

# Q3 2018 Earnings Review

November 6, 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>.

# Q3 2018 Overview

## Q3 2018 Financial Results and Key Highlights

### Financial Results:

	Q3 2018	Q3 2017	YTD 2018	YTD 2017
GAAP EPS	\$1.09	\$0.92	\$1.76	\$1.67
Ongoing EPS	\$1.08	\$0.93	\$1.82	\$1.70

- 2018 Ongoing EPS Guidance narrowed to \$1.95 - \$1.98
- 2019 Ongoing EPS Guidance of \$2.08 - \$2.18 affirmed

### Key Highlights:

- New Mexico economic development wins
- Regulatory Updates:
  - Settlement filed in TNMP general rate review, rates expected to be implemented January 2019
  - Recommended Decision to accept PNM Integrated Resource Plan

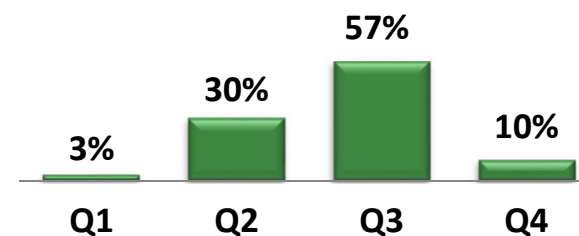
# Consolidated Earnings and Quarterly Earnings Distribution Guidance (Ongoing)

## Consolidated Earnings Guidance

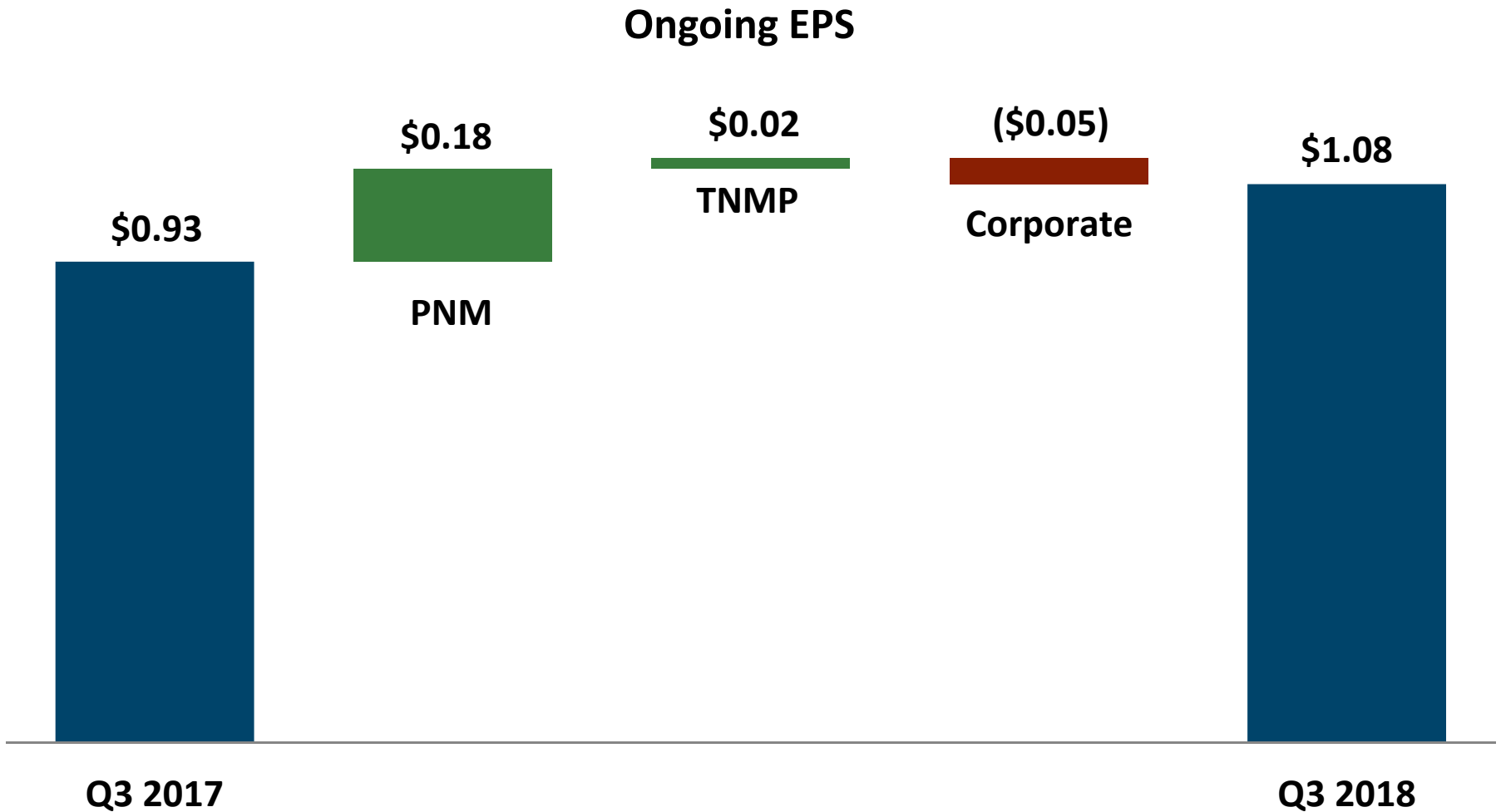
2018	Previous	Narrowed
<b>Consolidated EPS</b>	<b>\$1.91 - \$1.98</b>	<b>\$1.95 - \$1.98</b>
PNM	\$1.48 - \$1.52	\$1.51 - \$1.52
TNMP	\$0.60 - \$0.62	\$0.62 - \$0.63
Corporate/Other	(\$0.17) – (\$0.16)	(\$0.18) – (\$0.17)

