



Investor Meetings

January 2020



Contact Information and Safe Harbor Statement

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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>.

The Company has filed a registration statement including a prospectus and prospectus supplement with the SEC. Before you invest, you should read the prospectus and prospectus supplement in that registration statement and other documents the Company has filed with the SEC for more complete information about the Company and the offering. You may obtain these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, the Company, and the underwriters or any dealer participating in the offering will arrange to send you the prospectus and the prospectus supplement if you request them by contacting the underwriters as described in Appendix to this presentation.

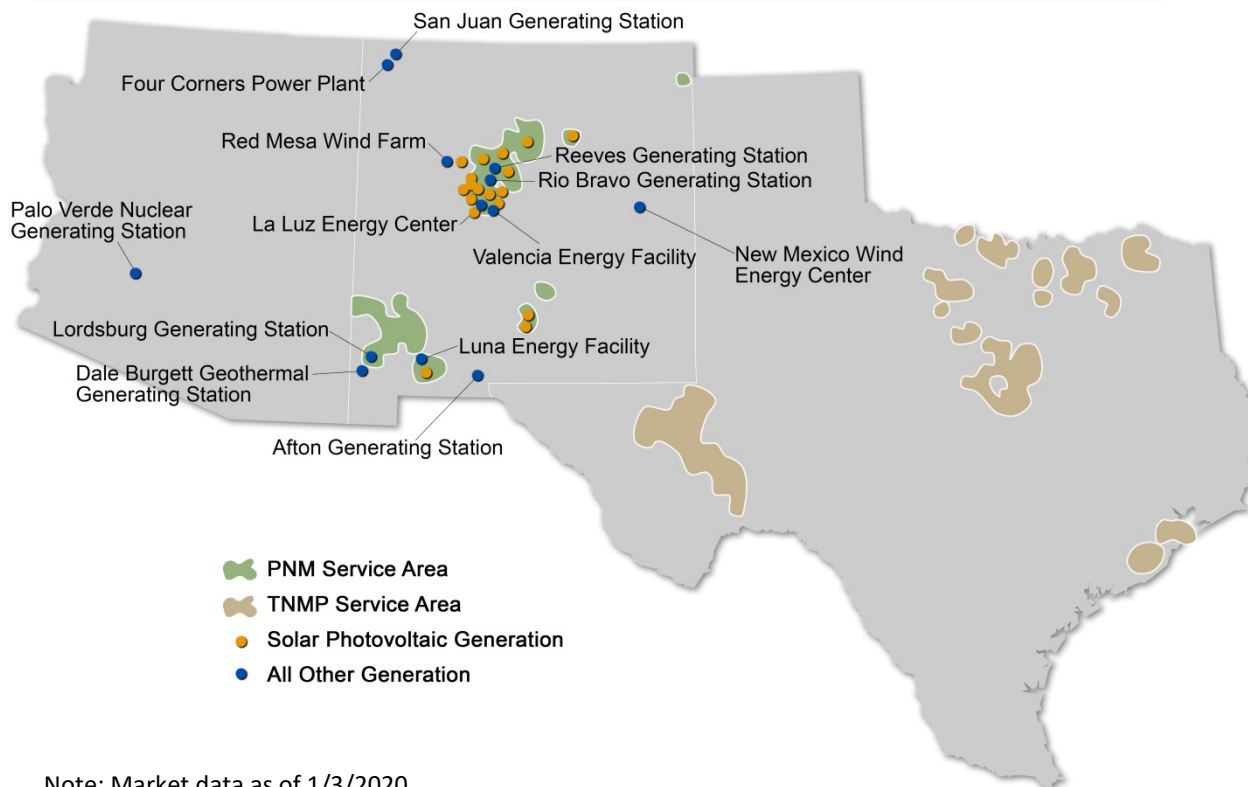
PNM Resources Overview

PNM Resources is a regulated electric utility holding company focused on providing environmentally responsible, affordable and reliable electricity to customers and delivering earnings and dividend growth to shareholders at or above the industry average

NYSE Ticker: PNM

Market Cap: \$4.0 B

Generation Resources and Service Territories



- Energy holding company
- Based in Albuquerque, New Mexico



- Located in New Mexico
- 530,977 customers
- 15,158 miles transmission and distribution lines
- 2,761 MW generation capacity



- Located in Texas
- 255,879 end-users
- 9,408 miles transmission and distribution lines

PNM Resources Strategic Direction and Financial Goals

Vision: Create a clean and bright energy future

Strategic Focus:

- Transform PNM Generation Portfolio:
 - New Mexico Energy Policy (ETA): RPS and 2045 carbon-free mandate
 - PNM plans to be coal-free by 2031, emissions-free by 2040
- Enhance PNM transmission grid to facilitate the integration of renewable generation and battery storage
- Invest in TNMP infrastructure to reliably support customer demand across high-growth service territory

Financial Goals:

