



# Investor Meetings

June 2022



# Contact Information and Safe Harbor Statement

## Investor Relations Contact Information

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## **Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995**

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, including the preliminary unaudited financial results and earnings guidance, 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 and apply only as of the date of this report. 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. Additionally, there are risks and uncertainties in connection with the proposed acquisition of us by AVANGRID which may adversely affect our business, future opportunities, employees and common stock, including without limitation, (i) the expected timing and likelihood of completion of the pending Merger, including the timing, receipt and terms and conditions of any remaining required governmental and regulatory approvals of the pending Merger that could reduce anticipated benefits or cause the parties to abandon the transaction, (ii) the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement, (iii) the risk that the parties may not be able to satisfy the conditions to the proposed Merger in a timely manner or at all, and (iv) the risk that the proposed transaction could have an adverse effect on the ability of PNMR to retain and hire key personnel and maintain relationships with its customers and suppliers, and on its operating results and businesses generally. For a discussion of risk factors and other important factors affecting forward-looking statements, please see the Company's Form 10-K, Form 10-Q filings and the information included in the Company's Forms 8-K 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 at <http://www.pnmresources.com/investors/results.cfm>. Since the future differences between GAAP and ongoing earnings are frequently outside the control of the Company, management is generally not able to estimate the impact of the reconciling items between forecasted GAAP net earnings and ongoing earnings guidance, nor their probable impact on GAAP net earnings without unreasonable effort, therefore, management is generally not able to provide a corresponding GAAP equivalent for ongoing earnings guidance.

# PNM Resources Overview



- Vertically integrated utility in New Mexico focused on clean energy transformation
- \$3.1B rate base
- 540k retail customers
- 3.1 GW resource portfolio
- 15k miles transmission and distribution lines



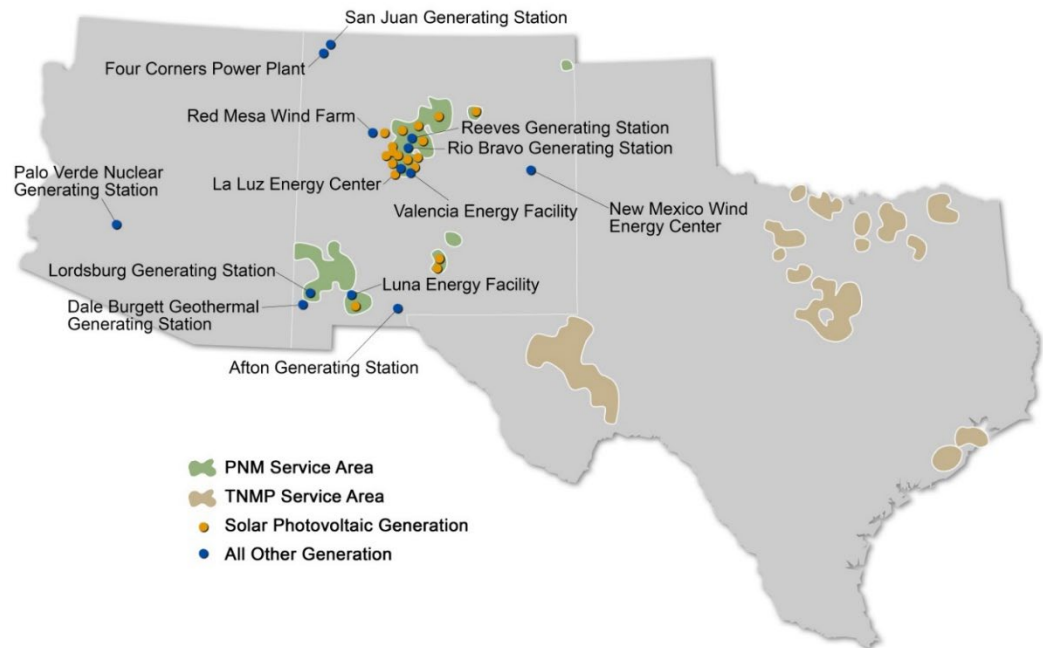
- T&D utility operating within the ERCOT market in Texas
- \$1.5B rate base
- 260k consumers
- 10k miles transmission and distribution lines



Energy holding company based in Albuquerque, New Mexico with two fully regulated electric utility subsidiaries

**NYSE: PNM**   **\$4B market cap**

## Service Territories and Generation Resources



# Create shareholder value, deliver a clean and bright energy future

## Clean Energy Portfolio



PNM progress towards industry-leading goal of 100% emissions-free energy by 2040

## Critical Electricity Infrastructure



T&D investments reliably support growth and integration of clean energy

## Strong Corporate Profile



Delivering financial results, trusted community partner

***Customer Reliability, Affordability, Satisfaction***



# Commitment to ESG Strategy



## Environmental

- ✓ Industry-leading goals:
  - **Emissions-free** by 2040 reflects full elimination of carbon from generation
  - **90% reduction in freshwater usage** by 2040
  - Significant reductions in emissions and freshwater usage achieved 2005-2021 through investments and retirements
- ✓ Infrastructure investment to support rapid growth in owned and purchased renewable resources delivered to customers



## Social

- ✓ Hiring, training, retention and engagement programs for our diverse workforce (52% minority), focus on safety and company culture
- ✓ Diversity and inclusion supported in communities, tribal relationships fostered through meaningful partnerships
- ✓ Transition to clean energy includes support for employees and communities