2019	Previous	Segment Revisions
<b>Consolidated EPS</b>	<b>\$2.08 - \$2.18</b>	<b>\$2.08 - \$2.18</b>
PNM	\$1.57 - \$1.63	<b>\$1.59 - \$1.65</b>
TNMP	\$0.67 - \$0.69	\$0.67 - \$0.69
Corporate/Other	(\$0.16) – (\$0.14)	<b>(\$0.18) – (\$0.16)</b>

## Quarterly Ongoing Earnings Distribution



# Q3 2018 Financial Summary



Note: Segment drivers included in appendix

# Load and Economic Conditions

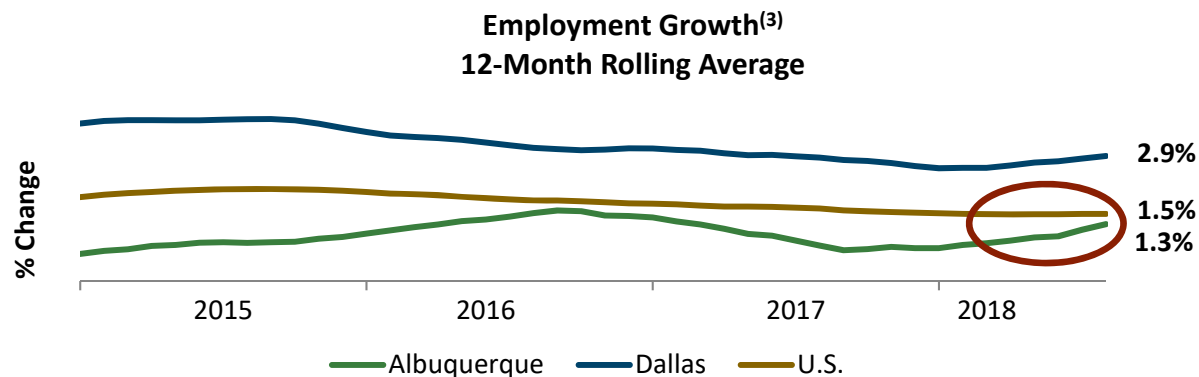
## Regulated Retail Energy Sales and Customers