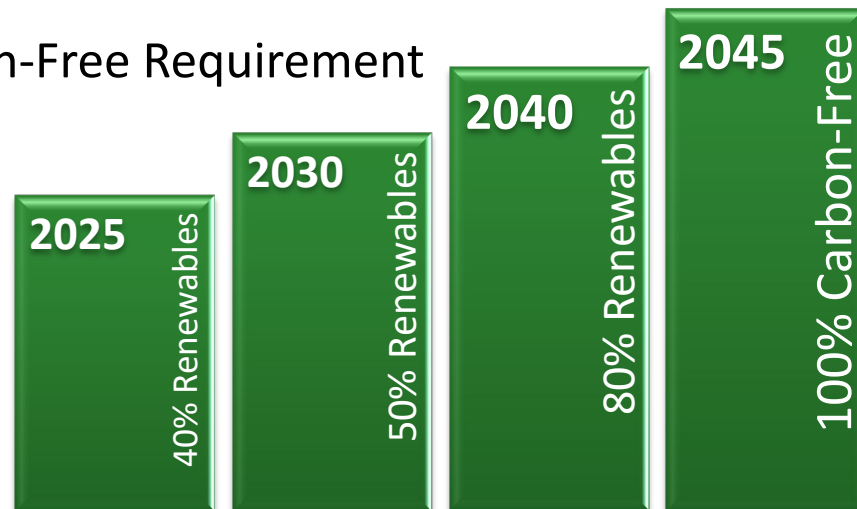
- Earn authorized returns on regulated rate base
 - Expect 9.6% rate base growth 2018 - 2023
- Target 5% - 6% earnings and dividend growth through 2023
- Maintain investment grade credit ratings

Transform PNM Generation Portfolio: New Mexico Energy Policy

Senate Bill 489 (Energy Transition Act): passed in 2019 legislative session and signed by New Mexico Governor Lujan Grisham; effective June 14, 2019

- Renewable Portfolio Standards and Carbon-Free Requirement

- Current: 20% renewables by 2020
- Proposed:
 - 40% renewables by 2025
 - 50% renewables by 2030
 - 80% renewables by 2040
 - 100% carbon-free by 2045



- Securitization measure for abandonment of coal-fired generating facilities reduces customer bills
- Economic development funds provide needed financial assistance to workers and the communities impacted by retirement of coal-fired generating facilities

Transform PNM Generation Portfolio: Executing the Energy Transition Act

Our Goal: Transform PNM Generation to 100% Carbon-Free by 2040

Step 1: Exit Coal Generation by 2031

- **San Juan Generating Station:**
 - Retired Units 2 and 3 in 2017 (221 MWs); Retirement of Units 1 and 4 in 2022 (562 MWs)
- **Four Corners Coal Plant:**
 - Exit from ownership participation no later than expiration of agreements in 2031 (200 MWs)

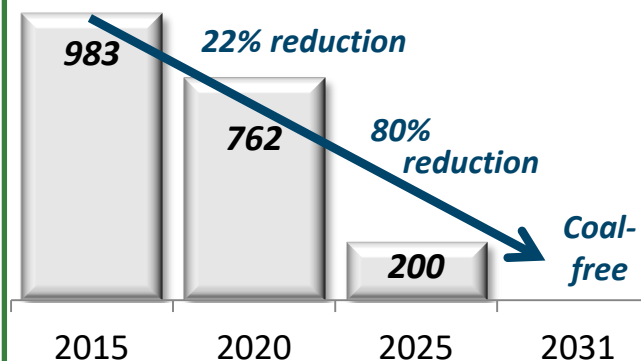
Step 2: Eliminate emissions from natural gas generation by 2040

- Exit from Valencia gas plant in 2028 (158 MWs)
- Transform existing and transitional gas plants to carbon-free capacity resources such as battery storage and pumped storage by 2040

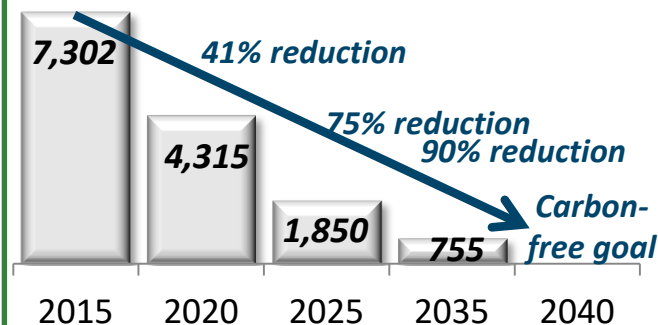
Step 3: Actively pursue the development of carbon-free replacement power alternatives

- **Current options:** renewable + storage combinations, short-term natural gas peaking units to facilitate transition to emissions-free
- **Future options:** Regional market participation, next-generation battery, pumped hydro, emissions-free combustion turbines through hydrogen or other clean fuels, emerging technologies

Reduction of MW Coal Capacity



Reduction of Carbon Emissions (CO₂ short-tons, in thousands)



PNM-owned facilities, as reported to EPA

Transform PNM Generation Portfolio: San Juan Abandonment, Securitization and Replacement Power

Abandonment

- Requests abandonment of San Juan coal plant after participation agreement and coal supply contracts end June 30, 2022

Securitization

- \$283M undepreciated investment in San Juan, proceeds available to fund replacement power
- \$29M decommissioning and reclamation costs
- \$20M job training and severance costs
- \$20M economic development funds
- \$9M financing costs

Total \$361M securitization

Replacement Power

- Recommended scenario balances environment, cost and reliability
- 350 MW solar drives 62% reduction in carbon emissions
- 130 MW battery storage capacity responsibly integrates new technology
- 280 MW natural gas peaking plants ensure reliability during energy transition, provides San Juan property tax base

Total \$298M investment

Timing

- Filed July 1, 2019
- NMPRC decision on abandonment and securitization expected by April 1, 2020; decision on replacement power expected by October 1, 2020

Transform PNM Generation Portfolio:

San Juan Recommended Replacement Power Scenario Details

- Competitive RFP processes resulted in a cost-effective mix of resources owned by PNM and third-party providers
- To manage the risks of integrating new battery storage technology, total storage capacity does not exceed 5% of peak load and the capacity at each location is limited to 40 MW