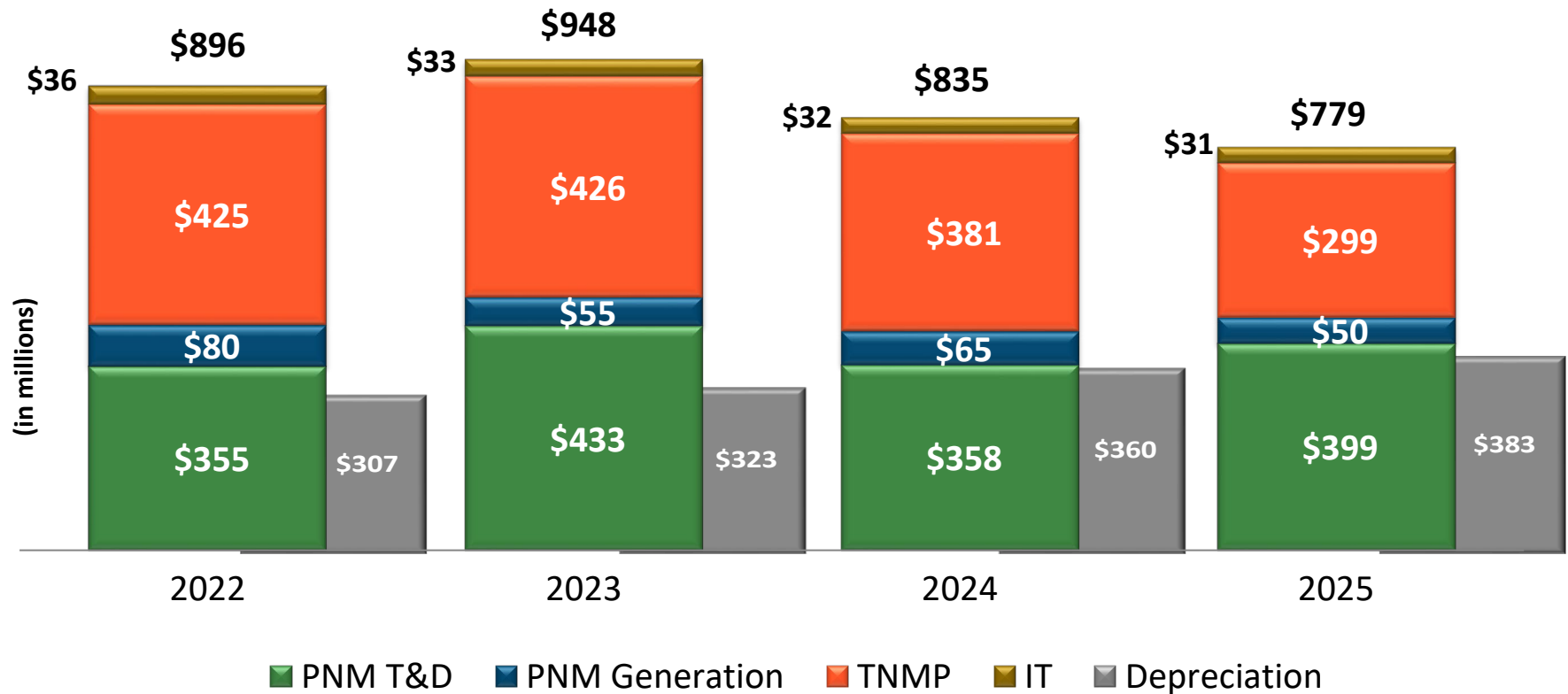


## Governance

- ✓ 8 of 9 Board members are independent, 7 years average tenure
- ✓ Diverse Board composition (40% women / 20% minorities)
- ✓ 78% Board members have environmental / sustainability expertise
- ✓ Robust top-down ethics program with organization-wide commitment

# Investment Plan 2022 – 2025

*Investment plan of \$3.5b focused on T&D infrastructure*



# Rate Base Growth

**7.7% rate base growth reflects T&D infrastructure investments**

**~75% rate base growth recovered through existing FERC  
formula rates or TNMP TCOS/DCOS recovery**

## Average Rate Base

	<i>Base (in billions)</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>
<b>PNM transition out of coal generation maintains stable, affordable customer rates</b>	<b>PNM Retail Investments<sup>(1)</sup></b>	\$2.7	\$2.7	\$2.9	\$3.1	\$3.2	\$3.3
	<b>Coal Plant Retirements<sup>(2,3)</sup></b>			(\$0.1)	(\$0.3)	(\$0.3)	(\$0.6)
	<b>PNM Retail</b>	\$2.7	\$2.7	\$2.8	\$2.8	\$2.9	\$2.7
<b>FERC 21% compound annual growth rate 2020 – 2025</b>	<b>PNM FERC</b>	\$0.3	\$0.4	\$0.7	\$0.8	\$0.8	\$0.9
<b>TNMP 16% compound annual growth rate 2020 - 2025</b>	<b>TNMP</b>	\$1.2	\$1.5	\$1.8	\$2.0	\$2.3	\$2.5
	<b>Total Rate Base</b>	<b>\$4.2</b>	<b>\$4.6</b>	<b>\$5.3</b>	<b>\$5.6</b>	<b>\$6.0</b>	<b>\$6.1</b>

**7.7% compound annual growth 2020 - 2025**

<sup>(1)</sup> Includes \$130m of Four Corners coal plant investments earning a debt-only return through 2024

<sup>(2)</sup> \$283m of undepreciated San Juan coal plant retired in mid-2022

<sup>(3)</sup> \$271m of undepreciated Four Corners coal plant retired at the end of 2024

# Financial Outlook

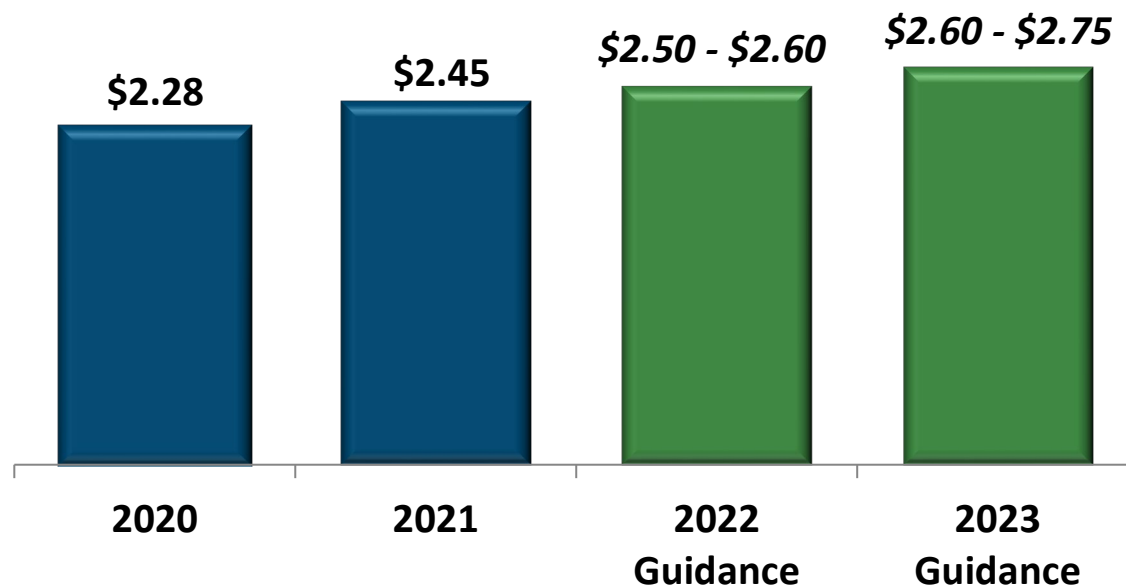
## Executing our financial plans

- *Utility growth driven by recovery of T&D infrastructure to support economic growth, grid resilience and New Mexico's transition from coal generation to renewables*

Growth target incorporates equity needs and maintains solid investment grade credit metrics

## Long-term EPS Growth and Ongoing Earnings Guidance

- Targeted 5% EPS growth 2020 - 2025<sup>(1)</sup>
- 2022 ongoing guidance midpoint of \$2.55 per diluted share
- 2023 ongoing guidance midpoint of \$2.68 per diluted share

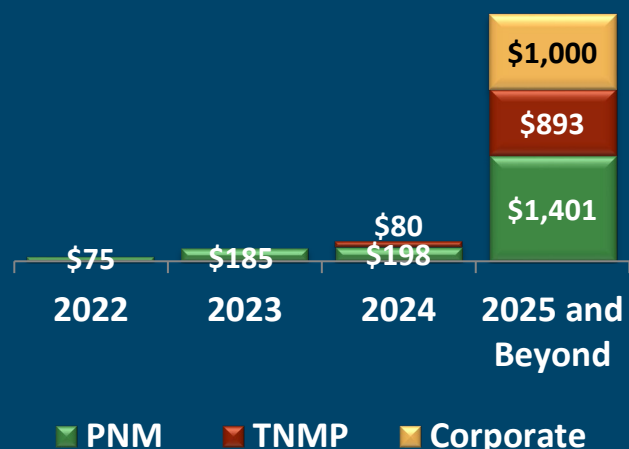


(1) Compound annual growth rate calculated from 2020 base period of \$2.28

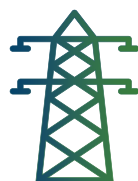


# Financing Plans

## Long-term Debt Maturities (in millions)<sup>(1)</sup>



Up to \$200 million equity financing over 2022 – 2023 to support capital investments and maintain investment-grade credit metrics