(weather-normalized)

PNM / TNMP	Q3 2018 vs. Q3 2017	YTD 2018 vs. YTD 2017	2018E	2019E
PNM Residential & Commercial	0.8%	0.5%	~0.3%	0.3% - 0.5%
<b>Total PNM Retail Load</b>	<b>1.1%</b>	<b>0.4%</b>	<b>0% – 0.5%</b>	<b>0.3% – 1.0%</b>
<i>PNM Avg. Customers</i>	0.9%	0.8%	0.8% - 1.0% per year	
<b>TNMP Total Volumetric Load<sup>(1)</sup></b>	<b>4.1%</b>	<b>3.2%</b>	2% – 3% per year	
<b>TNMP Demand-Based Load<sup>(2)</sup></b>	<b>7.0%</b>	<b>6.4%</b>	5% – 7%	6% – 8%
<i>TNMP Avg. End Users</i>	1.3%	1.3%	1.5% – 2.0% per year	

## Monthly Employment Growth<sup>(3)</sup>

	2018 vs. 2017	Abq.	U.S.
January		1.2%	1.4%
February		1.6%	1.5%
March		1.3%	1.6%
April		1.3%	1.6%
May		1.3%	1.7%
June		1.3%	1.6%
July		2.1%	1.6%
August		1.9%	1.6%



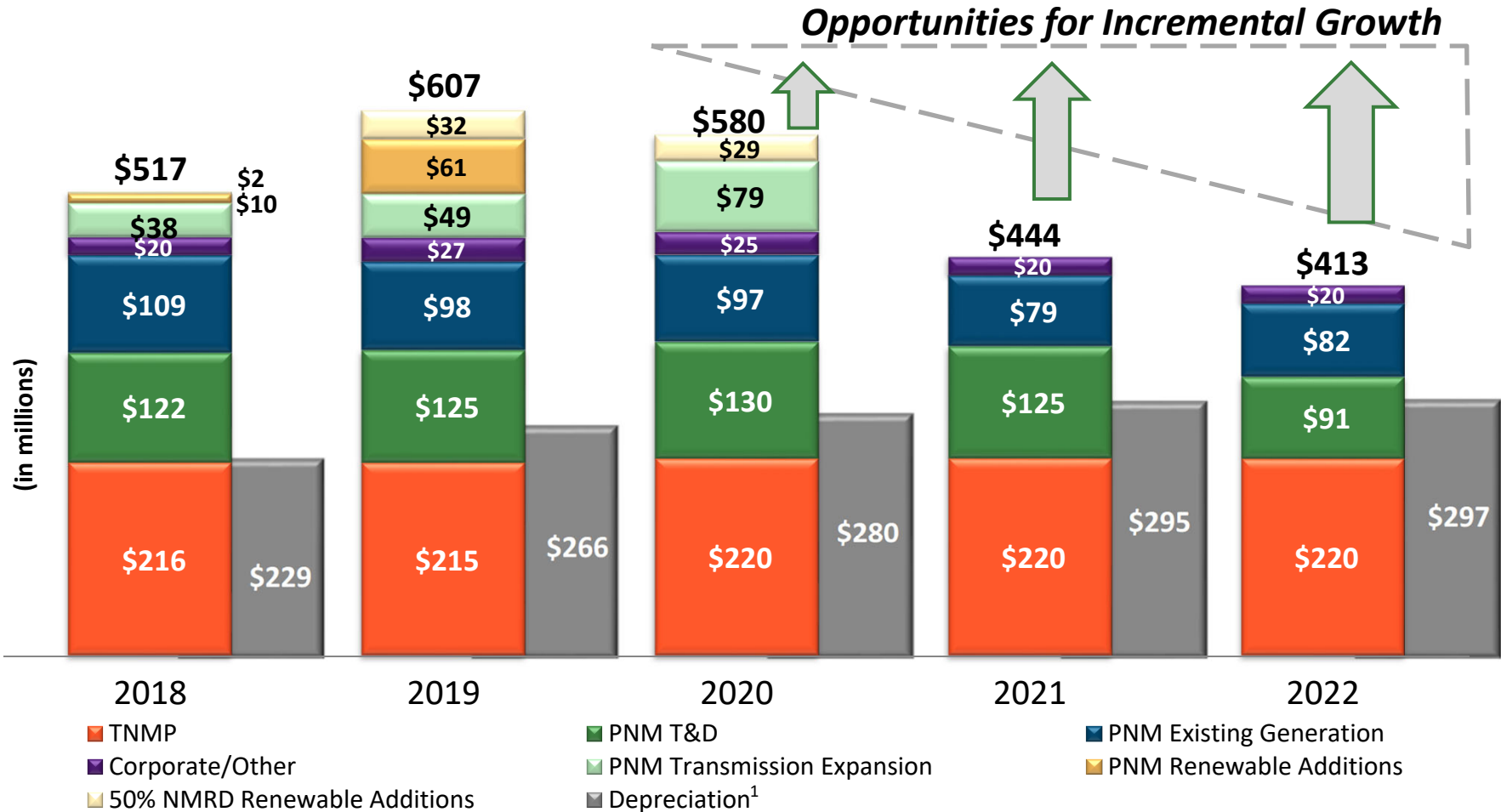
<sup>(1)</sup> Primarily Residential usage; represents per-kWh billings