Third Party Resources



**300 MW Solar PPA +
40 MW Storage ESA**
*\$20M transmission investment
begins June 2022*



**50 MW Solar PPA +
20 MW Storage ESA**
begins Jan 2022

Total 410 MW

PNM Owned Resources



**280 MW Gas Peaking
Units at San Juan**
*\$191M investment
in-service June 2022*



40 MW Storage
*\$50M investment
in-service June 2022*



30 MW Storage
*\$37M investment
in-service June 2022*

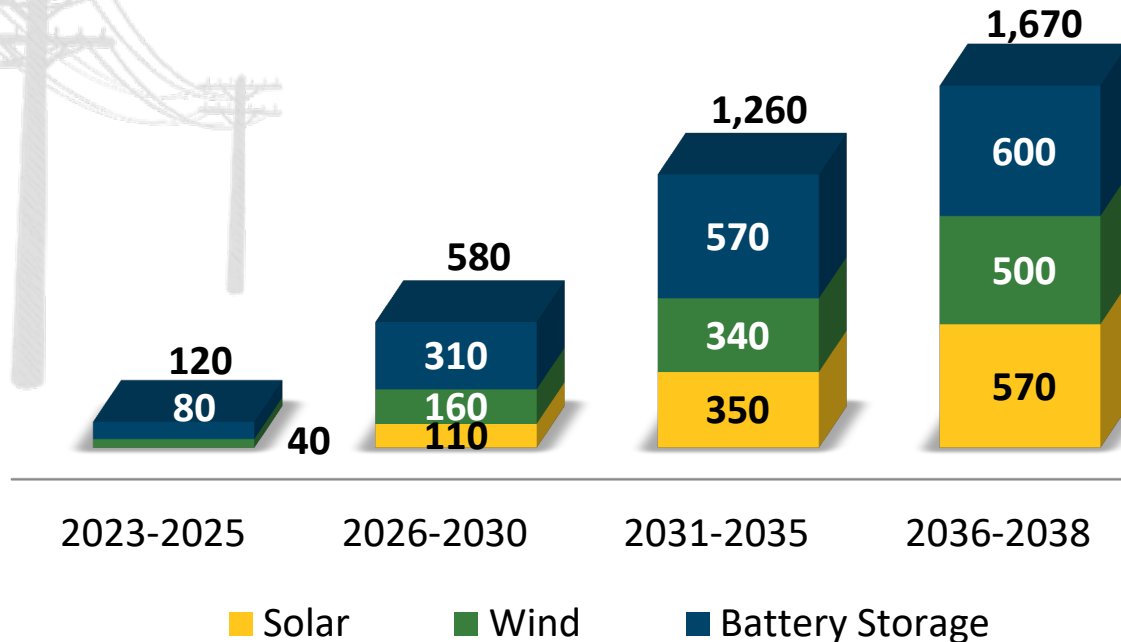
Total 350 MW

Enhance PNM Transmission Grid: Integration of Renewable Generation and Battery Storage

- *Transmission service to portions of New Mexico's grid is fully committed*
- *The integration of new renewable generation and battery storage will require additional T&D investment*

Cumulative Capacity Additions 2023 – 2038 (MW)

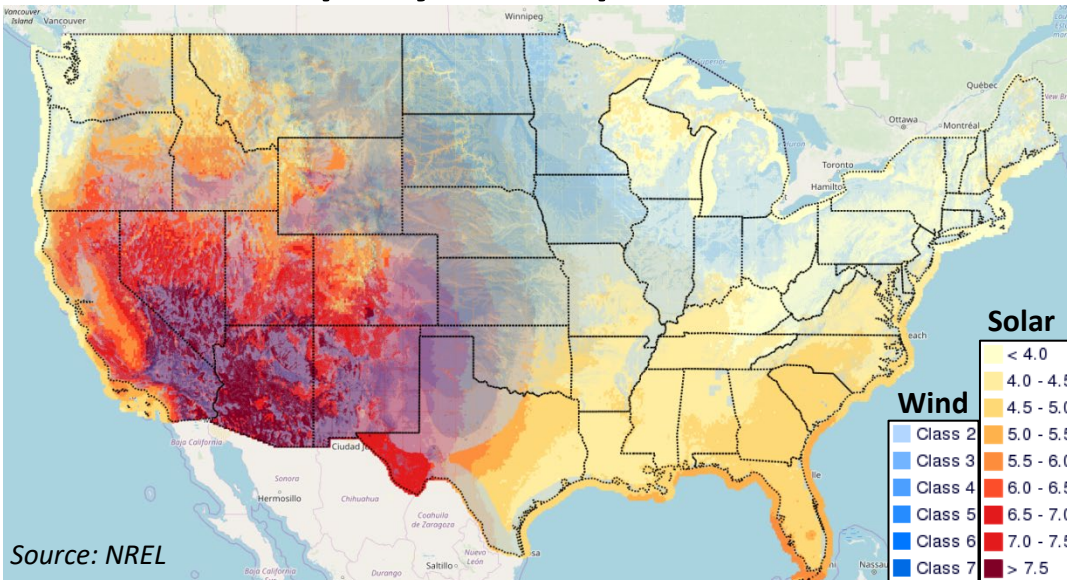
Based on Recommended San Juan Replacement Scenario⁽¹⁾



⁽¹⁾ Consolidated Application for Approvals for the abandonment, financing and resource replacement for San Juan Generating Station, Phillips - Resource Planning Testimonial as of July 1, 2019

Enhance PNM Transmission Grid: Transmission and Renewable Expansion in New Mexico

New Mexico has abundant solar and wind resources
Third-party development increases demand for transmission capacity