Future debt issuances to fund capital investments at PNM and TNMP, including securitization bonds at PNM:

- \$361 million San Juan securitization bonds
- \$290 million Four Corners securitization bonds



Corporate financing addressed in 2022

- \$1 billion term loan extended to 2025

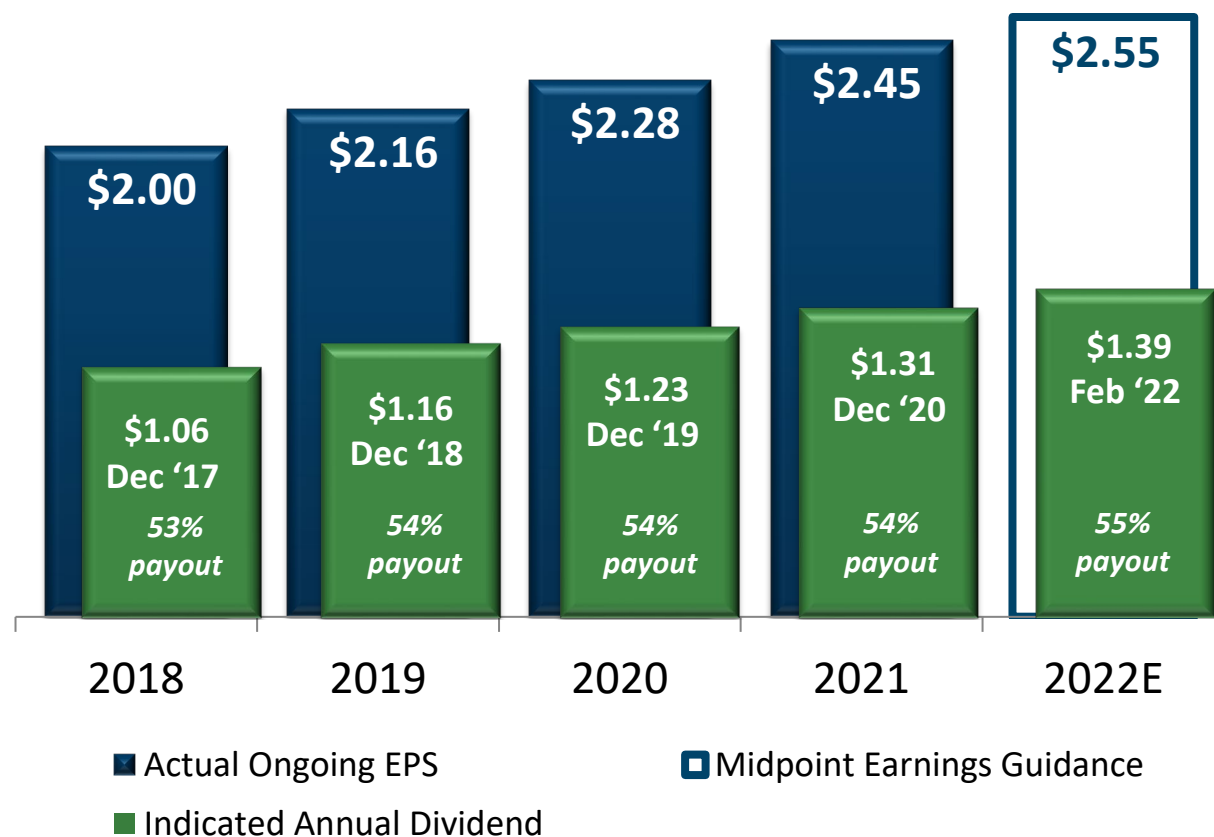
	Moody's Rating/Outlook	S&P Rating/Outlook
PNM Resources	Baa3 <sup>(2)</sup> / Stable	BBB <sup>(2)</sup> / Positive
PNM	Baa2 <sup>(2)</sup> / Stable	BBB <sup>(2)</sup> / Positive
TNMP	A2 <sup>(3)</sup> / Stable	A <sup>(3)</sup> / Positive

PNM Resources targets FFO-to-Debt within Moody's investment grade target range with a minimum of 13%

# 2022 Dividend Increase and Payout Ratio

- Board of Directors increased the common dividend by \$0.08 to \$0.3475 per quarter
  - Indicated annual rate of \$1.39 per share represents 6.1% increase
- Board to address dividend in December 2022
- Dividends continue until close of merger transaction

*Annual dividend targets middle of a 50% - 60% payout ratio range*



# Pending Merger Agreement with Avangrid

## Merger agreement extended to April 2023

- Retains benefits of \$300 million negotiated in New Mexico
- Broad community and intervenor support remain in place for merger approval

## Strategic Rationale

- Benefits of scale, regulatory diversity and improved credit profile
- Strong ESG focus with a global and national leader
- Commitment to maintaining local control of utilities, following through on clean energy commitments, support for economic development and community giving

## New Mexico Supreme Court Appeal and Process

- Commission rejection of the stipulation agreement is not supported by the evidentiary record – Statement of Issues filed February 2
- Supreme Court appeal is next step in path forward to close the merger
- No statutory timeframe, we expect a ~12- to 18-month process
- Schedule of appeal filings:
  - 45 days for PNM/AVANGRID to file brief – *filed April 7, 2022*
  - 45 days for NMPRC to file answer brief – *due June 13, 2022*
  - 20 days for PNM/AVANGRID to file response brief – *due early July 2022*
  - Oral arguments at court's discretion





# PNM

# PNM Overview

## Retail Operations

- Generation, Transmission and Distribution service to retail customers regulated by the New Mexico Public Regulation Commission
- Recovery of investments through retail rates set through general rate reviews (future test year); current authorized ROE of 9.575% and 50% equity ratio



**Investment plans focused on T&D infrastructure to support clean energy transition and meet growing customer needs**



**Forecasted retail load growth driven by economic expansion**

- Retail load growth driven by expansion of existing Industrial customers in 2022 and 2023
- Residential and Commercial load largely returns to pre-COVID levels in 2022

	2022E	2023E
Total Retail Load <sup>(1)</sup>	2% - 3%	2% - 3%
PNM Avg. Customers	~1%	~1%

## Wholesale Transmission Operations

- Transmission service across PNM's system, long-term contracts or short-term network demand, regulated by FERC
- Formula rate recovery with annual true-up provides more timely recovery of system investments utilizing authorized 10% authorized return on equity and ~50% equity structure



**Western Spirit acquisition adds \$0.17-\$0.18 EPS in 2022**

\$285M acquisition of transmission line and related facilities recovered through long-term contract beginning December 2021