<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, August 2018

# Current 2018 – 2022 Investment Plan

*Five-year investment plan with opportunities for incremental growth*



Amounts may not visually add due to rounding

<sup>(1)</sup> Depreciation does not include amounts associated with NMRD



# Potential Earnings Power

- Incorporates updates to investment plan and filed TNMP general rate review settlement

	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	9.575% / 50%	\$2.3 B	9.4%	\$1.35	\$2.4 B	9.3%	\$1.40	\$2.4 B	\$1.42	\$2.5 B	\$1.49
PNM Renewables	9.575% / 50%	\$90 M	9.575%	\$0.05	\$115 M	9.575%	\$0.07	\$150 M	\$0.09	\$145 M	\$0.09
PNM FERC	10% / ~50%	\$220 M	8.6%	\$0.13	\$285 M	8.0%	\$0.14	\$330 M	\$0.15-\$0.19	\$370 M	\$0.16-\$0.21
Items not in Rates				(\$0.01)			\$0.01		(\$0.04)-(\$0.02)		(\$0.04)-(\$0.02)
<b>Total PNM</b>		<b>\$2.6 B</b>		<b>\$1.52</b>	<b>\$2.7 B</b>		<b>\$1.62</b>	<b>\$2.9 B</b>	<b>\$1.62-\$1.68</b>	<b>\$3.0 B</b>	<b>\$1.70-\$1.77</b>
TNMP	9.65% / 45%	\$850 M	9.6%	\$0.63	\$1,080 M	9.65%	\$0.68	\$1,220 M	\$0.71	\$1,355 M	\$0.78
Corporate/Other				(\$0.18)			(\$0.17)		(\$0.18)-(\$0.16)		(\$0.20)-(\$0.18)
ATM Program									(\$0.03)-(\$0.01)		(\$0.07)-(\$0.04)
<b>Total PNM Resources (Before Supreme Court)</b>		<b>\$3.5 B</b>		<b>\$1.97</b>	<b>\$3.8 B</b>		<b>\$2.13</b>	<b>\$4.1 B</b>	<b>\$2.12-\$2.22</b>	<b>\$4.3 B</b>	<b>\$2.21-\$2.33</b>
Supreme Court Appeal					\$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>\$1.97</b>	<b>\$3.8-3.9 B</b>		<b>\$2.13-\$2.22</b>	<b>\$4.1-4.2 B</b>	<b>\$2.12-\$2.31</b>	<b>\$4.3-4.4 B</b>	<b>\$2.21-\$2.42</b>