New Mexico added wind capacity at a higher growth rate than any other state in 2017 and currently has projects under construction or in advanced development that will more than double current installed capacity

- 1,953 MW installed capacity
- 1,227 MW under construction
- 1,328 MW in advanced development

Source: American Wind Energy Association, Oct. 2019

3rd in US wind capacity potential

Source: WINDEXchange.energy.gov, Q3 2019

3rd in US energy potential from solar power

Source: Nebraska Department of Environment & Energy
Sun Index developed for NREL measuring direct sunlight received in each state, accounting for latitude and cloud cover

TNMP Demand and Infrastructure Investment

Texas growth drives infrastructure needs

- TNMP has seen consistent end-user (customer growth) driven by strong Texas economy across our service territory
- Demand-based load growth in Commercial and Industrial classes driven by energy sector in West Texas and Gulf Coast regions; drives need for infrastructure investment
- Texas is the largest energy-producing state and the largest energy-consuming state in the nation⁽¹⁾
- ERCOT summer peak demand projected to grow by ~20% over next 10 years⁽²⁾, extensive regional studies call for increased transmission infrastructure to support reliability and growth, particularly in West Texas

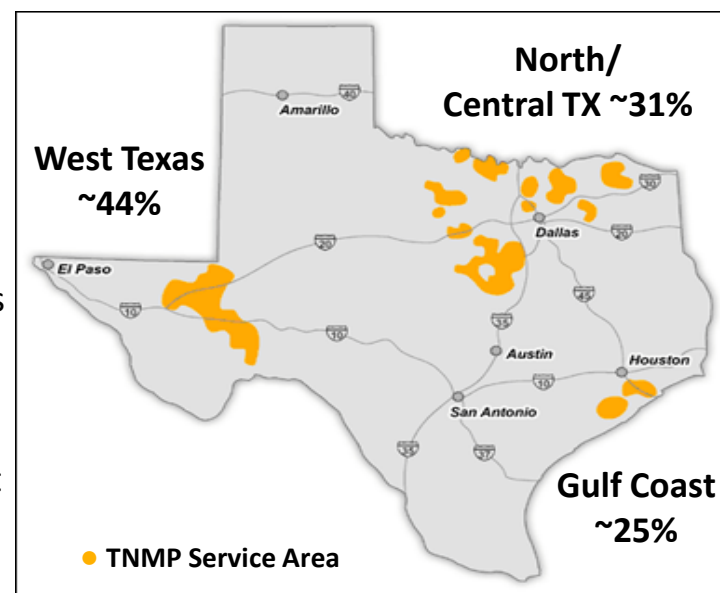
2020 Key Capital Projects

- A group of transmission lines and substations in northern West Texas will be upgraded from 69kv to 138kv to support growth in that region;
- In the Gulf Coast, a 138kV transmission line upgrade will be completed to help with transmission contingency issues and support the interconnection of a new gas-fired power plant;
- Begin the replacement of our AMI meters to be compatible with current network capabilities

TNMP	2017	2018	Q3 YTD 2019
TNMP Avg. End Users	1.2%	1.3%	1.5%
Demand-Based Load ⁽¹⁾	4.0%	6.8%	4.3%

(1) Commercial and Industrial per-kw monthly peak billings; excludes retail Transmission customers

TNMP 2019 - 2023 Investment Plan by Region



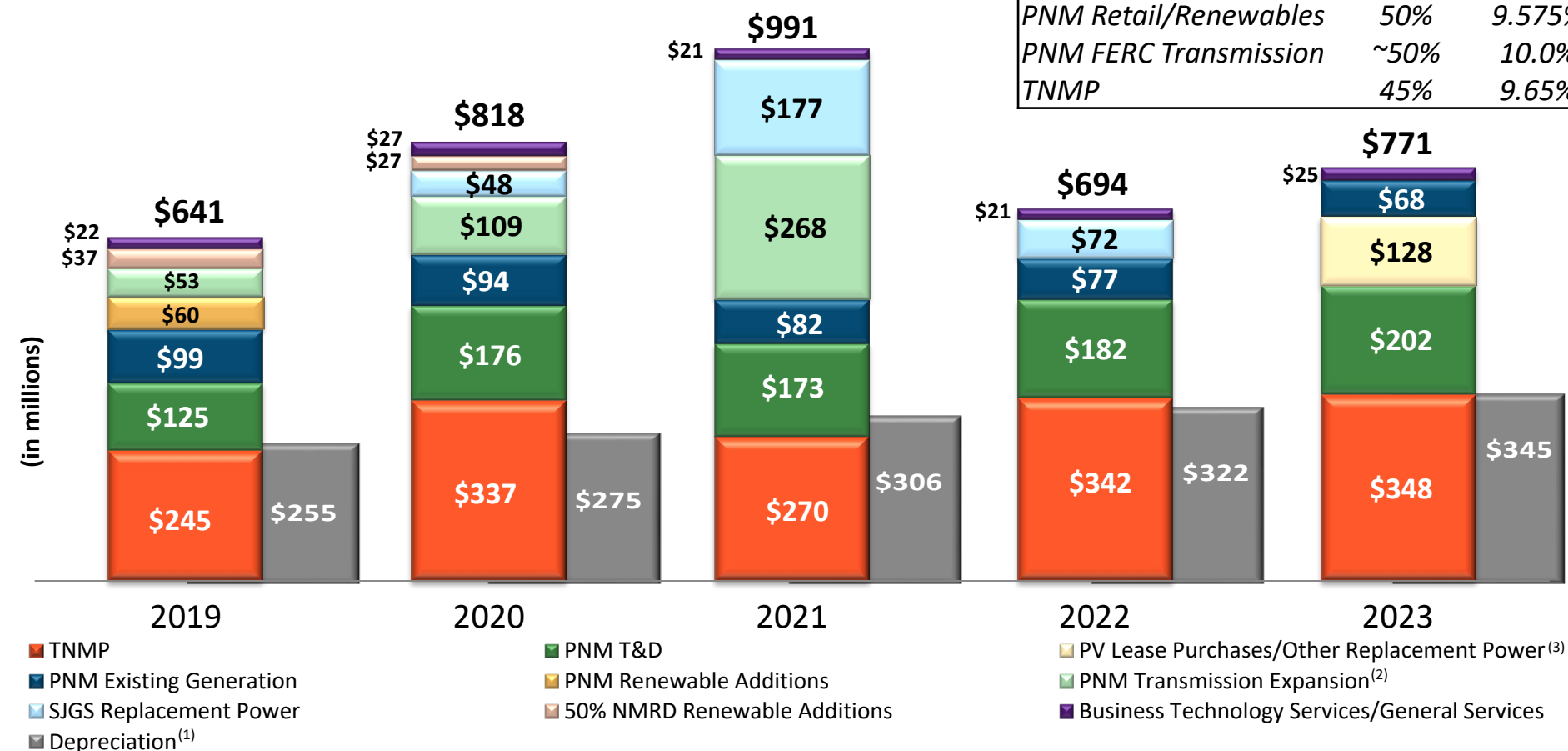
⁽²⁾ Source: Energy Information Administration (EIA)