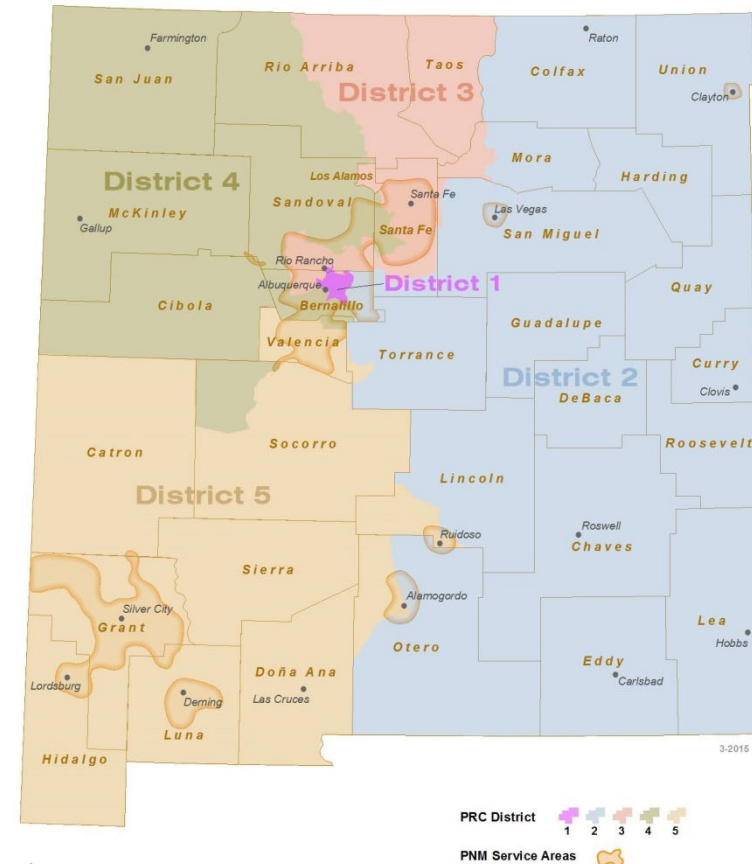
# NMPRC Move to Appointed Commissioners

- Current Commission comprised of 5 elected officials representing geographic districts

District	Name	Party
District 1	Cynthia Hall, Vice Chairman	Democrat
District 2	Jefferson Byrd	Republican
District 3	Joseph Maestas, Chairman	Democrat
District 4	Theresa Becenti-Aguilar	Democrat
District 5	Stephen Fischmann	Democrat

- New Mexico passed a constitutional amendment to move to a 3-member, appointed Commission beginning January 1, 2023
  - 7-member Nominating Committee (defined by legislature) to present list of candidates for current Governor selection in 2022
  - Candidates must meet education/experience requirements
  - No more than 2 commissioners from same political party
  - 6-year staggered terms

## NMPRC Districts and PNM Service Areas



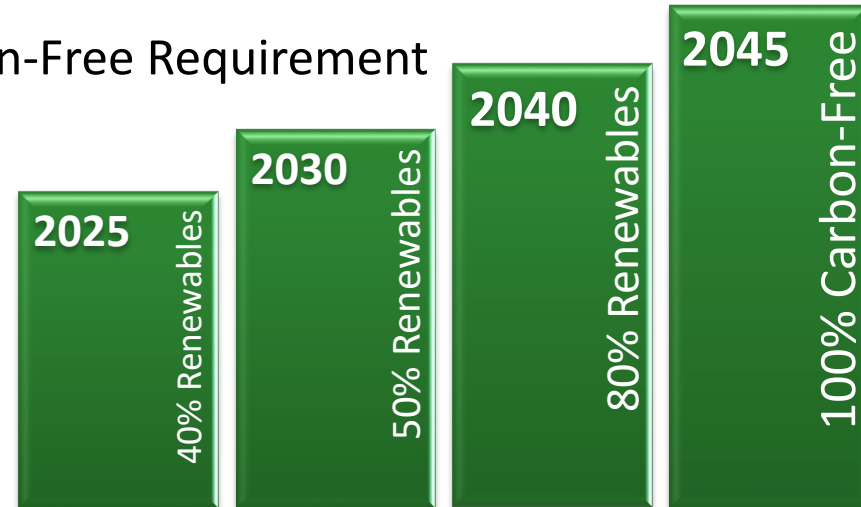
# PNM Regulatory Agenda

	Filing	Action	Timing	Docket No.
PNM NMPRC	Merger transaction approval	NMPRC issued order denying stipulation on Dec 8, 2021; PNM filed appeal with NM Supreme Court, PNM/AVANGRID Brief filed Apr 7, 2022	NMPRC answer brief due June 13, 2022, no statutory timeframe for appeal, expect a ~12- to 18-month process	S-1-SC-39152
	Four Corners Power Plant Abandonment/Securitization	NMPRC issued order denying application on Dec. 15, 2021; PNM filed appeal with NM Supreme Court, PNM Brief filed Mar 24, 2022; Answer briefs filed May 9, 2022	PNM reply brief due June 17, 2022	S-1-SC-39138
	Palo Verde Leased Capacity Abandonment/Replacement	Abandonment Order deemed not necessary; Case bifurcated, NMPRC issued limited order approving replacement power Feb 16, 2022; monthly replacement resource updates being filed	Separate order on remaining issues, including RFP and replacement resource modeling, to be issued following completion of procedural schedule	21-00215-UT 21-00083-UT
	San Juan Units 1 and 4 Abandonment/Securitization	PNM filed Feb 17, 2022 to extend Unit 4 operations until Sept 30, 2022; approval deemed not necessary Procedural schedule established in response to Joint Motion for Order to Show Cause and Enforce Financing Order and Supporting Brief	Bi-weekly meetings with stakeholders and monthly filings updating status Decision expected by June 30, 2022	19-00195-UT 20-00182-UT 19-00018-UT
	2020 Integrated Resource Plan	Staff filed recommendation to accept plan on Nov 12, 2021; Order requiring notice of material event and update to IRP issued Apr 6, 2022	Notice and update filed Apr 27, 2022; Pending NMPRC order	21-00033-UT
	Decoupling Filing	Declaratory Order issued Apr 27, 2022 limiting rate adjustment to energy efficiency savings; PNM filed NM Supreme Court notice of appeal May 24, 2022	PNM Statement of Issues due June 23, 2022	20-00121-UT S-1-SC-39401
FERC	Section 206 Show Cause Investigation	Order issued Apr 21, 2022 regarding formula rate protocols for transparency of information exchange	Response due June 20, 2022	EL22-40-000

# New Mexico Energy Policy: Energy Transition Act

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
  - Previous: 20% renewables by 2020
  - Current:
    - 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



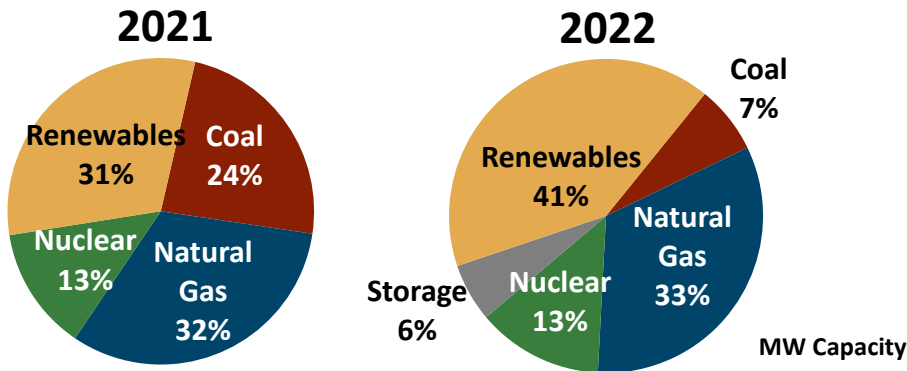
# Executing the Energy Transition Act

## *Our Goal: Carbon-Free by 2040 (5 years earlier)*

### Step 1: Exit coal generation

- Retire San Juan Generating Station:**

Retired Units 2 and 3 in 2017 (221 MWs);  
Retirement of Units 1 and 4 in 2022 (562 MWs)



- Exit Four Corners Coal Plant:**

Exit from ownership participation no later than expiration of existing agreements in 2031 (200 MWs)

