

Q4 2019 Earnings Review

February 28, 2020



Safe Harbor Statement

Statements made in this presentation for PNM Resources, Inc. (“PNMR”), Public Service Company of New Mexico (“PNM”), or Texas-New Mexico Power Company (“TNMP”) (collectively, the “Company”) that relate to future events or 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, ongoing earnings per diluted share and ongoing earnings guidance measures), 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

Financial Results, Key Highlights and Company Updates

Financial Results

	Q4 2019	Q4 2018	2019	2018
GAAP EPS	\$0.40	(\$0.69)	\$0.97	\$1.07
Ongoing EPS	\$0.36	\$0.18	\$2.16	\$2.00

- 2020 Ongoing EPS Guidance \$2.16 - \$2.26 affirmed

Key Highlights and Company Updates

2019 Key Highlights

- New Mexico's Energy Transition Act established new RPS and 2045 carbon-free mandate
- PNM announced 2040 emissions-free goal
- Transmission growth: Western Spirit acquisition, BB2 transmission line
- TNMP continued strong load growth
- High end of earnings guidance

2020 Company Updates

- January forward equity offering
- New Mexico Supreme Court ruling
- New Mexico legislative session updates

PNM and TNMP Regulatory Agenda

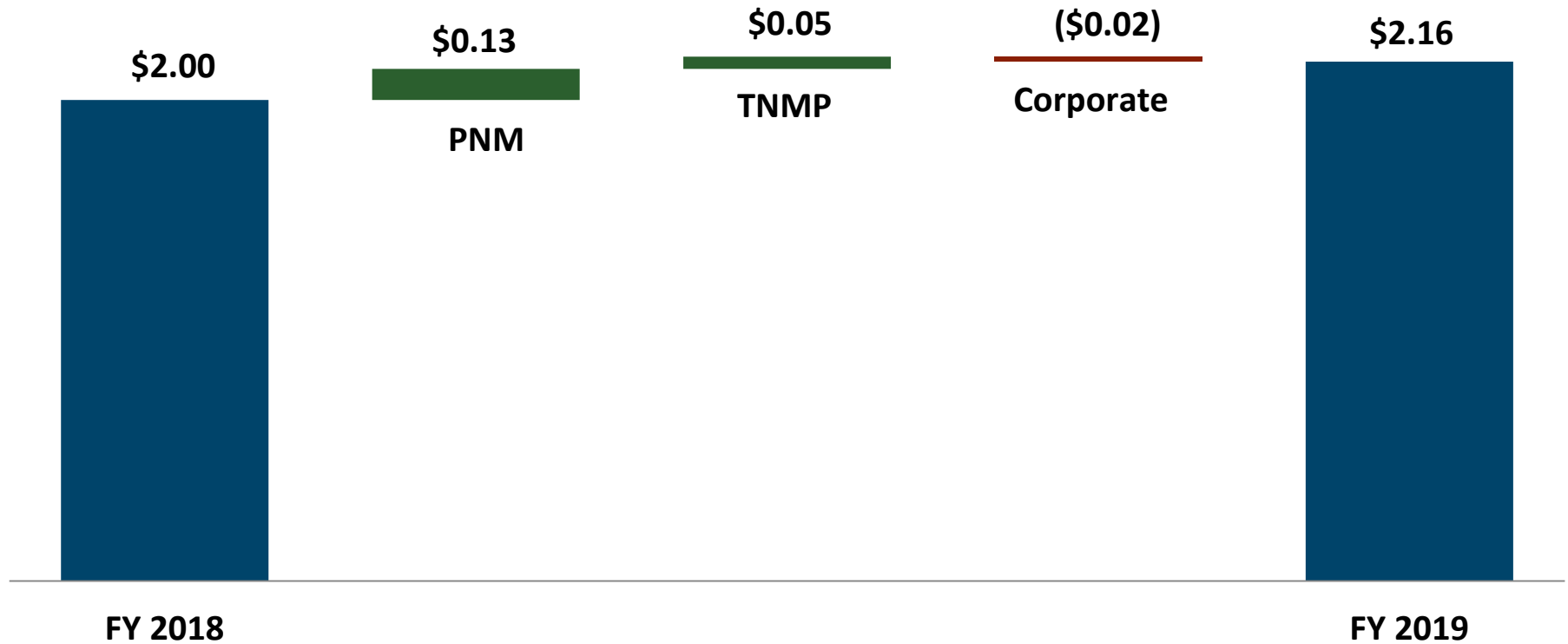
Filing	Action	Timing	Docket No.
<u>PNM:</u>			
Consolidated Application for San Juan Generating Station (Abandonment, Securitization and Replacement)	PNM filed July 1, 2019; NMPRC bifurcated case; New Mexico Supreme Court ruled January 29, 2020 that Energy Transition Act applies to both dockets		
	Abandonment/Securitization hearings held December 2019, Recommended Decisions to approve abandonment and securitization issued February 21, 2020	Abandonment/securitization: NMPRC decision expected by April 1, 2020	19-00018-UT
	Replacement hearings held January 2020	Replacement power: pending recommended decision, NMPRC decision expected by October 1, 2020	19-00195-UT
2020 Renewable Plan	PNM filed June 3, 2019; Hearings held October 2019	Approved January 29, 2020	19-00159-UT
Appeal of 2015 General Rate Case to New Mexico Supreme Court	New Mexico Supreme Court issued opinion May 16, 2019 affirming NMPRC decision with the exception of the disallowance of future Palo Verde decommissioning costs; NMPRC issued conforming order January 8, 2020	Completed	15-00261-UT S-1-SC-36115
Solar Direct Program	PNM filed May 31, 2019 for approval of voluntary renewable program expected to begin March 31, 2021; Hearings completed January 2020	NMPRC decision expected in Q1 2020	19-00158-UT
<u>TNMP:</u>			
TCOS Filing	TNMP filed January 24, 2020	Rates expected to be implemented March 2020	50481

