%</b>	5% – 7%	6% – 8%
<i>TNMP Avg. End Users</i>	1.3%	1.3%	1.5% – 2.0% per year	



### 2018 Monthly Employment Growth

	Abq.	U.S.
January	1.2%	1.4%
February	1.6%	1.5%
March	1.3%	1.6%
April	1.3%	1.6%
May	1.8%	1.6%

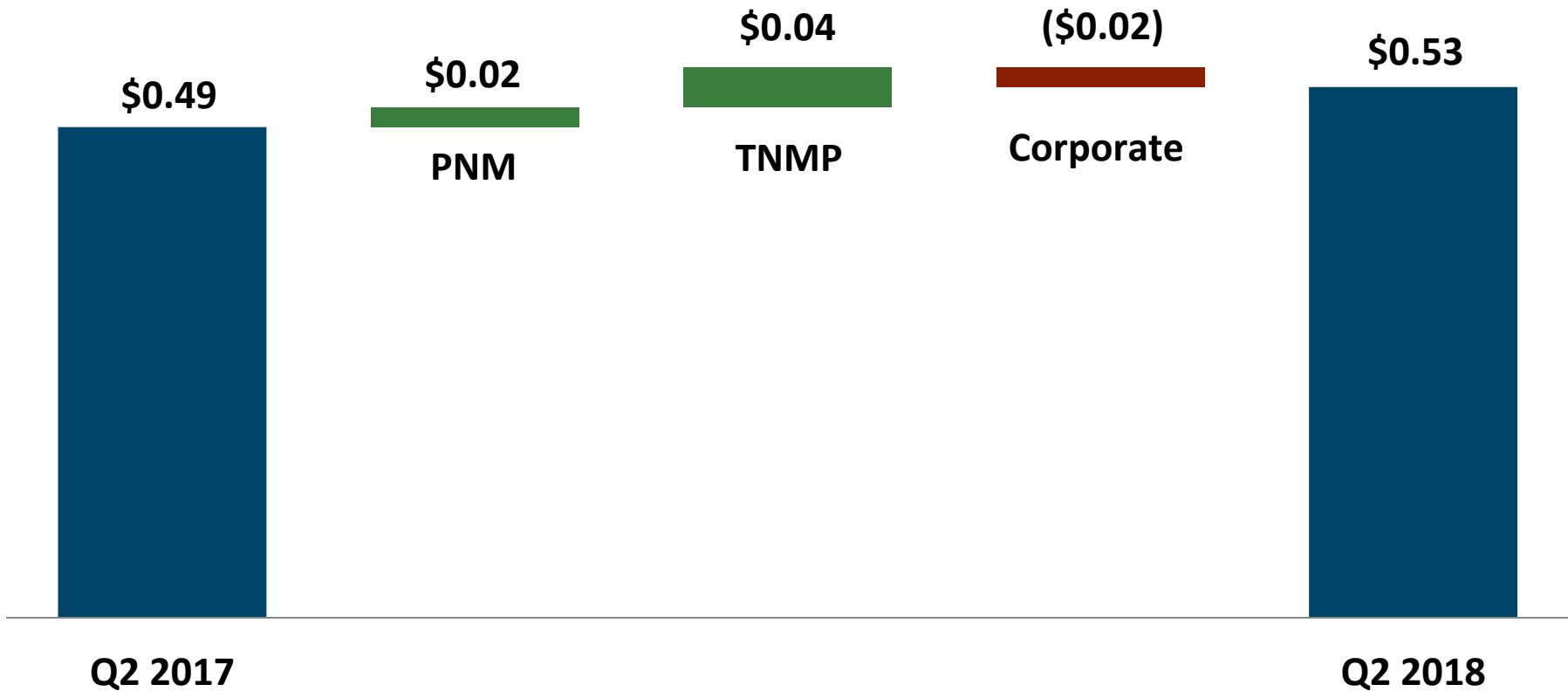
<sup>(1)</sup> Primarily Residential usage; represents per-kWh billings

