

18-Dec-2019

PNM Resources, Inc. (PNM)

Q4 2020 Guidance Call

CORPORATE PARTICIPANTS

Lisa Goodman

Director, Investor Relations, PNM Resources, Inc.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

Charles N. Eldred

Chief Financial Officer & Executive Vice President, PNM Resources, Inc.

Don Tarry

Vice President, Controller & Treasurer, PNM Resources, Inc.

OTHER PARTICIPANTS

Greg Gordon

Analyst, Evercore ISI

Ali Agha

Analyst, SunTrust Robinson Humphrey, Inc.

Paul Fremont

Analyst, Mizuho Securities USA LLC

Jonathan Reeder

Analyst, Wells Fargo Securities LLC

Christopher R. Ellinghaus

Analyst, Siebert Williams Shank & Co., L.L.C.

MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the PNM Resources 2020 Earnings Guidance Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions]

I would now like to turn the conference over to Lisa Goodman. Please go ahead.

Lisa Goodman

Director, Investor Relations, PNM Resources, Inc.

Thank you, Jordan, and thank you, everyone, for joining us this morning for the PNM Resources 2020 earnings guidance conference call. Please note that the presentation for this conference call and other supporting documents are available on our website at pnmresources.com.

Joining me today are PNM Resources' Chairman, President and CEO, Pat Vincent-Collawn; and Chuck Eldred, our Executive Vice President and Chief Financial Officer, Don Terry, our Vice President, Controller and Treasurer; as well as several other members of our executive management teams.

Before I turn the call over to Pat, I need to remind you that some of the information provided this morning should be considered forward-looking statements pursuant to the Private Securities Litigation Reform Act of 1995. We caution you that all of the forward-looking statements are based upon current expectations and estimates and that PNM Resources assumes no obligation to update this information. For a detailed discussion of factors affecting PNM Resources results, please refer to our current and future annual reports on Form 10-K, quarterly reports on Form 10-Q, as well as reports on Form 8-K filed with the SEC.

With that, I will turn the call over to Pat.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

Thanks, Lisa, and good morning, everyone. Thank you for joining us today on our 2020 earnings guidance call. As a follow-up to our third quarter call, which was National Men Make Dinner Day, December 18 is National Bake Cookies Day. So if you're asking any questions at the end of today's call, be prepared to tell us what kind of cookies you are making. In case, any of you are wondering, my favorite cookies are chocolate chip, so feel free to make those and send them to the office.

So let's begin on slide 4. In our release this morning, we announced that we are raising our 2019 ongoing EPS guidance to a range of \$2.13 to \$2.16, as our hotter Q3 temperatures quickly turned into colder winter temperatures. We also announced 2020 guidance of \$2.16 and \$2.26 per share. Don will walk through the details on those items in a few minutes.

Earlier this month, our board increased the dividend on our common stock by \$0.07 to \$1.23. This marks our 10th consecutive increase since 2012 and moves our payout ratio to 56% of earnings based on the midpoint of 2020 guidance.

I'd like to highlight a few regulatory items on slide 5 and talk about a few items to be expecting next year. Hearings for our San Juan abandonment and securitization filing are scheduled to wrap up tomorrow. We feel that our case has been represented well by our witnesses and that there weren't any surprises. We typically expect a recommended decision about six to eight weeks after hearings, so that would put us into February, although the holidays may extend this timeframe. The Commission has a deadline of April 1 for a decision in this case.

Meanwhile, intervener testimony on the replacement power side of things was filed last week and those hearings are scheduled to begin on January 22. We continue to support our recommended scenario that balances the associated costs, environmental impacts, reliability and economic considerations for the San Juan community.

We also continue to fully expect the Energy Transition Act to apply to both parts of our filing. New Mexico Governor Lujan Grisham, who I proud to say was recently recognized as Policymaker of the Year by Utility Dive, jointly positioned the New Mexico Supreme Court to direct the Commission to apply the rule to our San Juan filings. The president of the Navajo Nation and several legislators, including the speaker of the House, are joint petitioners.