Financial Overview

Don Tarry

Senior Vice President and CFO

FY 2019 Ongoing EPS Financial Summary



Load and Economic Conditions

PNM

Continued customer growth partially offset by Commercial energy efficiency impacts

Load and weather:

- Positive Q4 growth brings annual results in line with 2019 guidance; 2020 guidance reflects increased growth
- Mild weather in Q2 largely offset by above-normal impacts in Q3 and Q4

Year-over-Year Growth	2019 Actuals	2019 Projection	2020 Projection
Total Retail Load	0.3%	0.0% - 1.0%	0.5% - 1.5%
Avg. Customers	0.7%	0.8% - 1.0%	0.8% - 1.2%

TNMP

Texas economy continues to grow

- Economic growth up at year-end; early 2020 data shows manufacturing expansion, increased home sales and construction permits

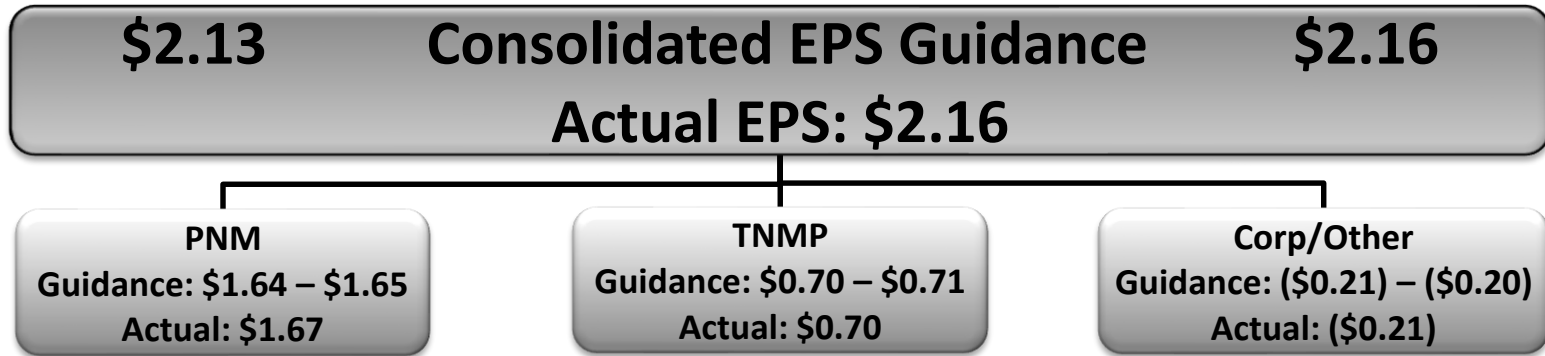
Load and weather:

- Strong Q4 reflects projects that were delayed earlier in the year, bringing 2019 annual results to the top end of guidance
- 2020 guidance reflects continued growth

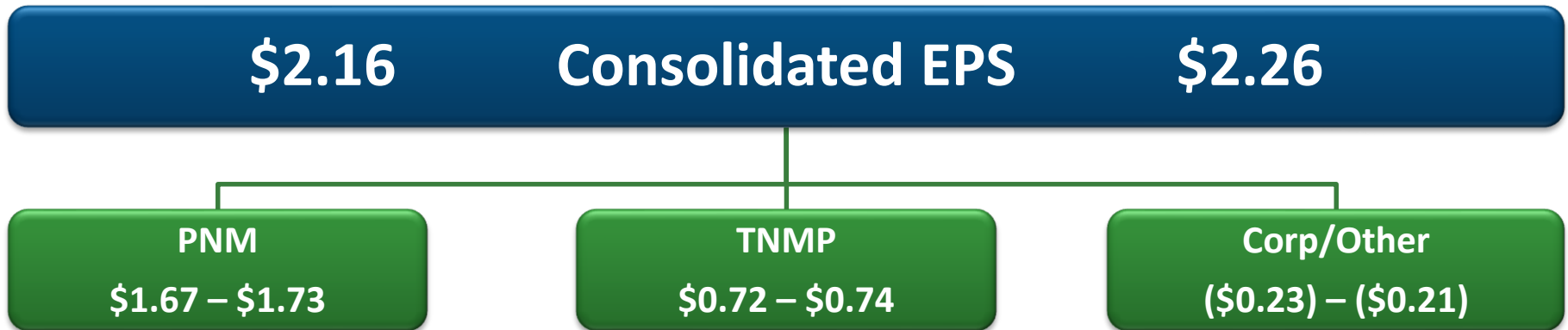
Year-over-Year Growth	2019 Actuals	2019 Projection	2020 Projection
Demand-Based Load	4.9%	4.0% - 5.0%	4.0% - 5.0%
Avg. Consumers	1.4%	~1.5%	~1.5%