<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 2018

# Q2 2018 Financial Summary

## Ongoing EPS



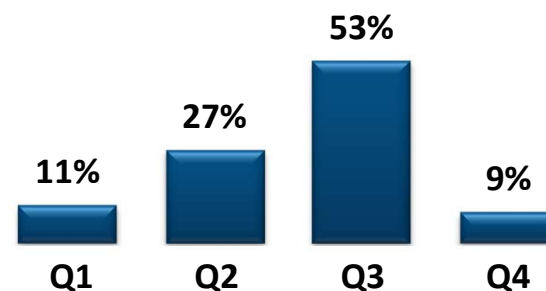


# Consolidated Earnings and Quarterly Earnings Distribution Guidance (Ongoing)

## Consolidated Earnings Guidance

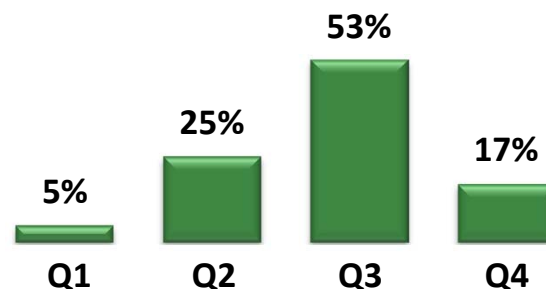
2018	Previous	Revised
<b>Consolidated EPS</b>	<b>\$1.82 - \$1.92</b>	<b>\$1.91 - \$1.98</b>
PNM	\$1.39 - \$1.46	\$1.48 - \$1.52
TNMP	\$0.54 - \$0.56	\$0.60 - \$0.62
Corporate/Other	(\$0.11) – (\$0.10)	(\$0.17) – (\$0.16)

Quarterly Ongoing Earnings Distribution



2019	Previous	Revised
<b>Consolidated EPS</b>	<b>\$2.04 - \$2.16</b>	<b>\$2.08 - \$2.18</b>
PNM	\$1.54 - \$1.61	\$1.57 - \$1.63
TNMP	\$0.63 - \$0.66	\$0.67 - \$0.69
Corporate/Other	(\$0.13) – (\$0.11)	(\$0.16) – (\$0.14)