There has been progress on the other PNM filings in front of the Commission. In our renewable filing, the hearing examiner issued a recommended decision to approve our plan for meeting the Renewable Portfolio Standard including our 140 megawatt wind purchase contract. It's worth noting that there was a debate during this case about the application of the Energy Transition Act and the recommended decision determine that the law could apply in this case even though it was filed two weeks before the law's effective date. The next step will be for the Commission to consider the recommended decision and issue a final order.

In our filing for PNM Solar Direct, the voluntary solar program available to municipalities, tribal governments and large customers, hearings began in November but were put on hold in January due to the hearing examiner's health and other scheduled commitments. We expect a decision in the first quarter of next year.

Thinking ahead to the rest of 2020 there are some other noteworthy items on our agenda. We have talked about plans to file a PNM General Rate Review in the second quarter that would be based on a future test year. We will make our annual filings for the FERC formula rate true-up and the PNM Renewable Rider in June. Our 2020 Integrated Resource Plan is due by July 1 and will highlight our path to meet zero emissions by 2040.

At TNMP, in addition to our two TCOS filings annually to recover transmission investments, we will make our first DCOS filing on the distribution side in April of 2020. We will keep you updated on those items throughout the year and provide the docket numbers for each of the filings. And then finally, in November, voters in New Mexico will decide whether the Commission moves from five elected members to three appointed members.

So with that, I'm going to turn it over to Chuck. But first, Chuck, what's your favorite cookie?

Charles N. Eldred

Chief Financial Officer & Executive Vice President, PNM Resources, Inc.

So, my favorite cookie – and it can vary based on market conditions but it's a chocolate chip with coconut and macadamia nut; and I get these on Delta flights going from Albuquerque to Atlanta. So – but they're great.

So let me get back to the guidance of course. So let me start off by introducing Don Tarry, our Vice President, Controller and Treasurer. Don has been with PNM Resources for 23 years. He've served in a variety of financial roles over his period of time, and also led our customer service and business technology service groups. He knows our company very well. And many of you have talked with him at investor conferences and analyst days. So I'm going to turn it over to Don to walk you through the details of the guidance.

Don Tarry

Vice President, Controller & Treasurer, PNM Resources, Inc.

Thanks, Chuck. Let's start on slide 7. As Pat mentioned, we are increasing our 2019 guidance to a range of \$2.13 to \$2.16 per share. Weather was positive in the third quarter, so we have eased up on some of the cost reductions we had put in place after the extremely mild second quarter. We've moved right from a warm fall to a colder winter almost overnight and we've seen the benefit of that in our earnings, so while we've reinstated some of those previously held costs back into the operations, we are still seeing better results, so we are moving the range up to reflect our target of \$2.14. For 2020, our ongoing earnings guidance range is \$2.16 to \$2.26 per share with a midpoint of \$2.21. All of the detailed drivers walking from 2019 to 2020 are included in the appendix, but I'll go through the key points for each segment.

Turning to slide 8, I'll cover our load expectations for PNM and TNMP. At PNM, we are expecting to see increases in our customer accounts and overall usage. Our data center load is scheduled to ramp up significantly in 2020 driving the overall increase in load. The data center leans on our systems resources to fill any gaps between their overall energy needs and their dedicated renewable resources. In 2020, their energy use is expected to grow beyond current dedicated resource levels until new renewable resources come on line. Higher revenues will be collected for these increases on our system.

We continue to see inquiries from new data centers and high tech manufacturing centers. Just last week, [indiscernible] (00:09:06) Power announced that they will bring \$100 million of investment to the state beginning in 2020. We have seen earlier this month that Faneuil, a Virginia based company that provides call center and other customer service functions, announced an expansion to Albuquerque, bringing 700 jobs and beginning in January. In the residential and commercial customer classes, we continue to see steady customer growth, but these impacts are offset by energy efficiency efforts that are being implemented by commercial customers.

At TNMP we continue to see a growth across our service territory stemming from the strength of the Texas economy. The Texas economic development website features a listing of awards and accolades, everything from best state for business for the 15th consecutive year in 2019 by Chief Executive Group, all the way to U-Haul, ranking Texas as number one real estate in America. Our demand-based growth forecast in 2020 is 4% to 5% and we also continue to see customer growth. In our third quarter earnings call, we increased the amount of capital investments in our plan to support this level of growth while focusing on reliability. We've included a slide in the Appendix to give you a better idea of where our investments are being made in our service territory and also some of the key projects in 2020.