⁽³⁾ Source: ERCOT 2019-2028 forecast

PNM Resources 2019 – 2023 Investment Plan

\$3.9B investment plan results in 9.6% rate base growth

<u>Authorized returns:</u>	<u>Equity ratio</u>	<u>ROE</u>
PNM Retail/Renewables	50%	9.575%
PNM FERC Transmission	~50%	10.0%
TNMP	45%	9.65%



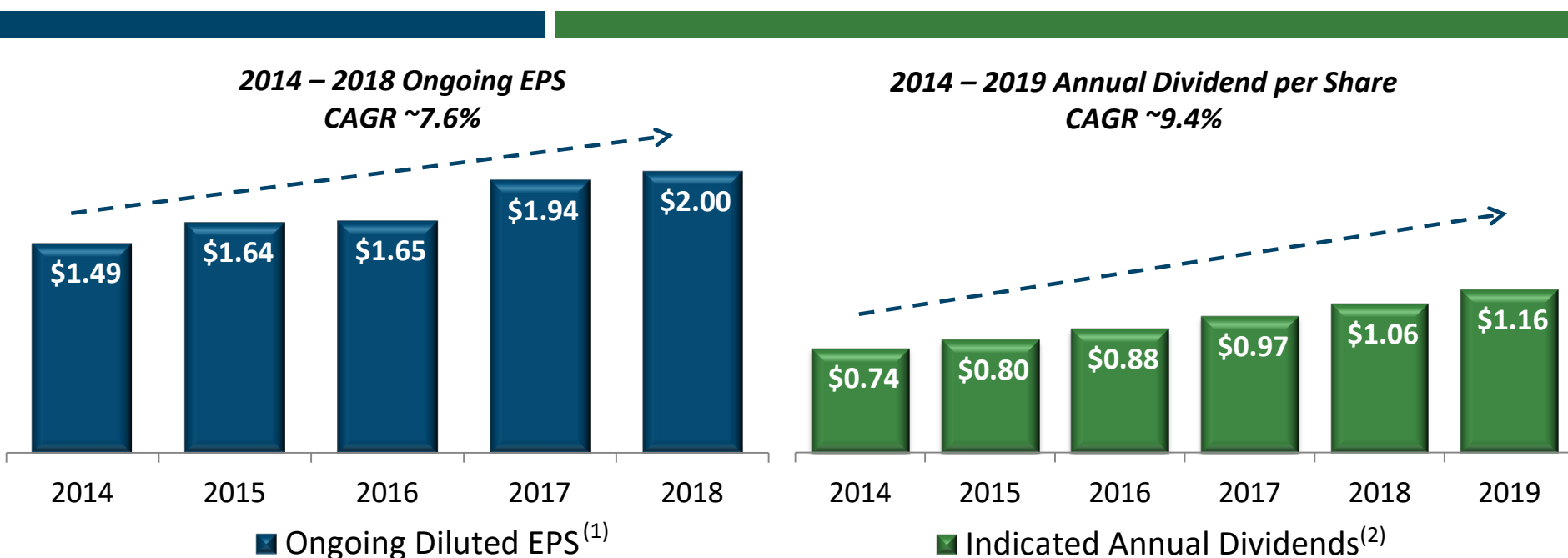
Targeted 2018-2023 Rate Base CAGR (2018 base): Total 9.6% / PNM 6.6% / TNMP 17.3%

⁽¹⁾ Depreciation does not include amounts associated with NMRD

⁽²⁾ Western Spirit acquisition of \$285M reflects assumed purchase price of \$360M, net of \$75M customer funding

⁽³⁾ For Palo Verde leases that expire in 2023, capex assumes either the purchase of the leases or replacement of the power through new resources

Earnings and Dividend Growth Profile



- PNM Resources achieved a 7.6% CAGR for Ongoing Diluted EPS during 2014 - 2018
- Targeting 5% - 6% earnings and dividend growth for 2019 - 2023
- In December 2019, the Board declared an increase to the common dividend by \$0.07 to an indicated annual rate of \$1.23 per share for 2020⁽³⁾
 - Represents 6% increase, consistent with earnings growth target
 - Continue to target midpoint of 50% - 60% payout ratio