2020 Consolidated Ongoing Earnings Guidance

2019 Earnings Guidance / Actuals

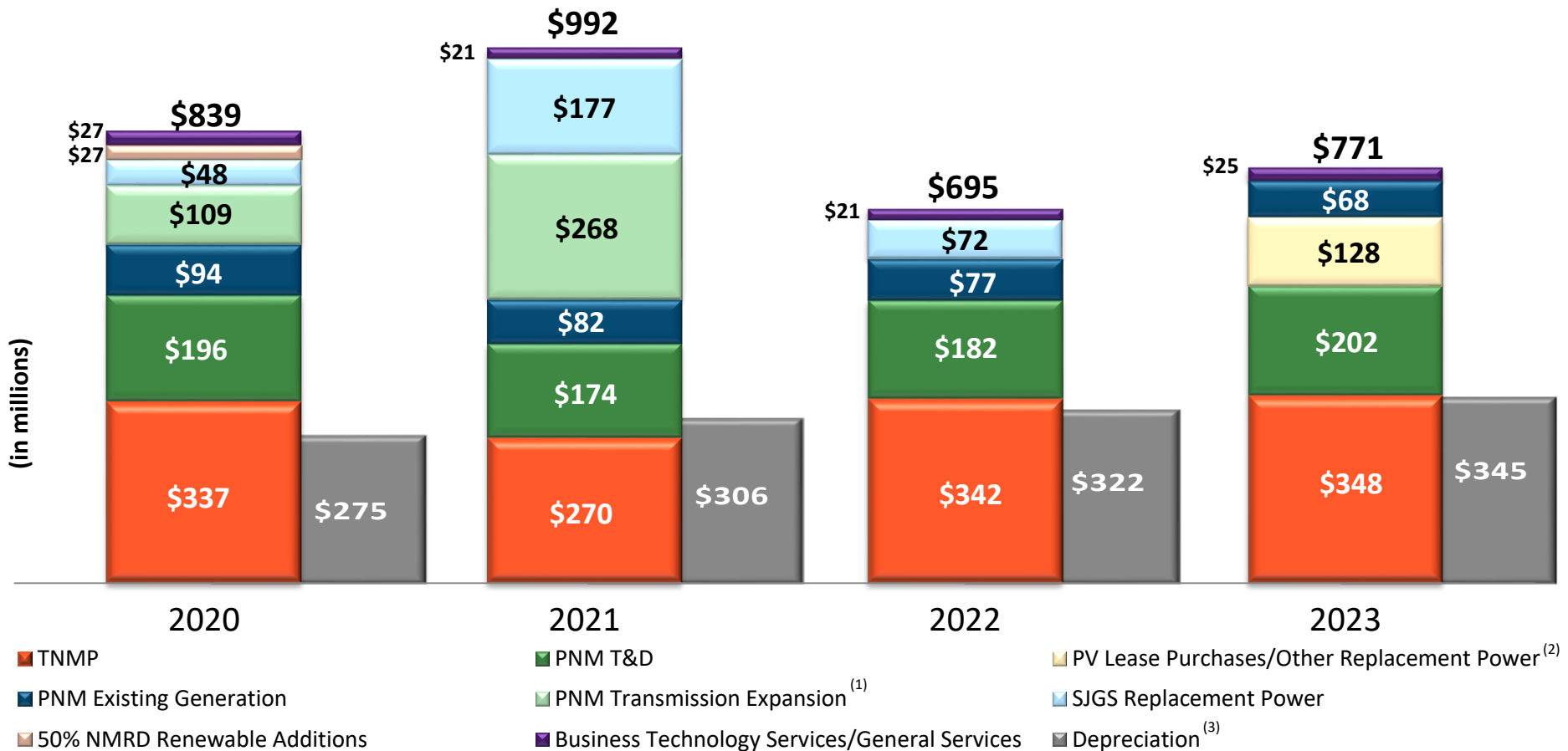


2020 Earnings Guidance



2020 – 2023 Investment Plan

\$3.3B investment plan results in 8.9% rate base growth



Targeted 2019-2023 Rate Base CAGR (2019 base): Total 8.9% / PNM 6.0% / TNMP 15.9%

⁽¹⁾ Western Spirit acquisition of \$285M reflects assumed purchase price of \$360M, net of \$75M customer funding

⁽²⁾ For Palo Verde leases that expire in 2023, capex assumes either the purchase of the leases or replacement of the power through new resources 10

⁽³⁾ Depreciation does not include amounts associated with NMRD

2020 - 2023 Potential Earnings Power

Earnings Growth Target 5-6%

Incorporates impact of January 2020 forward equity offering dilution beginning 2021