In addition to upgrades planned for this upcoming year in West Texas that support continued growth in that area, we have transmission line upgrades in the Gulf Coast to interconnect new plants and replacement of our AMI meters to be compatible with current network capabilities. We're rebuilding, replacing and upgrading transmission stations across our service territory and we are installing substations and upgrades to both distribution and transmission facilities to support growth.

Now, let's turn to slide 9 and cover the key earnings drivers for PNM. PNM is expected to increase from a midpoint of \$1.64 in 2019 to \$1.70 (sic) [\$1.73] (00:11:03) in 2020. In 2018 and 2019, PNM earnings included phase in of retail rates based on a 2018 test year. In 2020, we do not have any changes to retail rates, but we have increased revenues for a low growth through our rate recovery of our renewable rider and FERC transmission formula rates. The renewable rider incorporates 50 megawatts of PNM-owned solar added to serve retail customers. The increase in FERC formula rate revenues reflects recovery of additional transmission investments.

Of course, increased investments leads to depreciation expense and property taxes, some key projects will come online in 2020 as well. The BB2 transmission line will be completed in the fourth quarter and construction will begin on the portion of our system that will connect to the Western Spirit transmission line that is expected to be in-service in mid-2021.

On the O&M front, planned outage cost will decrease substantially as San Juan completed its last planned outage in 2019 in anticipation of its retirement. Partially offsetting this will be an increase in non-outage costs as 2020 costs will return to normal levels compared to reductions implemented in 2019.

As we mentioned in the last call, that we were delaying our next general rate case filing until the second quarter of 2020, keep in mind that the filing would be based on a future test year and will not have an impact on 2020 earnings.

Now turning to our TNMP on slide 10. TNMP earnings are expected to increase from approximately \$0.70 in 2019 to a midpoint of \$0.73 (sic) [\$0.74] (00:12:40) in 2020. 2019 EPS includes \$0.04 of weather benefit making the normalized year-over-year increase of \$0.07. In addition to our semiannual TCOS filings, we anticipate making our first DCOS filing in April of 2020 to begin recovery on distribution investments made over the last two years as our current rates are based on a test year ending in 2017.

In total, rate recovery through the TCOS and DCOS mechanism is expected to increase earnings by \$0.15 to \$0.20 in 2020. Load continues to increase revenues but the more significant impact of growth is the resulting investment recovered through the TCOS and DCOS mechanism. As we continue to make those investments, the expense associated with them will also increase in 2020. Depreciation, property taxes and interest expense we,

anticipate issuing new long-term debt during the year to maintain our capital structure of 45% equity and 55% debt.

Slide 11 shows the earnings power review for 2020 based on the guidance midpoint of \$2.21. At PNM, we expect to come in just under our allowed return for the year due to the low growth and lower outage cost. Earnings from the FERC portion of our business will increase in 2020 with the annual formula rate increase. As a reminder, the FERC formula rate increase begins in June of each year creating an inherent drag on current year earned returns. As a result of this inherent lag, we expect the 7.5% return in 2020. At TNMP, the utilization of the TCOS and DCOS mechanism should help us achieve our allowed return in 2020 on an average rate base. No changes have been made to the 2021 through 2023 rate base or EPS number since our last presentation.

I'll wrap up with dividends on slide 12. As Pat mentioned, the board increased our common dividend by 6% earlier this month to \$1.23. We target the middle of the payout ratio range of 50% to 60% and this puts us at 56% payout on the 2020 earnings guidance midpoint of \$2.21. Going forward, we continue to expect dividend growth to be in alignment with earnings growth to maintain the midpoint of the targeted payout range.

Pat, I'll turn the call back to you. Thank you.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

Thanks, Don, and your favorite cookie?

Don Tarry

Vice President, Controller & Treasurer, PNM Resources, Inc.

It's peanut butter.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

Wow. Okay. Lots of options for you guys to bake for us. All right; so before I open it up to Q&A, I'd like to take a moment to thank our teams here at PNM, TNMP and at corporate for their work during this year. We wouldn't be where we are without them. As you heard today, we have some great things in store for 2020 and I'm excited to celebrate our accomplishments and successes with everyone here working so hard to achieve them. Jordan, let's open it up for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer. [Operator Instructions] Our first question comes from Greg Gordon of Evercore ISI.