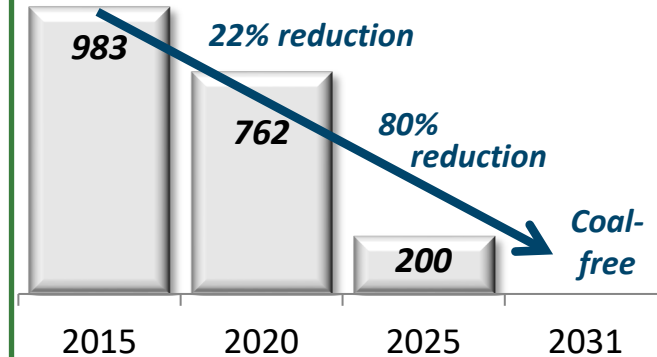
### Step 2: Eliminate natural gas generation emissions by 2040

- Exit from Valencia gas plant in 2028 (158 MWs)
- Transform existing and transitional gas plants to carbon-free capacity

### Step 3: Actively pursue the development of carbon-free

**replacement power alternatives to reach 100%,** including renewable/storage combinations, transitional gas, 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



#### Emission Reduction Goals:

	2025	2035	2040
CO <sub>2</sub>	60%	80%	100%
NO <sub>x</sub>	70%	90%	100%
SO <sub>2</sub>	90%	100%	100%

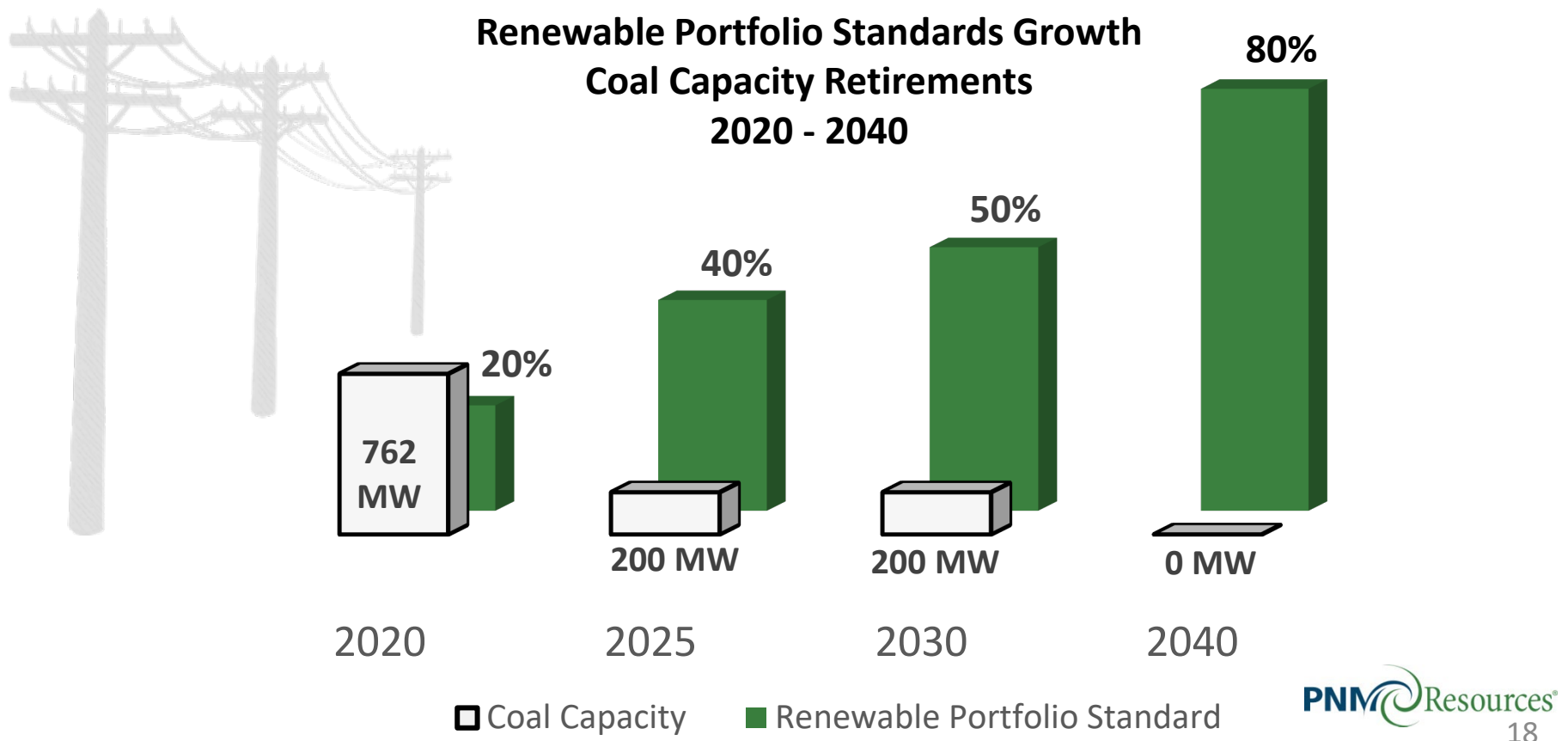
#### Freshwater Reduction Goals:

	2025	2035	2040
Freshwater	70%	80%	90%

PNM-owned facilities, as reported to EPA,  
compared to 2005 levels

# PNM Retail Transmission Opportunities

- The integration of new renewable resources to meet growing Renewable Portfolio Standards and replacement of coal retirements will require additional T&D expansion*