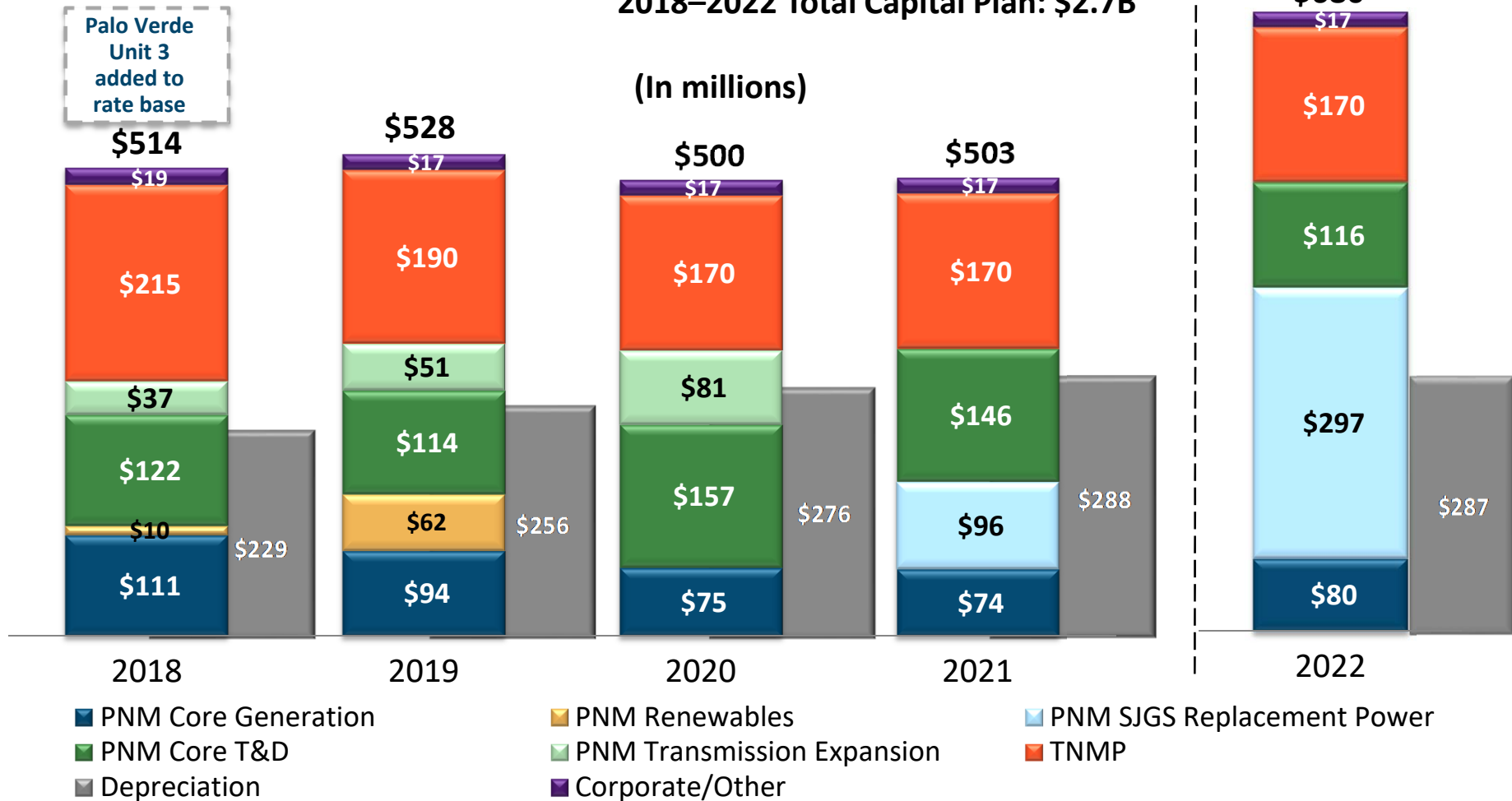
Quarterly Ongoing Earnings Distribution



# Capital Forecast

Targeted Consolidated 2018-2021 Rate Base CAGR<sup>(1)</sup>: 6% - 7%  
 2018-2022 Total Capital Plan: \$2.7B

(In millions)



Targeted PNM 2018-2021 Rate Base CAGR<sup>(1)</sup>: 4.5%-5.5% from 2018 base reflects potential outcomes from the pending NM Supreme Court general rate case appeal of \$0-\$150M