Greg Gordon

Analyst, Evercore ISI

Q

Thanks. Good morning, guys.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Good morning, Greg.

Greg Gordon

Analyst, Evercore ISI

Q

Looking forward to seeing you in a few weeks in Scottsdale. It doesn't look like there are any really significant or substantial changes as I look at the Q3 slide deck where you gave the earnings power slide and as its updated today. It doesn't look like there's any really dramatic changes in the outlook for any of the segments. Is there anything in particular as you fine-tuned the outlook for 2020 from Q3 till now that that changed as you look at all the underlying assumptions that's of note or is it all just small changes?

Don Tarry

Vice President, Controller & Treasurer, PNM Resources, Inc.

A

Greg. This is Don. Yeah, it's just small changes compared to what we went over at EEI and Q3 earnings call.

Greg Gordon

Analyst, Evercore ISI

Q

Okay, great. What are your thoughts on the San Juan abandonment securitization hearings to-date in terms of what you've heard in testimony from all the different parties? I think they end tomorrow and you have a decision expected by April 1, but then the replacement power hearing start January 22. Is it possible we get a decision before April 1?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Greg, so I'll start in reverse order, possible we get a decision before April 1 and the Commission is taking this as rapidly as they can. But April 1 is the outlier in there, with the holiday in the normal six to eight weeks to get a recommended decision, could be disrupted. So we're in February now for six to eight weeks; it might move to March. So I wouldn't bet on anything before April 1 as that's sort of a long way of getting there. We've been pleased so far with the hearings. We think all of our witnesses did a very good job defending our case and we just have to wait and see, but we're real pleased with the progress so far.

Greg Gordon

Analyst, Evercore ISI

Q

Right and then when we met with the [ph] ODI (00:18:12), you talked about in part just given the economic activity in New Mexico, I think, opportunities for potentially more T&D and substation CapEx spending. As you look out over the forecast horizon and at what point might you – in the normal course of conversing with us – have a sense of whether that's A, feasible and B, give us those numbers?

Don Tarry

Vice President, Controller & Treasurer, PNM Resources, Inc.

A

Yeah. In PNM service territory, there is a significant amount of additional capital we could include related to reliability as well as a hardening of our assets and so forth. So right now, we're focused on delivering on the current plan that we have.

Greg Gordon

Analyst, Evercore ISI

Q

Great. Have a happy holiday season.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Thank you, Greg.

Operator: Our next question comes from Julien Dumoulin-Smith of Bank of America Merrill Lynch.

Q

Hi, good morning. This is Alex calling in for Julien.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Good morning, Alex.

Q

Good morning. Adding in, I also do love a good chocolate chip cookie, so I'm part of the majority here.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

We'll share them with you if we get some.

Q

Oh, fantastic. Can't wait. So my first question, I know we talked a little bit about EEI as well. I was wondering if you could provide any more firm details around the equity financing. I know in the slides it still says the ATM Program or the block sale, but it's more or less seemed after EEI meeting that perhaps the ATM is not the most efficient way. I guess any commentary on type firming up the total amount and timeline or milestones to look for.

Don Tarry

Vice President, Controller & Treasurer, PNM Resources, Inc.

A

Good morning. Yes as we discussed at EEI, we're planning to issue up to \$590 million of equity between 2020 and 2023 to fund our capital growth as well as our acquisition of Western Spirit. We're still working on the timing of those issuances and the type of instruments that would be used and that we would expect to issue in 2020. But it would fit within the guidance range of \$2.16 and \$2.26. You'll note, we haven't changed any of the modeling assumptions that you've mentioned, but we will update their earnings power with this when the equity financing assumptions and equity issuance is complete.

Q

Okay. Thank you. And then I also wanted to check in on the regulatory updates around securitization in New Mexico. What is the next data point we should be looking for from the Supreme Court following the Governor's vocal support?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Well, the next data point is that there is no deadline for the court to act on the petition. But on Monday, the court issued an order that requested parties respond to the current petition by January 3. So I would say, January 3 is the next data point where there will be some filings, and then, we'll see from there.