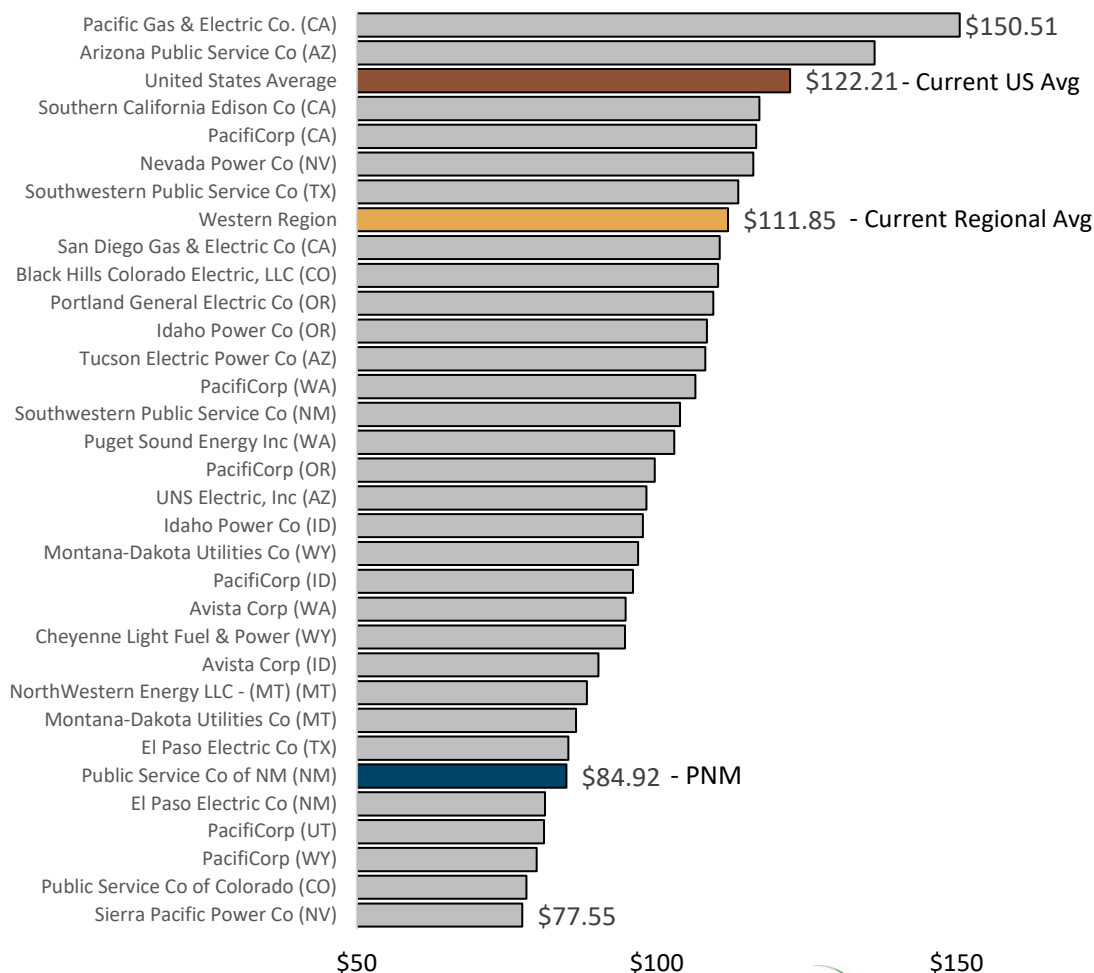


# PNM Bills Remain Below National and Regional Averages

Customer bill impacts of increased investments are mitigated by:

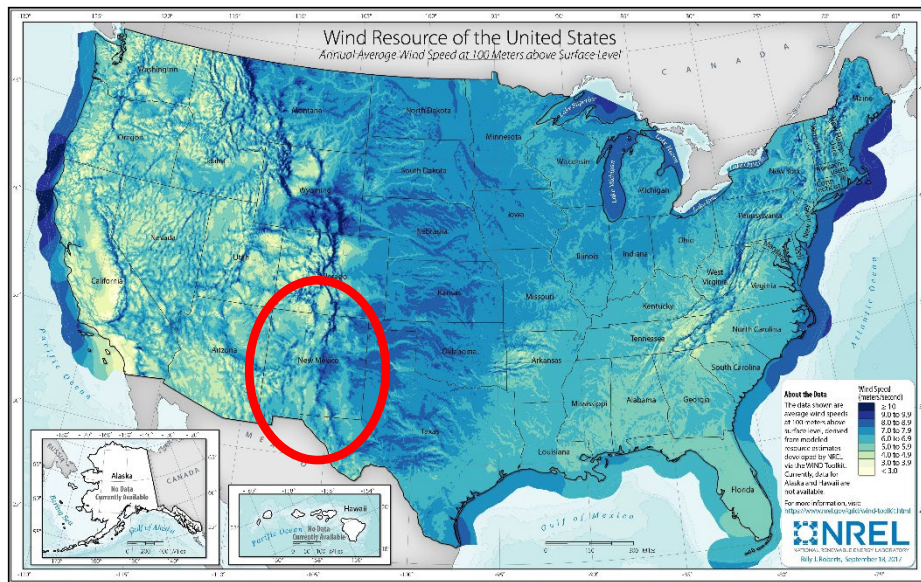
- Load growth reduces per-customer cost of new investments
- Energy Imbalance Market and renewable investments result in lower fuel costs
- Retirement/exit from coal plants and securitization results in lower base rates

## Comparison of Average Residential Bills Western Region Average Bills by Utility



# FERC Wholesale Transmission

- High wind and solar energy potential in New Mexico has increased the demand for wholesale transmission capacity from renewable developers
- New Mexico has limited available transmission capacity, combined with resource scarcity across the Western US, leading to increased short-term network transmission rates
- New renewable development requires FERC wholesale transmission rate base investment







# TNMP

# TNMP Overview

## Transmission and Distribution Utility (TDU) within Deregulated ERCOT Market

- Transmission and Distribution service to consumers regulated by the Public Utility Commission of Texas
- Recovery of investments through rates set through general rate reviews (historical test year), semi-annual recovery of transmission investments and annual recovery of distribution investments; current authorized ROE of 9.65% and 45% equity ratio

- **Consistent growth in TNMP service territory**



- Volumetric load growth consistent with customer growth in 2022 and 2023
- Demand-based growth in 2022 and 2023 incorporates new service requests

	2022E	2023E
Volumetric Load <sup>(1)</sup>	1% - 2%	1% - 2%
Demand-Based Load <sup>(2)</sup>	2.5% - 3.5%	2.5% - 3.5%
TNMP Avg. End Users	~1.5%	~1.5%

- **Low-risk revenue profile**



- Transmission investment and expense recovery (~50% of revenues) trued up twice per year
- Distribution investment recovery trued up annually
- Majority of demand-based bills based on greater of peak monthly usage, or 80% of previous 11 months peak, increasing revenue stability

(1) Primarily Residential per-kwh billings, weather-normalized

(2) Commercial and Industrial per-kw monthly peak billings, weather-normalized; excludes retail Transmission customers

# PUCT Commissioners and TNMP Regulatory Agenda

## PUCT Commissioners

Name	Term Began	Term Ends	Party
Peter Lake (Chairman)	April 12, 2021	Sept. 1, 2023	Republican
Will McAdams	April 1, 2021	Sept. 1, 2025	Republican
Lori Cobos <sup>(1)</sup>	Sept. 1, 2021	Sept. 1, 2027	Republican
Jimmy Glotfelty	Aug. 6, 2021	Sept. 1, 2025	Republican
Vacant		Sept. 1, 2025	

Commissioners are appointed by the Governor of Texas and confirmed by the Senate for 6-year staggered terms

<sup>(1)</sup> Commissioner Cobos was re-appointed by Governor Abbott in 2021 but has not yet been confirmed by the Senate

## TNMP Regulatory Agenda

Filing	Action	Timing	Docket No.
TCOS Filing (first 2022 filing)	Filed January 26, 2022	Approved and implemented March 25, 2022	53146
DCOS Filing	Filed April 5, 2022	Expected to be implemented Sept. 2022	53436
TCOS Filing (second 2022 filing)	Expected to be filed in July 2022	Expected to be implemented Sept. 2022	TBD