(1) See Appendix for reconciliation of Ongoing Diluted EPS, which is a non-GAAP financial measure

(2) Declared as of December of the previous year

(3) Declared but not yet paid

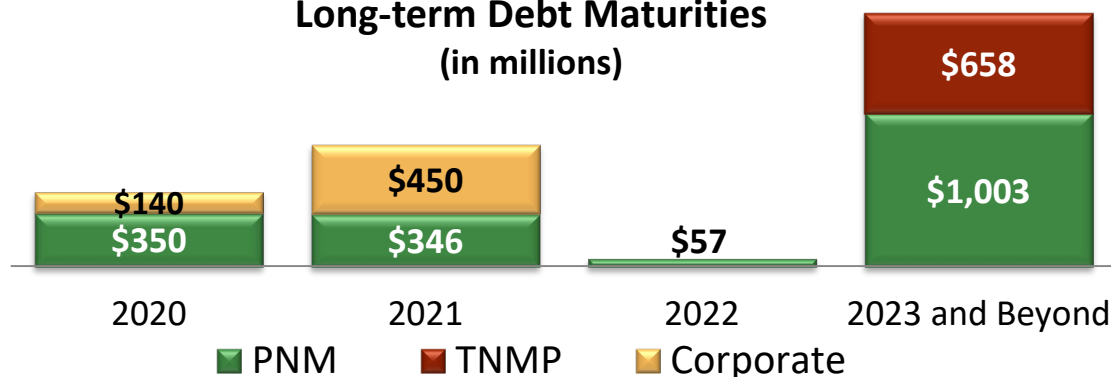
Liquidity and Debt Maturity Outlook

Maintain appropriate credit metrics

Remain a solid investment grade rated company

Target regulatory capital structures at PNM and TNMP

Long-term Debt Maturities (in millions)



- New debt issuances projected at utilities to maintain regulatory capital structure, along with issuance of \$361 million securitization bonds in 2022
- Equity issuances of up to \$590 million through forward block and/or mandatory convertibles are projected to fund 2020 - 2023 expenditures

	Moody's Rating/Outlook	S&P Rating/Outlook
PNM Resources	Baa3 ⁽¹⁾ / Stable	BBB+ ⁽¹⁾ / Negative
PNM	Baa2 ⁽²⁾ / Stable	BBB+ ⁽²⁾ / Negative
TNMP	A1 ⁽³⁾ / Stable	A ⁽³⁾ / Negative

PNM Resources FFO-to-Debt is maintained within Moody's Baa investment grade target range of 13% to 22%

⁽¹⁾ Issuer rating ⁽²⁾ Senior unsecured rating ⁽³⁾ Senior secured rating

Appendix

NMPRC Commissioners and Districts

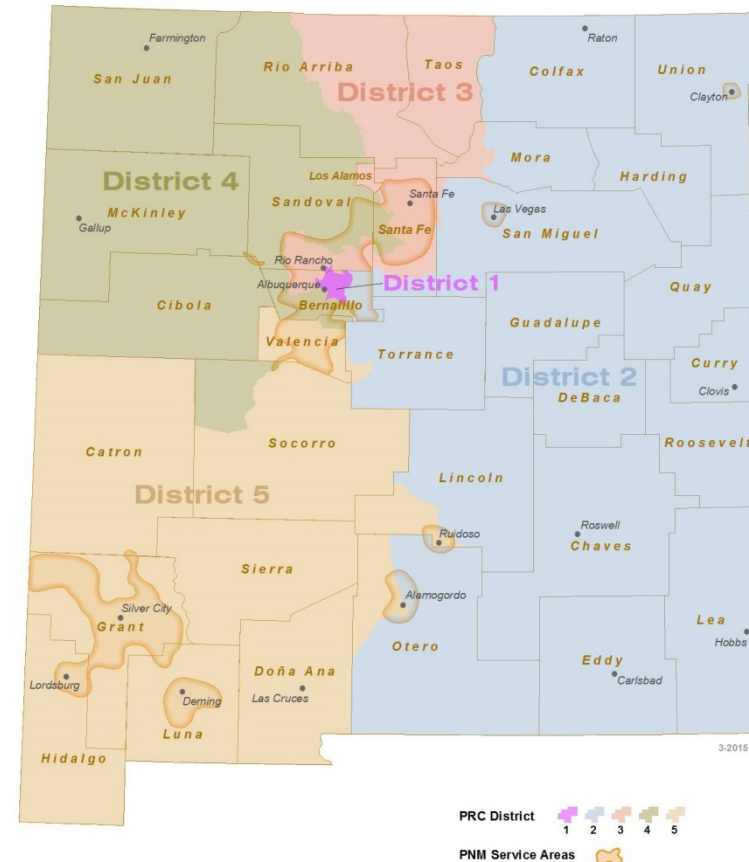
District	Name	Term Ends	Party
District 1	Cynthia Hall	2020 ⁽¹⁾	Democrat
District 2	Jefferson Byrd	2022 ⁽¹⁾	Republican
District 3	Valerie Espinoza, Vice-Chairman	2020	Democrat
District 4	Theresa Becenti-Aguilar, Chairman	2022 ⁽¹⁾	Democrat
District 5	Stephen Fischmann	2022 ⁽¹⁾	Democrat