	Allowed Return / Equity Ratio	2020 Ongoing Earnings Guidance Midpoint			2021 Earnings Potential		2022 Earnings Potential		2023 Earnings Potential	
		Avg Rate Base	Return	EPS	Avg Rate Base	EPS	Avg Rate Base	EPS	Avg Rate Base	EPS
PNM Retail	9.575% / 50%	\$2.5 B	9.5%	\$1.47	\$2.5 B	\$1.41	\$2.4 B	\$1.37	\$2.4 B	\$1.38
San Juan Replacement ⁽¹⁾	9.575% / 50%						\$150 M	\$0.08	\$280 M	\$0.16
PNM Renewables	9.575% / 50%	\$150 M	9.575%	\$0.09	\$145 M	\$0.08	\$140 M	\$0.08	\$130 M	\$0.06
PNM FERC	10% / ~50%	\$340 M	7.5%	\$0.15	\$530 M	\$0.25-\$0.28	\$740 M	\$0.35-\$0.39	\$780 M	\$0.36-\$0.41
Items not in Rates				(\$0.01)		(\$0.03)-(\$0.01)		(\$0.03)-(\$0.01)		(\$0.03)-(\$0.01)
<i>Total PNM</i>		\$3.0 B		\$1.70	\$3.2 B	\$1.71-\$1.76	\$3.5 B	\$1.85-\$1.91	\$3.6 B	\$1.93-\$2.00
TNMP	9.65% / 45%	\$1.3 B	9.65%	\$0.73	\$1.5 B	\$0.79	\$1.6 B	\$0.83	\$1.9 B	\$0.95
Corporate/Other				(\$0.22)		(\$0.13)-(\$0.11)		(\$0.11)-(\$0.09)		(\$0.15)-(\$0.13)
Equity Financing Plans ⁽²⁾						(\$0.06)-(\$0.01)		(\$0.11)-(\$0.09)		(\$0.11)-(\$0.09)
Total PNM Resources		\$4.3 B		\$2.21	\$4.7 B	\$2.31 - \$2.43	\$5.1 B	\$2.46 - \$2.56	\$5.6 B	\$2.62 - \$2.73

Note: 5-6% targeted earnings growth CAGR measured from 2018 Ongoing EPS of \$2.00

(1) Assumes 2022 mid-year implementation of San Juan Replacement

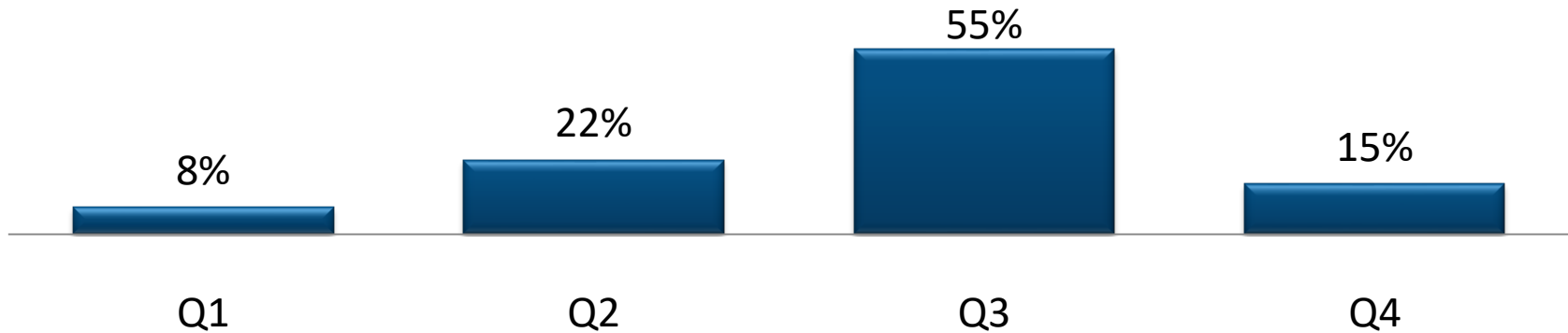
(2) Reflects debt costs associated with \$250M-\$300M mandatory convertibles issued in the second half of 2021 that convert in 2024