# TNMP Rate Recovery Framework

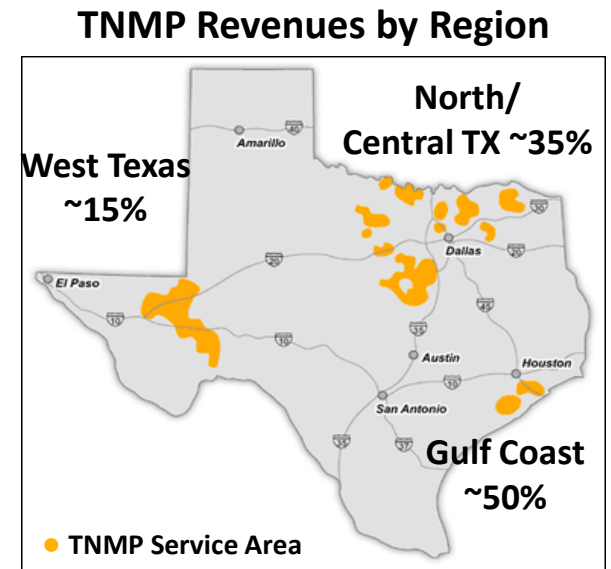
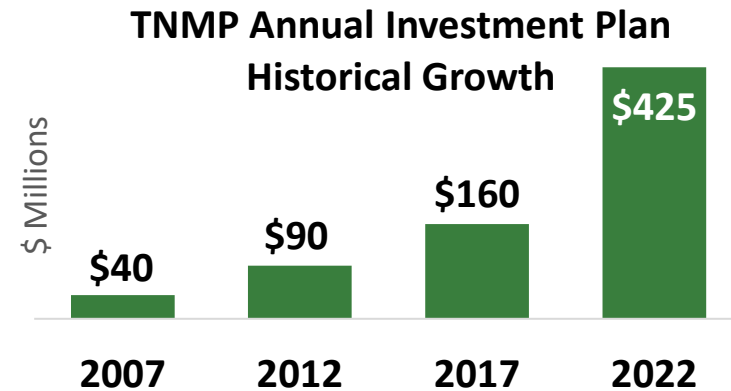
	General Rate Review	DCOS (Distribution Cost of Service)	TCOS (Transmission Cost of Service)
Process	Standard rate review involving comprehensive filing, discovery, interveners, hearings, etc.; Staff recommendation and PUCT approval; 180-day clock (potential for settlement)	Pre-defined schedules limited to distribution investments with discovery, interveners, hearings; Staff recommendation and PUCT approval; filed 1 <sup>st</sup> week of April with rates implemented Sept 1 (potential for settlement)	Pre-defined schedules; Staff recommendation and PUCT approval, 60-day clock
Capital Structure / ROE / Cost of Debt	Yes	No	No
Rate Base / Property Tax / Depreciation	Yes	Distribution only	Transmission only
Other expenses	Yes	No	No
Timing (allowed)	PUCT defined <sup>(1)</sup>	Once per year	Twice per year
Current TNMP Filings	Historical: filed May 2018 (test year of FY 2017), approved December 2018, rates implemented January 2019: 9.65% ROE, 45% Equity	<u>2021 Filings:</u> Filed Apr 5, 2021, settlement approved 98% of requested recovery, rates implemented Sept 1, 2021 <u>2022 Filings:</u> Filed Apr 5, 2022	<u>2022 Filings:</u> 1) Jan 2022 filing, approved/implemented in Mar 2022 2) Expected July filing, with rates expected to be implemented in September

<sup>(1)</sup> PUCT rule calls for general rate review within 48 months of most recent order setting rates (TNMP order issued December 2018), unless earning less than 50 basis points over the average authorized ROE of ERCOT investor-owned utilities (based on year-end rate base, weather-normalized).

# TNMP Infrastructure Investment

## Investment driven by Economic Growth

- Rapid demand-based load growth over recent years in the Commercial and Industrial classes drives need for increased electrification and reliability / system upgrade investments
- System-wide transmission investments coordinated within ERCOT regional planning groups
- **Texas continues to be one of the fastest-growing economies in the nation**
  - Home to 49 Fortune 500 corporate headquarters
  - Top-ranked state<sup>(1)</sup> for investment trends in infrastructure projects and corporate end-user facility projects
- **Diverse service territory mitigates industry risk**
  - North/Central Texas: adjacent to Dallas/Fort Worth, TNMP load profile split between Residential and Commercial customers
  - Gulf Coast: regional economy driven by oil refining and petrochemical industries, ~60% of TNMP revenues in this region from Residential customers
  - West Texas: driven by oil & gas, ~50% retail transmission customers (transmission cost recovery trued up twice per year)



(1) Global Groundwork Index published by Site Selection Magazine, 2021



# Appendix





# AVANGRID and PNM Resources Strategic Merger Approvals

## *Merger agreement extended to April 2023*

Filing	Date Filed	Docket No.	Approvals/Clearances	
Proxy filing / Shareholder approval	1/5/2021	N/A	Approved 2/12/2021	<input checked="" type="checkbox"/>
Department of Justice (Hart-Scott-Rodino Clearance) <sup>(1)</sup>	12/21/2020	20210767	Waiting period expired 1/20/2021	<input checked="" type="checkbox"/>
Committee on Foreign Investment in the United States (CFIUS)	12/11/2020	20-191	Clearance received 2/01/2021	<input checked="" type="checkbox"/>
Federal Communications Commission <sup>(1)</sup>	1/25/2021	PNM: 0009366813 TNMP: 0009366682	Approved 3/11/2021	<input checked="" type="checkbox"/>
Federal Energy Regulatory Commission (FERC)	11/23/2020	EC21-25-000	Approved 4/20/2021	<input checked="" type="checkbox"/>
Nuclear Regulatory Commission <sup>(1)</sup>	12/2/2020	STN 50-528, 50-529 and 50-530	Approved 5/25/2021	<input checked="" type="checkbox"/>
Public Utility Commission of Texas (PUCT)	11/23/2020	51547	Approved 5/6/2021	<input checked="" type="checkbox"/>
New Mexico Public Regulation Commission (NMPRC)	11/23/2020	20-00222-UT	Denied 12/8/2021, appeal filed with New Mexico Supreme Court 1/3/2022, estimated 12-18 month appeal process	<input type="checkbox"/>

(1) Additional filing/extension necessary for merger extension

# New Mexico Supreme Court Appeals – Statement of Issues

## Four Corners (filed Jan. 21, 2022), case S-1-SC-39152

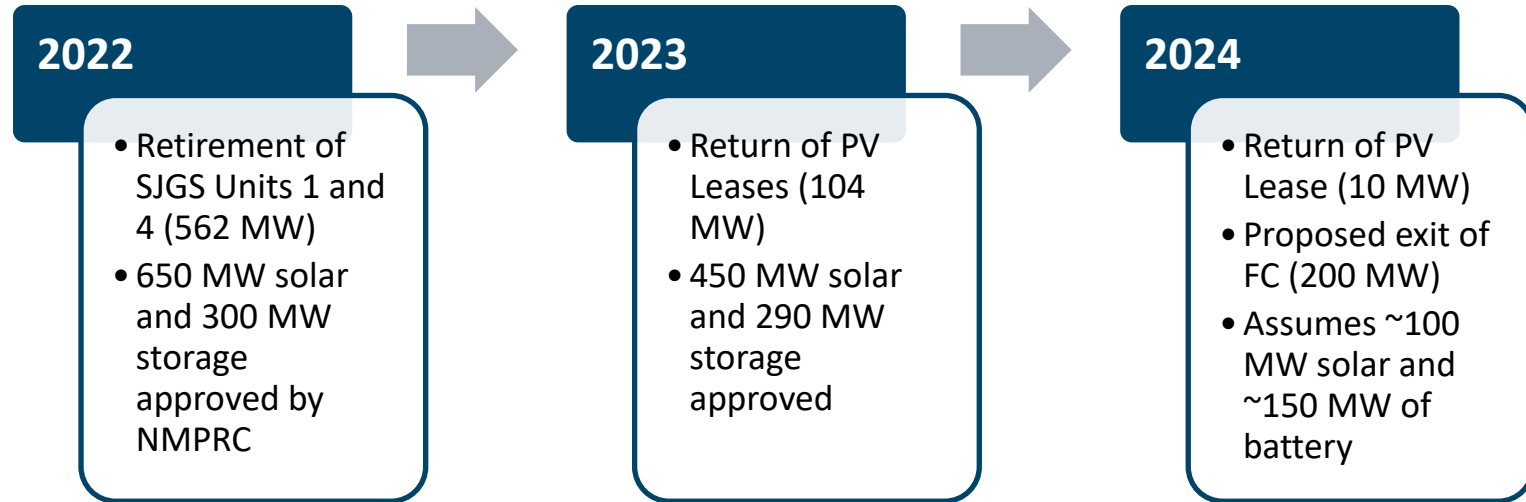
- The NMPRC’s denial of abandonment and issuance of financing order was:
  - Contrary to the ETA’s language for considering replacement resources and allowing a subsequent case for new resources, and therefore also not sufficient for failing to issue a financing order
  - Unsupported by a determination of public convenience and necessity of the plant, or application of other statutory standards (including net public benefit / no net detriment tests)
  - Inconsistent with the record containing uncontested substantial evidence on adequate potential new resources and acknowledgment of the status of PNM’s competitive bid process
- The determination for further prudence review was:
  - Contrary to the ETA language authorizing recovery of defined undepreciated investments
  - Unresponsive to PNM’s legal arguments on litigating prudence for investments already included in rates
  - Contrary to the NMPRC Feb. 2021 order to decide prudence during the current case
  - Unsupported by the case record’s calling for evidence on this issue and inclusion of evidence and expert testimony on the issue