**Targeted 2018-2021 Rate Base CAGR<sup>(1)</sup>: Total 7.5%-8.5% / PNM 4.5%-5.5% / TNMP 16.8%**

Range at PNM reflects potential outcomes from the pending NM Supreme Court general rate case appeal of \$0-\$150M

(1) 2018-2021 CAGR measured from a 2018 base



# Positioned for Growth 2018 – 2022



# Opportunities for Incremental Growth

## New Customer Load and Infrastructure Investments

- *Increasing capital in Texas to support continued strong economic growth while New Mexico growth prospects are driven by load from new data center interest and existing customer expansions*
- *In order to support the increased load growth while maintaining reliability, aging infrastructure will need to be replaced and further grid modernization investments made to support the changing customer needs, load profiles and generation resource mix*

## Transmission and Renewable Energy Expansion in New Mexico

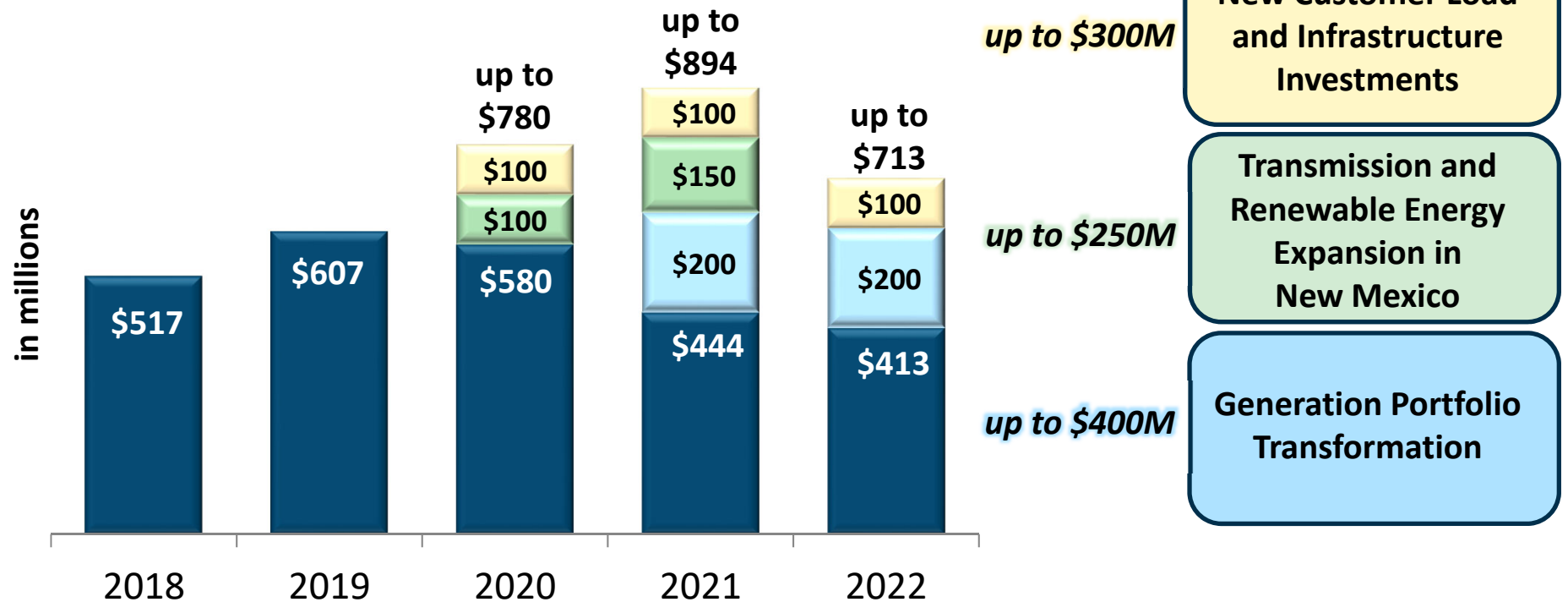
- *New transmission growth is driven by demand for renewables to serve the western US as well as enhancing the capabilities to meet increasing integration of renewables within our service area*