Q

Okay. Thank you. And last question from me. I know Greg just previously asked a little bit about the potential increase in CapEx in the future whether it's related to T&D or substation spending. Is there any other potential upside that we should be thinking about in the future that's not just T&D-related?

Don Tarry

Vice President, Controller & Treasurer, PNM Resources, Inc.

A

The T&D would be the primary focus and the replacement power that we already have included in our capital budget as we look forward into the future.

Q

All right. Thank you so much and a Happy Baking Day.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Thank you; you too.

Operator: Our next question comes from Ali Agha of SunTrust.

Ali Agha

Analyst, SunTrust Robinson Humphrey, Inc.

Q

My first question, Pat, I know you all are fairly confident – very confident in fact that the ETA certainly applies to San Juan and obviously would go to court if something negative were to come out of the Commission. But just to be clear, if for whatever reason the ETA is denied for this, does the San Juan retirement and replacement go forward regardless or ETA obviously the linchpin in there?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Yeah. Ali, I mean it's just one data point in the – I mentioned that the hearing examiner said that the ETA applied in the case of the renewable portfolio standard filing and that's a good data point. I think that's the commission would oppose the hearing examiner's recommendation. It does not approve – excuse me approves the hearing examiner's recommendation. That's very helpful data point. But yes, the San Juan shutdown and replacement power would still go forward. Remember securitization is really just a way to pay for the abandonment of San Juan that saves our customers, a substantial amount of money, but the plant itself does shut down.

Ali Agha

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. And then, secondly in the – either the hearings or other discussions from the Commission, what's just – how seriously are they taking the carbon capture potential, and then keeping the plant open? Is that being given any constraint at all?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Well, I think, Ali, everybody is somehow hopeful. I think the newspaper today called it a Hollywood ending for San Juan. But the cost issues around the technology are just pretty hard to overcome even with the federal tax credits, the technology has been proven to work but not at the scale of San Juan and the cost is just insurmountable. So I think everyone is looking at it because they're hopeful. But I think at the end of the day, the costs are just going to sink it.

Ali Agha

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. And then my last question, Chuck, back at EEI, coming back to the financing, the impression at least I got from our meeting was that, at that time you were thinking that the mandatory convert for a variety of reasons seemed like the more attractive option than an equity forward and you were probably leaning more towards that just wondering if your thoughts have changed or is that still the way you're currently thinking about this.

Don Tarry

Vice President, Controller & Treasurer, PNM Resources, Inc.

A

Ali, this is Don. We're still evaluating what the right instrument is to utilize. So...

Ali Agha

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay and, Don, what would be the trigger mechanism that from a timing perspective causes you to then come to market? Is it market conditions? Is it updated financials? What's going to be the triggering event here?

Don Tarry

Vice President, Controller & Treasurer, PNM Resources, Inc.

A

It's optimizing the timing of those issuances and when they would issue. I mean we have the Western Spirit transaction out there in July of 2021, clearly that's a data point and then just optimizing within our own plan, ensuring our balance sheet metrics stay where they need to be, as well as fund the capital growth that is out there.

Ali Agha

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Thank you.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Thanks, Ali.

Operator: Our next question comes from Paul Fremont of Mizuho Securities USA.

Paul Fremont

Analyst, Mizuho Securities USA LLC

Q

All right, thank you. I guess my first question is are you expecting the court to issue a decision prior to the April 1 deadline that the NMPRC has in the abandonment proceeding?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Paul, we just don't know. There is no deadline for them to act and they could act quickly if they choose and they can take a while if they choose. We just have no line of sight into that.

Paul Fremont

Analyst, Mizuho Securities USA LLC

Q

And then I guess it's my understanding that one of the justices recused themselves. What was the rationale for that decision?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

There was no explanation given.

Paul Fremont

Analyst, Mizuho Securities USA LLC

Q

But somebody, I guess a judge that's not on the Supreme Court, then gets chosen to take their place or is that how it works?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Well, Paul, just to go back. There was no rationale given but understand that she is the Chief Justice and she recused herself and one of her duties is to go to the legislature and ask for budget money and so this is total speculation. She just may have felt that she didn't want to create any conflict of interest. Obviously, the judges are

all very ethical people, so she didn't want to create any kind of conflict; and again that's total speculation on our part. And, yes, they picked a judge from Las Cruces to fill in for that.