⁽¹⁾ Eligible for re-election to a second four-year term

2019 Legislative Update – Appointed vs Elected:

- A Senate Joint Resolution was passed in the New Mexico legislature to include a state constitutional amendment on the ballot in the next general election (2020) to move to a **3-member, appointed** Commission
- If the amendment is passed by a simple majority:
 - The legislature defines the nominating committee and the requirements for Commissioners
 - The terms for Commissioners elected in Districts 1 and 3 in 2020 will be for a two-year term ending in 2022; the terms for Commissioners in Districts 2, 4 and 5 already expire in 2022
 - Three appointed Commissioners would begin terms January 1, 2023

NMPRC Districts and PNM Service Areas



PNM Regulatory Agenda

Filing	Action	Timing	Docket No.
Consolidated Application for San Juan (Abandonment, Securitization and Replacement)	PNM filed July 1, 2019; NMPRC bifurcated application on July 10, 2019; Abandonment/Securitization hearings scheduled December 10-19, 2019; Replacement Power hearings scheduled January 22-29, 2020	NMPRC decision on abandonment/ securitization expected by April 1, 2020, decision on replacement power expected by October 1, 2020	19-00018-UT 19-00195-UT
2020 Renewable Plan	PNM filed June 3, 2019; Hearings held October 24-25, 2019; Recommended Decision to approve plan issued on December 2, 2019	NMPRC decision expected in Q1 2020	19-00159-UT
Solar Direct Program	PNM filed May 31, 2019 for approval of voluntary renewable program expected to begin March 31, 2021; Hearing held November 20, 2019, will continue January 9, 2020	NMPRC decision expected in Q1 2020	19-00158-UT
Appeal of 2015 General Rate Case to New Mexico Supreme Court	New Mexico Supreme Court issued opinion May 16, 2019 affirming NMPRC decision but denying the disallowance of future Palo Verde decommissioning costs; full order was remanded back to the NMPRC	No statutory timeline; oral arguments on remand held July 17, 2019	15-00261-UT S-1-SC-36115

Upcoming activities:

- PNM General Rate Review filing expected in Q2 2020
- PNM annual FERC formula rate and PNM annual Renewable plan filings due in Q2 2020
- PNM 2020 IRP filing due July 1, 2020
- New Mexico ballot initiative to move to appointed Commission in November 2020

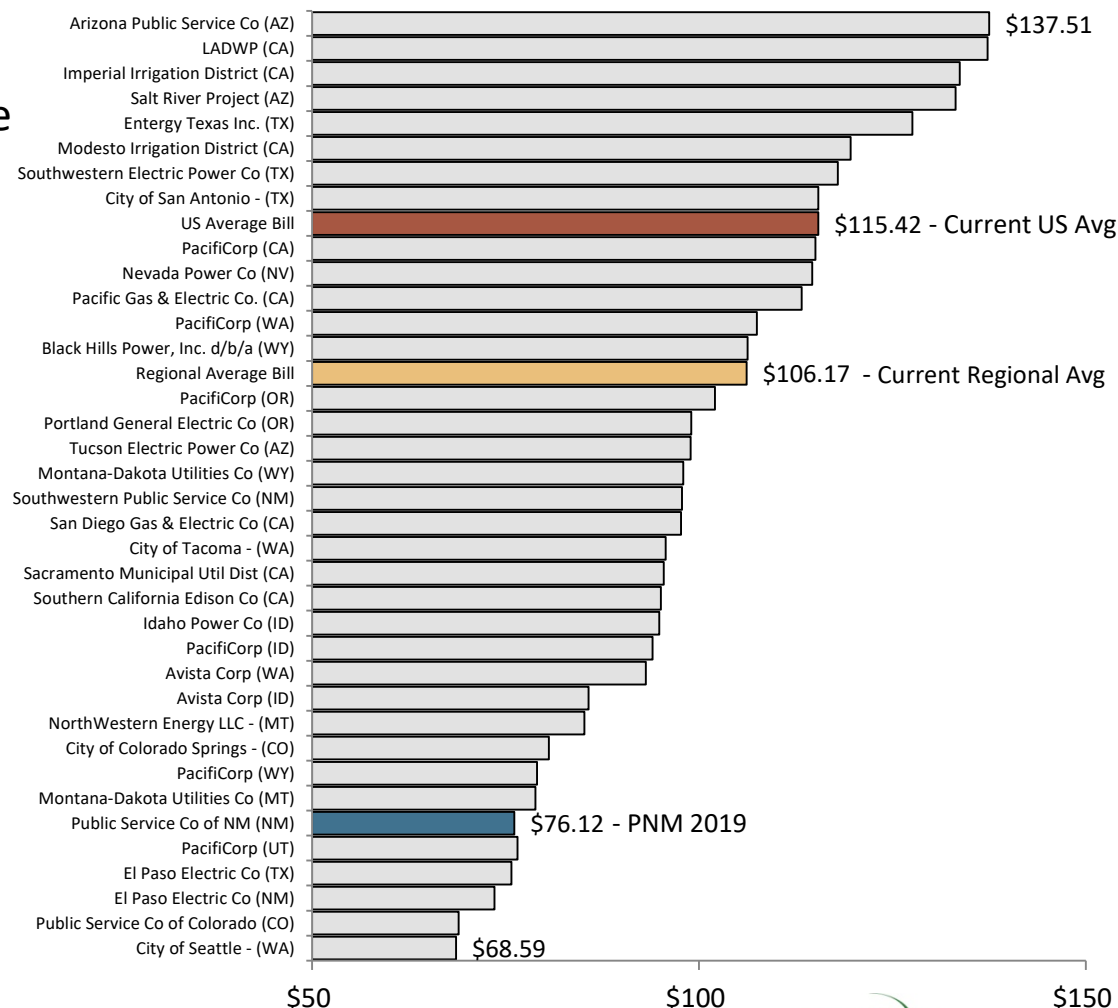
PNM Bills Remain Below National and Regional Averages