Questions and Answers

Appendix

2020 Quarterly Ongoing Earnings Distribution

2020 Annual EPS Distribution by Quarter



2020 - 2023 Potential Earnings Power

	Allowed Return / Equity Ratio	2020 Ongoing Earnings Guidance Midpoint			2021 Earnings Potential		2022 Earnings Potential		2023 Earnings Potential	
		Avg Rate Base	Return	EPS	Avg Rate Base	EPS	Avg Rate Base	EPS	Avg Rate Base	EPS
PNM Retail ⁽¹⁾	9.575% / 50%	\$2.5 B	9.5%	\$1.47	\$2.5 B	\$1.41	\$2.4 B	\$1.37	\$2.4 B	\$1.38
San Juan Replacement ⁽²⁾	9.575% / 50%						\$150 M	\$0.08	\$280 M	\$0.16
PNM Renewables ⁽³⁾	9.575% / 50%	\$150 M	9.575%	\$0.09	\$145 M	\$0.08	\$140 M	\$0.08	\$130 M	\$0.06
PNM FERC ⁽⁴⁾	10% / ~50%	\$340 M	7.5%	\$0.15	\$530 M	\$0.25-\$0.28	\$740 M	\$0.35-\$0.39	\$780 M	\$0.36-\$0.41
Items not in Rates ⁽⁵⁾				(\$0.01)		(\$0.03)-(\$0.01)		(\$0.03)-(\$0.01)		(\$0.03)-(\$0.01)
<i>Total PNM</i>		\$3.0 B		\$1.70	\$3.2 B	\$1.71-\$1.76	\$3.5 B	\$1.85-\$1.91	\$3.6 B	\$1.93-\$2.00
TNMP ⁽⁶⁾	9.65% / 45%	\$1.3 B	9.65%	\$0.73	\$1.5 B	\$0.79	\$1.6 B	\$0.83	\$1.9 B	\$0.95
Corporate/Other ⁽⁷⁾				(\$0.22)		(\$0.13)-(\$0.11)		(\$0.11)-(\$0.09)		(\$0.15)-(\$0.13)
Equity Financing Plans ⁽⁸⁾						(\$0.06)-(\$0.01)		(\$0.11)-(\$0.09)		(\$0.11)-(\$0.09)
Total PNM Resources		\$4.3 B		\$2.21	\$4.7 B	\$2.31 - \$2.43	\$5.1 B	\$2.46 - \$2.56	\$5.6 B	\$2.62 - \$2.73

⁽¹⁾ Average rate base has been reduced by approximately \$130M to represent (\$0.05) of Earnings Potential for the lost equity return on Four Corners investment determined in the 2018 general rate review. 2022 and 2023 rate base also reflects the removal of \$283M undepreciated SJGS investment upon its retirement in mid-2022 to be recovered through securitization.

⁽²⁾ Replacement Power includes \$298M investment implemented mid-2022; \$278M of generation investment and \$20M of transmission investment.

⁽³⁾ PNM Renewables reflect assets collected through the Renewable Rate Rider.

⁽⁴⁾ PNM FERC in 2021-2023 reflects a return of 8%-9% to account for Western Spirit investment recovered through incremental rates.

⁽⁵⁾ Consists primarily of decommissioning/reclamation trust income (net of fees/taxes), AFUDC, certain incentive compensation, and the 65MW ownership of San Juan Unit 4 (prior to retirement).

⁽⁶⁾ TNMP earnings include additional recovery for Energy Efficiency, along with items excluded from rates (primarily AFUDC) and interest savings from the refinancing of existing debt.

⁽⁷⁾ Corporate/Other includes the earnings impacts associated with short and intermediate term bank debt and the 50% equity interest in NMRD.

⁽⁸⁾ Equity Financing Plans reflect \$250M - \$300M of mandatory convertibles issued in the second half of 2021 that would convert in 2024.

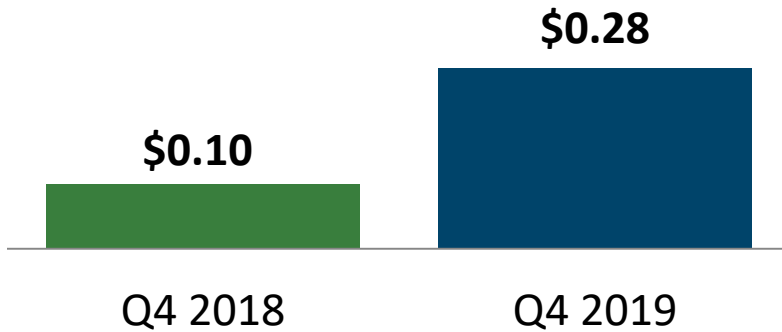
Q4 and FY 2019 Ongoing EPS Financial Summary

Q4 EPS Summary	Q4 2019	Q4 2018	Change
PNM Resources	\$0.36	\$0.18	\$0.18
PNM	\$0.28	\$0.10	\$0.18
TNMP	\$0.14	\$0.14	\$0.00
Corporate/Other	(\$0.06)	(\$0.06)	\$0.00