## Generation Portfolio Transformation

- *Proposed plans to exit coal by 2031 changes the future generation mix by replacing the power with a more flexible resource mix that may include additional gas peaking units, renewable resources and battery storage*
- *The use of securitization is the most favorable economic option for all stakeholders to achieve New Mexico's energy transition for a sustainable future*

# Incremental 2018 – 2022 Investment Opportunities

*Up to \$950M of incremental investment opportunities provides additional rate base growth through 2022*



- New Customer Load and Infrastructure Investments
- Transmission and Renewable Energy Expansion in New Mexico
- Generation Portfolio Transformation
- Current Plan

# Potential Earnings Power of Growth Opportunities by 2022

## 2018 - 2022 Earnings Growth Target: 5 - 6%

Growth Opportunities:	Avg Rate Base	EPS
New Customer Load and Infrastructure Investments	up to \$300M	up to \$0.18
Transmission and Renewable Energy Expansion in New Mexico	up to \$250M	up to \$0.15
Generation Portfolio Transformation <sup>(1)</sup>	up to \$400M	up to \$0.23
Subtotal	up to \$950M	up to \$0.56
San Juan Retirement <sup>(2)</sup>	up to (\$320M)	up to (\$0.19)
Impact of Financing <sup>(3)</sup>		up to (\$0.15)
<b>Value of Growth Opportunities</b>	<b>up to \$630M</b>	<b>up to \$0.22</b>

Note: 2018-2022 CAGR measured from a 2018 guidance midpoint of \$1.97

<sup>(1)</sup> Reflects investment in replacement power resources and supporting transmission needs

<sup>(2)</sup> Reflects projected undepreciated investment San Juan Generating Station

<sup>(3)</sup> Reflects financing through a balanced mix of debt and equity to maintain investment grade credit ratings

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

# 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	Hearing Examiner Recommended Decision to accept received October 26, 2018	Decision expected in Q4 2018 or Q1 2019	17-00174-UT
PNM Petition for Disincentive	Intervenor testimony due November 19, 2018	No statutory timeline	18-00043-UT
PNM 2019 Renewable Filing	Hearings held September - October 2018	Recommended Decision expected Q4 2018	18-00158-UT
Western Energy Imbalance Market Filing	Hearing scheduled for December 12, 2018	No statutory timeline	18-00261-UT
San Juan Generating Station Compliance Filing	Compliance filing due by December 2018	Review of filing expected within six months	13-00390-UT
TNMP General Rate Review	Settlement filed November 2, 2018	Decision expected December 2018 / January 2019; rates expected to be implemented January 2019	48401

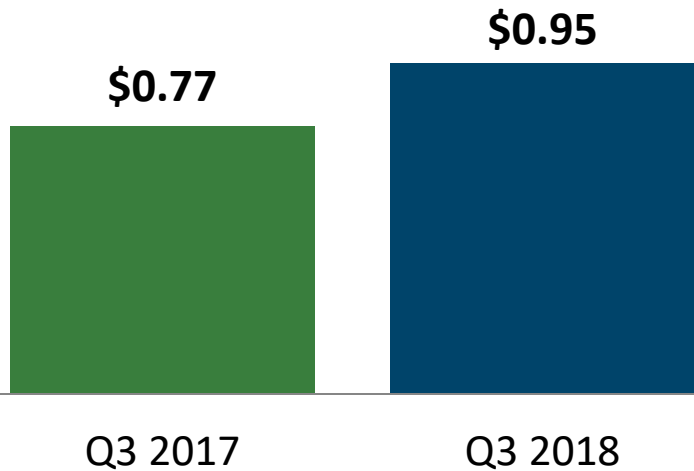


# TNMP General Rate Review Settlement

	TNMP Filing	Settlement
ROE (currently authorized 10.125%)	10.5%	9.65%
Capital structure (currently authorized 45% equity)	50% Equity	45% Equity
Cost of debt	7.2%	6.4%
Increase to rate base <sup>(1)</sup>	\$90M	\$73M
Return of excess deferred federal income taxes	\$7.8M	\$11.0M