Customer bill impacts of increased investments are mitigated by:

- Return of federal tax savings to customers
- Load growth reduces per-customer cost of new investments
- Energy Imbalance Market and renewable investments result in lower costs for fuel

Comparison of Average Residential Bills⁽¹⁾

Western Region Average Bills by Utility



⁽¹⁾Based on U.S. Energy Information Administration's Residential Rate increases through June 2019

PUCT Commissioners and TNMP Regulatory Agenda

PUCT Commissioners

Name	Term Began	Term Ends	Party
DeAnn Walker (Chair)	Sept. 2017	Aug. 2021	Republican
Arthur D'Andrea	Nov. 2017	Aug. 2023	Republican
Shelly Botkin	June 2018	Sept. 2019	Republican

Commissioners are appointed by the Governor of Texas and confirmed by the Senate.

TNMP Regulatory Agenda

Filing	Action	Timing	Docket No.
General Rate Review	Settlement approved December 20, 2018	Rates implemented January 2019	48401
TCOS Filing	Filed January 25, 2019	Rates implemented March 2019	49143
TCOS Filing	Filed July 23, 2019	Rates implemented September 2019	49785

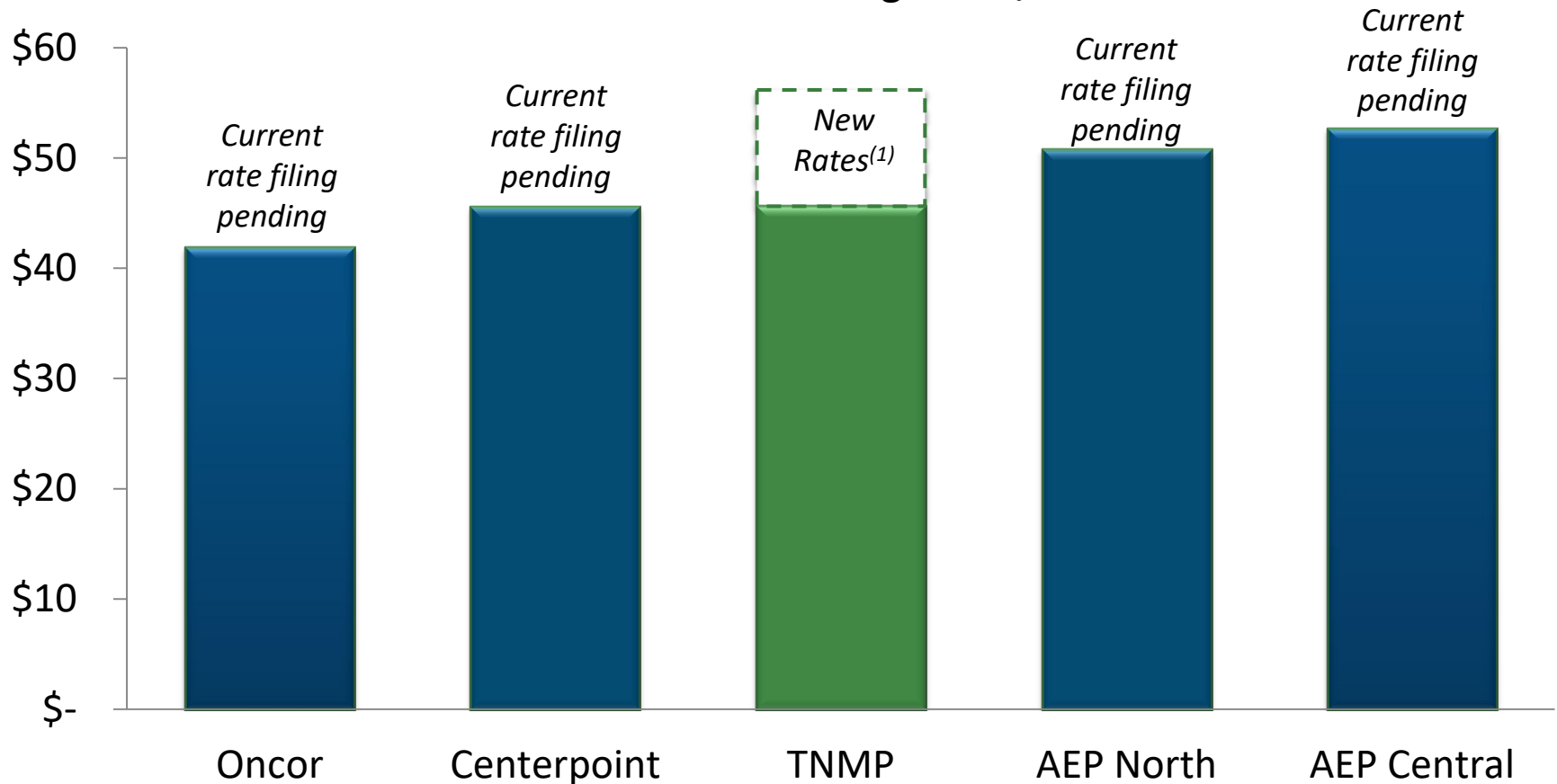
Upcoming activities:

- TNMP TCOS filings in Q1 and Q3 2020
- TNMP DCOS filing expected in April 2020

TNMP Rates Comparable in Texas

Rates expected to be comparable to other IOUs after pending rate filings

Residential Total Wires Charge for 1,000 kWh



Source: TDU tariffs for retail delivery service effective September 1, 2019 and PUCT Filings Interchange.

⁽¹⁾ Rates effective January 2019