Targeted TNMP 2018-2021 Rate Base CAGR<sup>(1)</sup>: 12.9% from 2018 base

<sup>(1)</sup> 2018-2021 CAGR measured from a 2018 base

# Questions and Answers

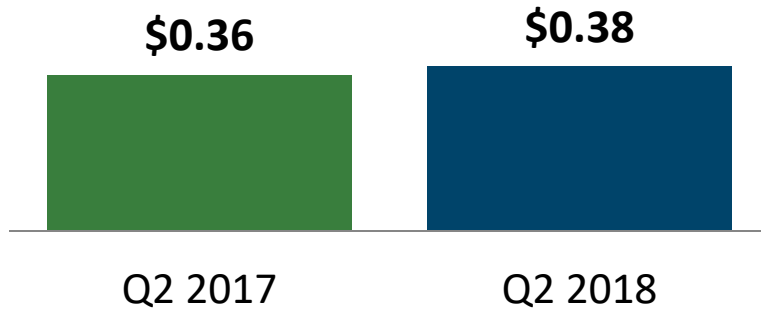
# Appendix

# PNM and TNMP Regulatory Update

Filing	Action	Timing	Docket No.
PNM Appeal of 2015 General Rate Case to New Mexico Supreme Court	Oral arguments held October 30, 2017	No statutory timeline	S-1-SC-36115
PNM 2017 Integrated Resource Plan	Hearings completed in June; post-hearing response briefs due July 31, 2018	Pending hearing examiner recommended decision	17-00174-UT
PNM Petition for Disincentive	Procedural schedule issued April 25, 2018	Hearings schedule to begin October 30, 2018	18-00043-UT
PNM 2019 Renewable Filing	Plan filed June 1, 2018	Hearings scheduled to begin September 27, 2018	18-00158-UT
Fuel Clause Continuation Filing (required every 4 years)	Filed April 23, 2018	Approved June 20, 2018	18-00096-UT
FERC Transmission Formula Rate Update	Filed June 1, 2018	Informational filing submitted; rates effective June 1, 2018	N/A
TNMP General Rate Review	Filed May 30, 2018	Hearings scheduled for September 7-12, 2018	48401

# Q2 2018 vs Q2 2017 EPS (Ongoing): PNM

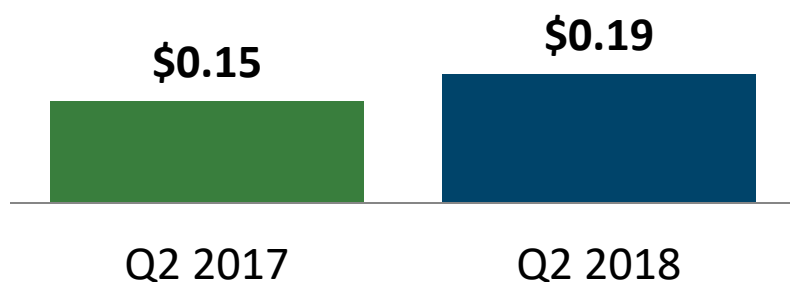
## PNM



Q2 2018 Key Performance Drivers	Δ EPS
Tax reform	\$0.07
Retail rate phase-in (includes federal and accelerated state tax amortization)	\$0.06
Transmission margin	\$0.04
Weather	\$0.03
Retail load	\$0.02
Interest expense savings	\$0.01
Other	\$0.01
Outage costs	(\$0.08)
Retail generation portfolio changes approved in BART settlement	(\$0.05)
Decommissioning/reclamation trust income, net of fees	(\$0.04)
Depreciation and property tax	(\$0.03)
San Juan unregulated 65MW	(\$0.02)

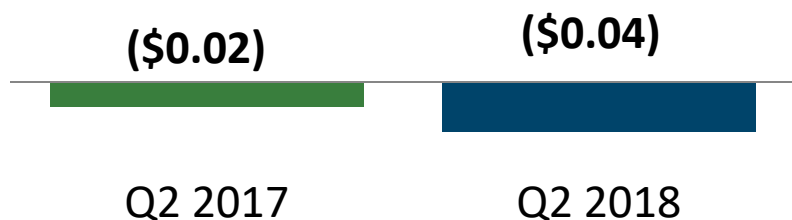
# Q2 2018 vs Q2 2017 EPS (Ongoing): TNMP and Corporate

## TNMP



Q2 2018 Key Performance Drivers	Δ EPS
TCOS rate relief	\$0.02
Weather	\$0.01
Load	\$0.01
Other	\$0.01
Depreciation and property tax	(\$0.01)

## Corporate



Q2 2018 Key Performance Drivers	Δ EPS
Interest expense	(\$0.01)
Westmoreland loan agreements	(\$0.01)