<sup>(1)</sup> Amounts are incremental to previous Transmission Cost of Service (TCOS) filings and Advanced Metering System (AMS) investments. These are largely related to transmission projects that are expected to be included in subsequent TCOS filings.

# Q3 2018 vs Q3 2017 EPS (Ongoing): PNM

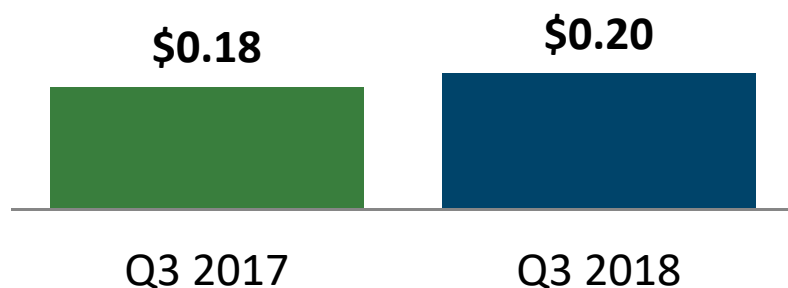


## PNM

Q3 2018 Key Performance Drivers	Δ EPS
Retail rate phase-in, including changes in tax rates and retail generation portfolio changes approved in BART settlement	\$0.22
Transmission margin	\$0.03
Interest expense savings	\$0.03
Retail load	\$0.02
Weather	\$0.01
O&M increases	(\$0.04)
Depreciation and property tax	(\$0.03)
AFUDC	(\$0.02)
Decommissioning/reclamation trust income, net of fees	(\$0.02)
San Juan unregulated 65MW	(\$0.01)
FERC Generation Navopache contract	(\$0.01)

# Q3 2018 vs Q3 2017 EPS (Ongoing): TNMP and Corporate

## TNMP



Q3 2018 Key Performance Drivers	Δ EPS
Load	\$0.02
TCOS rate relief	\$0.01
AFUDC	\$0.01
Depreciation and property tax	(\$0.02)

## Corporate



Q3 2018 Key Performance Drivers	Δ EPS
Interest expense	(\$0.02)
Westmoreland loan agreements	(\$0.01)
Tax reform	(\$0.01)
Other	(\$0.01)

# Weather Impact

<b>PNM</b>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>2018 Normal<sup>(1)</sup></b>
Heating Degree Days	0	0	0
Cooling Degree Days	988	967	940
Net EPS Impact <i>compared to normal</i>	\$0.02	\$0.01	

<b>TNMP</b>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>2018 Normal<sup>(1)</sup></b>
Heating Degree Days	0	0	0
Cooling Degree Days	1,663	1,678	1,641
Net EPS Impact <i>compared to normal</i>	\$0.00	\$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	44	Q1-Q2 2019