FY EPS Summary	FY 2019	FY 2018	Change
PNM Resources	\$2.16	\$2.00	\$0.16
PNM	\$1.67	\$1.54	\$0.13
TNMP	\$0.70	\$0.65	\$0.05
Corporate/Other	(\$0.21)	(\$0.19)	(\$0.02)

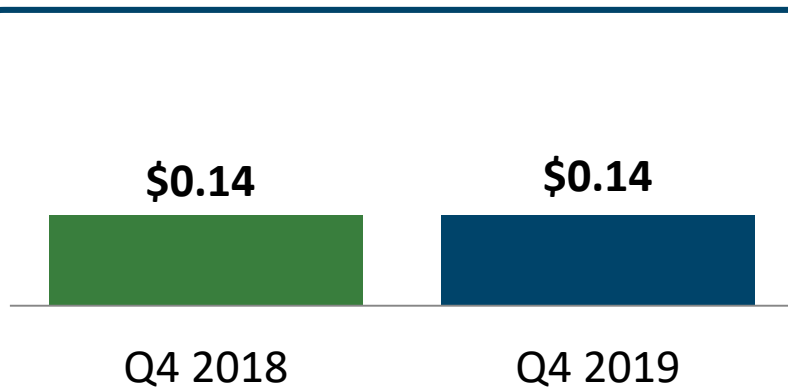
Q4 2019 vs Q4 2018 EPS (Ongoing): PNM

PNM



Q4 2019 Key Performance Drivers	Δ EPS
Lower plant maintenance costs	\$0.07
O&M decreases	\$0.05
Retail rate phase-in, including excess deferred income taxes	\$0.03
Decommissioning/reclamation trust income, net of fees	\$0.02
Weather and retail load	\$0.01
Renewable rider	\$0.01
Transmission margin	\$0.01
Depreciation and property tax	(\$0.01)
AFUDC	(\$0.01)

Q4 2019 vs Q4 2018 EPS (Ongoing): TNMP

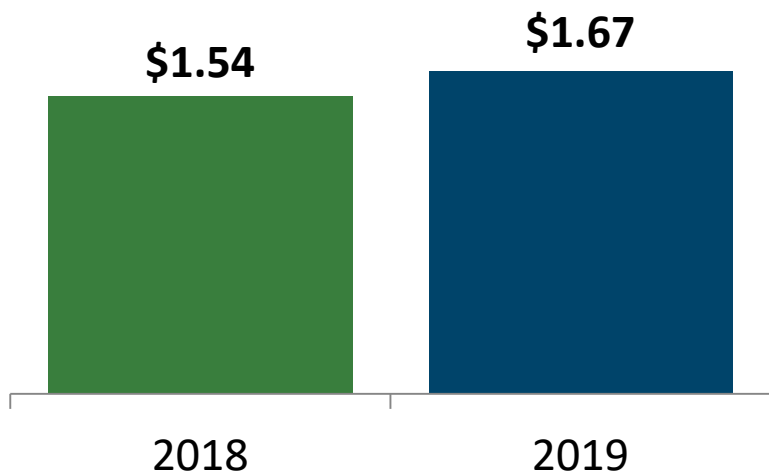


TNMP

Q4 2019 Key Performance Drivers	Δ EPS
Weather and retail load	\$0.01
AFUDC	\$0.01
Interest expense savings	\$0.01
Depreciation and property tax	(\$0.03)

2019 vs 2018 EPS (Ongoing): PNM

PNM



2019 Key Performance Drivers	Δ EPS
Lower plant maintenance costs	\$0.08
Decommissioning/reclamation trust income, net of fees	\$0.07
Retail rate phase-in, including excess deferred income taxes	\$0.07
Interest expense savings	\$0.04
Renewable rider	\$0.01
Other	\$0.01
Depreciation and property tax	(\$0.06)
Weather and retail load	(\$0.06)
AFUDC	(\$0.03)