Paul Fremont

Analyst, Mizuho Securities USA LLC

Q

Great. And I think that's it. Thank you very much.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Thank you, Paul, looking forward to the cookies from you.

Paul Fremont

Analyst, Mizuho Securities USA LLC

Q

Absolutely.

Operator: Our next question comes from Jonathan Reeder of Wells Fargo.

Jonathan Reeder

Analyst, Wells Fargo Securities LLC

Q

Hey, Pat. My favorite is something that's with raisin; but around Christmas time, I definitely like some good snicker doodles. So send them...

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

You're making me hungry, Jonathan.

Jonathan Reeder

Analyst, Wells Fargo Securities LLC

Q

I'm actually hungry. So I just [ph] think about it (00:27:44). It kind of went a little fast, but can you reiterate what the expected earned ROEs in 2020 are? I think you might have said New Mexico is going to earn-out and Texas might be below, but, I'm...

Don Tarry

Vice President, Controller & Treasurer, PNM Resources, Inc.

A

Yeah. No – and Jonathan, I'll refer you to the earnings power. We have them in there, kind of the midpoint of their earnings range for 2020. So PNM retail we expect to earn right there at its ROE at 9.5%. We expect TNMP to earn at 9.65%, right at its allowed ROE. And PNM FERC we expect to earn at the 7.5%, due to the inherent lag associated with the timing of the formula rate.

Jonathan Reeder

Analyst, Wells Fargo Securities LLC

Q

Okay. So the FERC did has the lag, got you.

Don Tarry

Vice President, Controller & Treasurer, PNM Resources, Inc.

A

Yeah, yeah.

Jonathan Reeder

Analyst, Wells Fargo Securities LLC

Q

Okay. And then, Pat, the six week to eight week from the end of the hearing, is that for the hearing examiner recommended decision or is that a final decision?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

That's set for the hearing examiner – or excuse me, the commission. I'm having one of those mornings, Jonathan.

Jonathan Reeder

Analyst, Wells Fargo Securities LLC

Q

I have it every morning. So if you only have one, you're good. All right; so that's the PRC's final decision; it's typically six to eight weeks from the end of the...

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Yeah. Yes.

Jonathan Reeder

Analyst, Wells Fargo Securities LLC

Q

...and the recommended decision would be sometime in between.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Yes.

Jonathan Reeder

Analyst, Wells Fargo Securities LLC

Q

Is there some sort of like prescribed timeframe between the recommended decision and the final decision that has to be – like 30 days or something?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

No. And I would – if were to mark it a day on my calendar, I'd mark April 1.

Jonathan Reeder

Analyst, Wells Fargo Securities LLC

Q

Okay.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Yeah.

Jonathan Reeder

Analyst, Wells Fargo Securities LLC

Q

And then you mentioned the renewable docket [indiscernible] (00:29:20) ETA was applicable. So does that make you more optimistic that, I guess, the conclusion in the SJGS docket could be similar? Is it the same hearing examiner or different area examiners and everything.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

It gives us more optimism, right. Things can change. Hearing examiners and commissions can take different positions, but it does give us more optimism that the law does apply.

Jonathan Reeder

Analyst, Wells Fargo Securities LLC

Q

Okay. Is it the same hearing examiner or different?

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

It's one of the two hearing examiners. Remember, there's two hearing examiners on San Juan case and the hearing examiner on the renewable case is one of those two hearing examiners; so yes.

Jonathan Reeder

Analyst, Wells Fargo Securities LLC

Q

Okay. Okay. So that's good. And then, lastly, can you update on the potential repurchase of the Palo Verde leases. I think you have to indicate by mid-January about the larger of the two, the 104 megawatts.

Don Tarry

Vice President, Controller & Treasurer, PNM Resources, Inc.

A

Yeah. Jonathan, this is Don. Yeah. The 104 megawatts of 114 megawatts on January 15, we have to decide whether we're going to return them or keep them, and then go through a purchase process. We're still in that analysis right now. I would point that we do need the megawatts out there. So if we do return [ph] on that (00:30:37) we will have to replace those megawatts. But we haven't made any decisions at this point.