Four Corners		
Unit	Duration in Days	Time Period
4	12	Q1 2019
5	12	Q1 2019

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

# 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
<b>PNM Retail<sup>(1)</sup></b>	9.575% / 50%	\$2.3 B	9.4%	\$1.35	\$2.4 B	9.3%	\$1.40	\$2.4 B	\$1.42	\$2.5 B	\$1.49
<b>PNM Renewables<sup>(2)</sup></b>	9.575% / 50%	\$90 M	9.575%	\$0.05	\$115 M	9.575%	\$0.07	\$150 M	\$0.09	\$145 M	\$0.09
<b>PNM FERC<sup>(3)</sup></b>	10% / ~50%	\$220 M	8.6%	\$0.13	\$285 M	8.0%	\$0.14	\$330 M	\$0.15-\$0.19	\$370 M	\$0.16-\$0.21
<b>Items not in Rates<sup>(4)</sup></b>				(\$0.01)			\$0.01		(\$0.04)-(\$0.02)		(\$0.04)-(\$0.02)
<b>Total PNM</b>		<b>\$2.6 B</b>		<b>\$1.52</b>	<b>\$2.7 B</b>		<b>\$1.62</b>	<b>\$2.9 B</b>	<b>\$1.62-\$1.68</b>	<b>\$3.0 B</b>	<b>\$1.70-\$1.77</b>
<b>TNMP<sup>(5)</sup></b>	9.65% / 45%	\$850 M	9.6%	\$0.63	\$1,080 M	9.65%	\$0.68	\$1,220 M	\$0.71	\$1,355 M	\$0.78
<b>Corporate/Other<sup>(6)</sup></b>				(\$0.18)			(\$0.17)		(\$0.18)-(\$0.16)		(\$0.20)-(\$0.18)
<b>ATM Program<sup>(7)</sup></b>									(\$0.03)-(\$0.01)		(\$0.07)-(\$0.04)
<b>Total PNM Resources (Before Supreme Court)</b>		<b>\$3.5 B</b>		<b>\$1.97</b>	<b>\$3.8 B</b>		<b>\$2.13</b>	<b>\$4.1 B</b>	<b>\$2.12-\$2.22</b>	<b>\$4.3 B</b>	<b>\$2.21-\$2.33</b>
<b>Supreme Court Appeal<sup>(8)</sup></b>					\$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>\$1.97</b>	<b>\$3.8-3.9 B</b>		<b>\$2.13-\$2.22</b>	<b>\$4.1-4.2 B</b>	<b>\$2.12-\$2.31</b>	<b>\$4.3-4.4 B</b>	<b>\$2.21-\$2.42</b>

<sup>(1)</sup> 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 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 reflects a 9.65% return and 45% equity ratio consistent with the filed general rate review settlement. Earnings also include additional recovery for Competitive Transition Costs (fully recovered in 2020) and Energy Efficiency, along with items excluded from rates (primarily AFUDC). Earnings also include debt savings beginning mid-2019 from the refinancing of existing debt. 2018 average rate base has been held at the year-end 2017 level to reflect the required suspension of TCOS filings during general rate review proceedings.

<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 assumes equity issuances up to \$50M in 2020 and \$150M in 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 28-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).

***This table is not intended to represent a forward-looking projection of 2020 - 2021 earnings guidance.***

## Liquidity as of October 30, 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 10/30/18:					
Short-term debt and LOC balances	\$2.5	\$27.6	\$24.5	\$131.2	\$185.8
Remaining availability	437.5	47.4	-	168.8	653.7
Invested cash	55.3	-	-	0.9	56.2
<b>Total Available Liquidity</b>	<b>\$492.8</b>	<b>\$47.4</b>	<b>-</b>	<b>\$169.7</b>	<b>\$709.9</b>

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

## Selected Balance Sheet Information

(In millions)	Dec 31, 2017	Sept 30, 2018
<b>Long-Term Debt (incl. current portion) <sup>(1)</sup></b>		
PNM	\$1,657.9	\$1,656.1
TNMP	480.6	560.3
Corporate/Other	299.1	398.1
<b>Consolidated</b>	<b>\$2,437.6</b>	<b>\$2,614.5</b>
<b>Total Debt (incl. short-term) <sup>(2)</sup></b>		
PNM	\$1,697.7	\$1,656.1
TNMP	480.6	577.8
Corporate/Other	564.7	643.2
<b>Consolidated</b>	<b>\$2,743.0</b>	<b>\$2,877.1</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