# Potential Earnings Power

	Allowed Return / Equity Ratio	2018 Ongoing Earnings Guidance Midpoint			2019 Ongoing Earnings Guidance Midpoint			2020 Earnings Potential		2021 Earnings Potential	
		Avg Rate Base	Return	EPS	Avg Rate Base	Return	EPS	Avg Rate Base	EPS	Avg Rate Base	EPS
PNM Retail <sup>(1)</sup>	9.575% / 50%	\$2.3 B	9.1%	\$1.32	\$2.3 B	9.575%	\$1.40	\$2.4 B	\$1.42	\$2.5 B	\$1.49
PNM Renewables <sup>(2)</sup>	9.575% / 50%	\$90 M	9.575%	\$0.05	\$110 M	9.575%	\$0.07	\$150 M	\$0.09	\$147 M	\$0.09
PNM FERC <sup>(3)</sup>	10% / ~50%	\$220 M	8.1%	\$0.12	\$285 M	8.0%	\$0.14	\$330 M	\$0.16-\$0.19	\$370 M	\$0.17-\$0.21
Items not in Rates <sup>(4)</sup>				\$0.01			(\$0.01)		(\$0.04)-(\$0.02)		(\$0.04)-(\$0.02)
<b>Total PNM</b>		<b>\$2.6 B</b>		<b>\$1.50</b>	<b>\$2.7 B</b>		<b>\$1.60</b>	<b>\$2.9 B</b>	<b>\$1.63-\$1.68</b>	<b>\$3.0 B</b>	<b>\$1.71-\$1.77</b>
TNMP <sup>(5)</sup>	10.125% / 45%	\$850 M	9.5%	\$0.61	\$1,050 M	10.125%	\$0.68	\$1,130 M	\$0.66-\$0.74	\$1,225 M	\$0.70-\$0.80
Corporate/Other <sup>(6)</sup>				(\$0.17)			(\$0.15)		(\$0.15)-(\$0.13)		(\$0.15)-(\$0.13)
ATM Program <sup>(7)</sup>									(\$0.03)-(\$0.01)		(\$0.07)-(\$0.04)
<b>Total PNM Resources (Before Supreme Court)</b>		<b>\$3.5 B</b>		<b>\$1.94</b>	<b>\$3.7 B</b>		<b>\$2.13</b>	<b>\$4.0 B</b>	<b>\$2.11-\$2.28</b>	<b>\$4.2 B</b>	<b>\$2.19-\$2.40</b>
Supreme Court Appeal <sup>(8)</sup>					\$0-150 M		\$0.00-\$0.09	\$0-150 M	\$0.00-\$0.09	\$0-150 M	\$0.00-\$0.09
<b>Total PNM Resources (After Supreme Court)</b>		<b>\$3.5 B</b>		<b>\$1.94</b>	<b>\$3.7-3.9 B</b>		<b>\$2.13-\$2.22</b>	<b>\$4.0-4.1 B</b>	<b>\$2.11-\$2.37</b>	<b>\$4.2-4.3 B</b>	<b>\$2.19-\$2.49</b>

<sup>(1)</sup> Authorized ROE of 9.575% has been assumed for 2020 and 2021 Earnings Potential. Average rate base has been reduced by approximately \$130M to represent the (\$0.05) of Earnings Potential for the lost equity return on the Four Corners investment resulting from the 2018 general rate case settlement.

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

<sup>(3)</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>(4)</sup> Consists primarily of decommissioning/reclamation trust income (net of fees and taxes), AFUDC, certain incentive compensation, and the 65MW ownership of San Juan Unit 4.

<sup>(5)</sup> TNMP Earnings Potential includes \$0.01 for Energy Efficiency in 2019 and thereafter. 2018 average rate base has been held at the year-end 2017 level to reflect the required suspension of TCOS filings during general rate case proceedings. TNMP is reflected as a range from 2020 – 2021 to show potential rate case outcomes on the ROE (10.125% - 10.5%) and Capital Structure (45% - 50%).

<sup>(6)</sup> Corporate/Other includes earnings associated with short and intermediate term bank debt and 50% equity interest in NMRD.

<sup>(7)</sup> Dilution impact from at-the-market (ATM) program assumes between \$50M and \$100M equity issuances between 2020 and 2021.