## Merger (filed Feb. 2, 2022), case S-1-SC-39138

- The decision was based on inadmissible hearsay evidence and information outside the evidentiary record
  - Examples: written testimony of a witness that was not present for cross examination; public comment and letters to Commissioners that are not evidence; audit materials relating to a non-jurisdictional utility that had no proper foundation; investigative materials from a foreign jurisdiction with a presumption whereby the Commission presumed guilt; and an accusation of an attorney conflict of interest that this Court’s Disciplinary Board rejected as unsubstantiated
- The determination of “public interest” was based on imposing arbitrary standards, improperly weighing benefits and risks, and ignoring the weight of the admissible evidence
  - Stipulation provided unprecedented benefits, weighed against perceived risks or fears (as opposed to real risks supported in the record) that were contrary to stipulated commitments
- The handling of matters concerning Avangrid’s responses in the discovery process violates due process and was unsupported by the record



# PNM Near Term Resource Portfolio Changes



San Juan Generating Station (SJGS)	Palo Verde Generating Station (PV)	Four Corners Power Plant (FC)
<ul style="list-style-type: none"> <li>• Replacement resource developers have provided notice to PNM of inability to meet 2022 in-service date</li> <li>• PNM has secured firm commitments for 140 MW in 2022</li> <li>• In February 2022, PNM announced plan to keep Unit 4 open three additional months to meet summer peak demand; NMPRC deemed no approval required</li> </ul>	<ul style="list-style-type: none"> <li>• Approval issued later than PNM requested, which provides minimal time for new resources to come online</li> <li>• PNM is currently evaluating options to ensure summer 2023 peak demand can be met</li> </ul>	<ul style="list-style-type: none"> <li>• PNM filed for abandonment of FC but deferred filing of replacement resources based on SJGS case precedent</li> <li>• NMPRC denied abandonment and PNM has appealed to Supreme Court</li> <li>• Replacement resource to be selected and filed with the NMPRC</li> </ul>

# San Juan Generating Station Ownership and Retirement

Unit	Total MW	PNM MW	PNM Ownership	Other Participants/Ownership
1	340	170	50%	Tucson Electric 50% (170 MW)
4	507	392	77.3%	City of Farmington 8.5% (43 MW) Los Alamos County 7.2% (36.5 MW) Utah Associated Municipal Power Systems (UAMPS) 7.0% (35.5 MW)
<b>Total</b>	<b>847</b>	<b>562</b>		

## Abandonment, Securitization and Replacement Power

- July 1, 2019: PNM filed for abandonment, securitization and replacement after existing participation agreement and coal supply contracts ended on June 30, 2022
- January 2020: NM Supreme Court confirmed applicability of Energy Transition Act to PNM's application
- Case bifurcated: Abandonment/Securitization approved April 1, 2020, order selecting 950 MW PPA/ESA replacement resources issued July 29, 2020, with final contracts negotiated subsequently
- During 2021, each PPA/ESA developer provided notice of inability to meet June 30, 2022 in-service date
- PNM filed February 17, 2022 for variance to keep Unit 4 open until September 30, 2022; NMPRC deemed approval not necessary

**Securitization** reduces customer financing costs, supports impacted workers and communities

\$283M	undepreciated investment
29M	decommissioning costs
20M	job training and severance costs
20M	economic development funds
9M	financing costs
<b>\$361M</b>	<b>total securitization</b>

# Four Corners Coal Plant Ownership and Proposed Exit

Unit	Total MW	PNM MW	PNM Ownership	Other Participants/Ownership
4	770	100	13%	Arizona Public Service Company 63% (485 MW) Navajo Transitional Energy Company 7% (54 MW) Salt River Project 10% (77 MW) Tucson Electric Power 7% (54 MW)
5	770	100	13%	Arizona Public Service Company 63% (485 MW) Navajo Transitional Energy Company 7% (54 MW) Salt River Project 10% (77 MW) Tucson Electric Power 7% (54 MW)
<b>Total</b>	<b>1,540</b>	<b>200</b>		

## Abandonment and Securitization

- January 18, 2021: PNM filed for abandonment and securitization (replacement deferred based on NMPRC San Juan proceeding precedent)
  - \$75 million shareholder payment to relieve remaining PNM obligation under coal contract (2031 expiration)
- March 15, 2021: Amended filing to incorporate sale of ownership and prudence of investments
- December 15, 2021: NMPRC Order denying sale, abandonment and securitization
- December 22, 2021: PNM files appeal at New Mexico Supreme Court

**Securitization** reduces customer financing costs, supports impacted workers and communities

\$271M	undepreciated investment
5M	decommissioning costs
17M	economic development funds
7M	financing costs
<b>\$300M</b>	<b>total securitization</b>

# Palo Verde Nuclear Generating Station Ownership and Leases

## MW Owned vs Leased

Unit 1		
Owned	2.3%	30 MW
Leased	7.9%	104 MW
<b>Total</b>	<b>10.2%</b>	<b>134 MW</b>

Unit 2		
Owned	9.5%	124 MW
Leased	0.7%	10 MW
<b>Total</b>	<b>10.2%</b>	<b>134 MW</b>

Unit 3		
Owned	10.2%	134 MW
Leased	0%	0 MW
<b>Total</b>	<b>10.2%</b>	<b>134 MW</b>

## Yearly Payment Amounts

- Total PV Unit 1 - \$16.5M
- Total PV Unit 2 - \$1.6M

## Lease Expiration and Replacement

- June 11, 2020: PNM gave irrevocable notice to return leased assets upon expiration of the extended leases on January 15, 2023 (Unit 1) and January 15, 2021 (Unit 2)
- April 2, 2021: PNM filed for abandonment and replacement of leased capacity
  - 450 MW solar PPA, 290 MW storage ESA
- August 25, 2021: NMPRC deemed abandonment previously approved
- February 16, 2022: NMPRC approved proposed replacement power
- April 15, 2022 – current: PNM has indicated replacement resources likely not available for 2023 summer peak needs

# Debt Balances

(In millions)	Dec. 31, 2021	Mar. 31, 2022
<b>Long-Term Debt (incl. current portion) <sup>(1)</sup></b>		
PNM	\$1,881.1	\$1,881.6
TNMP	918.1	918.0
Corporate/Other	899.7	999.9
Consolidated	<b>\$3,698.9</b>	<b>\$3,799.5</b>
<b>Total Debt (incl. short-term) <sup>(1,2)</sup></b>		
PNM	\$1,888.5	\$1,886.3
TNMP	918.5	993.0
Corporate/Other	954.6	1,006.2
Consolidated	<b>\$3,761.6</b>	<b>\$3,885.5</b>

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

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