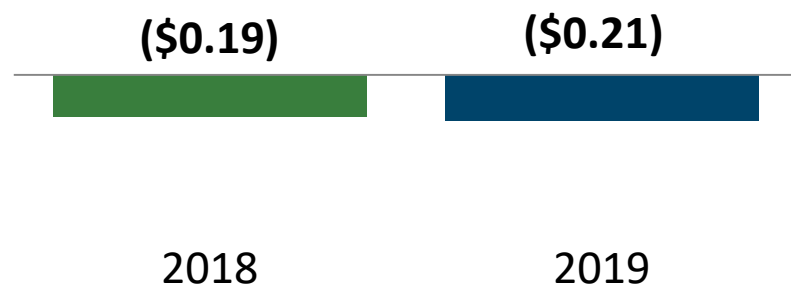
2019 vs 2018 EPS (Ongoing): TNMP and Corporate

TNMP



2019 Key Performance Drivers	Δ EPS
Rate relief, including TCOS	\$0.06
Interest expense savings	\$0.03
Weather and retail load	\$0.02
O&M decrease	\$0.01
Depreciation and property tax	(\$0.07)

Corporate



2019 Key Performance Drivers	Δ EPS
Lower effective tax rate	\$0.01
Interest expense increase	(\$0.02)
Westmoreland loan agreements	(\$0.01)

Weather Impact

PNM	Q4 2019	Q4 2018	2019 Normal⁽¹⁾
Heating Degree Days	1,005	1,005	861
Cooling Degree Days	10	18	14
Net EPS Impact <i>compared to normal</i>	\$0.02	\$0.02	

TNMP	Q4 2019	Q4 2018	2019 Normal⁽¹⁾
Heating Degree Days	668	719	617
Cooling Degree Days	297	246	283
Net EPS Impact <i>compared to normal</i>	\$0.00	\$0.00	

⁽¹⁾ 2019 normal weather assumption reflects the 20-year average for the period 1999 - 2018

PNM Scheduled Plant Outages

San Juan

Unit	Duration in Days	Time Period
No planned outages in 2020		

Four Corners

Unit	Duration in Days	Time Period
5	76	Q1-Q2 2020
4	12	Q2 2020

Palo Verde

Unit	Duration in Days	Time Period
2	30	Q2 2020
1	44	Q4 2020

Appendix

Balance Sheet and Credit Metrics

Liquidity as of February 21, 2020

	PNM	TNMP	PNMR		PNM Resources Consolidated
			PNMR Development	Corporate /Other	
Financing Capacity ⁽¹⁾ :	(In millions)				
Revolving credit facilities	\$440.0	\$75.0	\$40.0	\$300.0	\$855.0
As of 02/21/20:					
Short-term debt and LOC balances	\$67.9	\$43.2	-	\$148.5	\$259.6
Remaining availability	372.1	31.8	40.0	151.5	595.4
Invested cash	-	-	-	0.9	0.9
Total Available Liquidity	\$372.1	\$31.8	\$40.0	\$152.4	\$596.3

⁽¹⁾ Excludes intercompany debt and term loans

Selected Balance Sheet Information

(In millions)	Dec 31, 2018	Dec 31, 2019
Long-Term Debt (incl. current portion) ⁽¹⁾		
PNM	\$1,656.5	\$1,748.0
TNMP	575.4	670.7
Corporate/Other	438.2	589.0
Consolidated	\$2,670.1	\$3,007.7
Total Debt (incl. short-term) ^(1,2)		
PNM	\$1,698.9	\$1,806.0
TNMP	592.9	685.7
Corporate/Other	614.2	701.1
Consolidated	\$2,906.0	\$3,192.8

⁽¹⁾ Net of unamortized debt issuance costs, premiums and discounts

⁽²⁾ Excludes intercompany debt

Amounts may not add due to rounding

Credit Ratings

PNMR Consolidated	S&P	Moody's
Issuer rating	BBB+	Baa3
Outlook	Negative	Stable
Senior unsecured rating	BBB	Baa3

PNM	S&P	Moody's
Issuer rating	BBB+	Baa2
Outlook	Negative	Stable
Senior unsecured rating	BBB+	Baa2

TNMP	S&P	Moody's
Issuer rating	A-	A3
Issuer outlook	Negative	Stable
Senior secured rating	A	A1