<sup>(8)</sup> Reflects a range of outcomes for the New Mexico Supreme Court appeal of the August 2015 General Rate Case final order. A minimum 26-month appeal timeframe has been used for purposes of writing down the value of the assets under appeal. 2019 average rate base presented includes: PV2 64MW Acquisition Adjustment (~\$75M), PV2 Leasehold Improvements (~\$25M) and Balanced Draft Technology (~\$50M).



# Weather Impact

<b>PNM</b>	<b>Q2 2018</b>	<b>Q2 2017</b>	<b>2018 Normal<sup>(1)</sup></b>
Heating Degree Days	22	83	70
Cooling Degree Days	674	497	494
Net EPS Impact <i>compared to normal</i>	\$0.05	\$0.01	

<b>TNMP</b>	<b>Q2 2018</b>	<b>Q2 2017</b>	<b>2018 Normal<sup>(1)</sup></b>
Heating Degree Days	85	18	45
Cooling Degree Days	1,097	1,017	1,012
Net EPS Impact <i>compared to normal</i>	\$0.02	\$0.01	

<sup>(1)</sup> 2018 normal weather assumption reflects the 20-year average for the period 1998 - 2017.

# PNM Scheduled Plant Outages

San Juan		
Unit	Duration in Days	Time Period
4	43	Q1-Q2 2019

Four Corners		
Unit	Duration in Days	Time Period
4	12	Q2 2019
5	12	Q2 2019

Palo Verde		
Unit	Duration in Days	Time Period
2	44	Q4 2018
1	30	Q2 2019
3	43	Q4 2019

# Balance Sheet and Credit Ratings

## Liquidity as of July 25, 2018

	PNM	TNMP	PNMR		PNM Resources Consolidated
			PNMR Development	Corporate /Other	
Financing Capacity <sup>(1)</sup> :	(In millions)				
Revolving credit facilities	\$440.0	\$75.0	\$24.5	\$300.0	\$839.5
As of 7/25/18:					
Short-term debt and LOC balances	\$21.3	\$6.3	\$24.5	\$117.5	\$169.6
Remaining availability	418.7	68.7	-	182.5	669.9
Invested cash	-	-	-	0.9	0.9
<b>Total Available Liquidity</b>	<b>\$418.7</b>	<b>\$68.7</b>	<b>-</b>	<b>\$183.4</b>	<b>\$670.8</b>

<sup>(1)</sup> Excludes intercompany debt and term loans

## Selected Balance Sheet Information

(In millions)	Dec 31, 2017	June 30, 2018
<b>Long-Term Debt (incl. current portion) <sup>(1)</sup></b>		
PNM	\$1,657.9	\$1,655.8
TNMP	480.6	540.3
Corporate/Other	299.1	397.9
<b>Consolidated</b>	<b>\$2,437.6</b>	<b>\$2,594.0</b>
<b>Total Debt (incl. short-term) <sup>(2)</sup></b>		
PNM	\$1,697.7	\$1,689.4
TNMP	480.6	553.8
Corporate/Other	564.7	633.4
<b>Consolidated</b>	<b>\$2,743.0</b>	<b>\$2,876.6</b>

<sup>(1)</sup> Net of unamortized debt issuance costs, premiums and discounts

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

Amounts may not add due to rounding

# Credit Ratings

<b>PNMR Consolidated</b>	<b>S&amp;P</b>	<b>Moody's</b>
Issuer rating	BBB+	Baa3
Outlook	Negative	Stable
Senior unsecured rating	BBB	Baa3

<b>PNM</b>	<b>S&amp;P</b>	<b>Moody's</b>
Issuer rating	BBB+	Baa2
Outlook	Negative	Stable
Senior unsecured rating	BBB+	Baa2

<b>TNMP</b>	<b>S&amp;P</b>	<b>Moody's</b>
Issuer rating	BBB+	A3
Issuer outlook	Negative	Stable
Senior secured rating	A	A1