Jonathan Reeder

Analyst, Wells Fargo Securities LLC

Q

Okay and then is that something that would just be a regulatory filing or is this something press release? How – I guess when would we get the update what your preferred path is?

Don Tarry

Vice President, Controller & Treasurer, PNM Resources, Inc.

A

We would have to file a notice with the Commission of what our decision is; so it would be around that timeframe, right around the January 15 timeframe.

Jonathan Reeder

Analyst, Wells Fargo Securities LLC

Q

Okay. All right. Thank you. Hope you guys have a great holiday.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

You, too, Jonathan.

A

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

Same to you, Jonathan.

A

Operator: [Operator Instructions] Our next question comes from Chris Ellinghaus of [ph] Siebert Williams and Shank (00:31:21).

Christopher R. Ellinghaus

Analyst, Siebert Williams Shank & Co., L.L.C.

Hey, everybody, how are you?

Q

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

Good Chris, good morning.

A

Christopher R. Ellinghaus

Analyst, Siebert Williams Shank & Co., L.L.C.

Good morning. I'm a little bit surprised by the reaction of the stock today. I mean your guidance range, your earnings power has been within this range for a couple of years now; so really no major changes like Greg was suggesting. Are you aware of any investors that had higher expectations that would lead to the reaction today?

Q

Charles N. Eldred

Chief Financial Officer & Executive Vice President, PNM Resources, Inc.

Chris, this is Chuck. We're waiting for your note to change from a sell to a buy and that might help us out a little bit. But there's no issues that are reflected, as you just pointed out, in our guidance and it looks like the market of this sector is down. I know there's a couple of analysts that put out notes this morning and again, nothing new and unusual. So I think this is just where the market is, but hopefully this guidance call will get absorbed well in the market and investors will return back to be comfortable and we'll start seeing the stock move upwards again.

A

Christopher R. Ellinghaus

Analyst, Siebert Williams Shank & Co., L.L.C.

Okay. Thanks. The DCOS, can you give us a little insight into how you see that process looking for next year?

Q

Don Tarry

Vice President, Controller & Treasurer, PNM Resources, Inc.

Yes. Sure, Chris, that DCOS filing is pretty standard in Texas where you file that first week of April. And a couple elements that are a little bit different in the TCOS is the DCOS you can't be over earnings; so in that April filing, you file your earnings monitoring report with the Texas Commission as well. A couple other differences that go into the DCOS is they do update for you ADIT, and that DCOS filing can only be done once a year and it can only be done during that period of time. And then, after you file that, September 1 is when the rates would go into effect.

A

Christopher R. Ellinghaus

Analyst, Siebert Williams Shank & Co., L.L.C.

Q

Okay. So just to be clear that you do have some small stuff for a DCOS assumption in the guidance?

Don Tarry

Vice President, Controller & Treasurer, PNM Resources, Inc.

A

There is a DCOS assumption in the guidance, yes.

Christopher R. Ellinghaus

Analyst, Siebert Williams Shank & Co., L.L.C.

Q

Okay, great. And, Chuck, by the way, the correct answer is chocolate chip.

Charles N. Eldred

Chief Financial Officer & Executive Vice President, PNM Resources, Inc.

A

Okay.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

See. And, Chris, I think the reason our stock is reacting the way it is, is that the market doesn't like Chuck's choice of cookie.

Charles N. Eldred

Chief Financial Officer & Executive Vice President, PNM Resources, Inc.

A

[ph] That have (00:33:45) chocolate chip in there. I just...

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

A

Yeah, yeah. Okay.

Operator: This concludes our Q&A session. I would now like to turn the conference back over to Pat.

Patricia K. Vincent-Collawn

Chairman, President & Chief Executive Officer, PNM Resources, Inc.

Thank you, Jordan, and thank you all for joining us this morning. We are eagerly awaiting the boxes of cookies coming our way. Have a happy and safe holiday season and we look forward to seeing you all in 2020.

Operator: The conference is now concluded. Thank you for attending today's presentation. You can now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2019 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.