



PNM 2025 Rate Request

June 14, 2024



The information contained herein is intended to describe PNM's 2025 Rate Request filed with the New Mexico Public Regulation Commission. Please also refer to the Company's press release issued June 14, 2024, and the Safe Harbor Statement and Non-GAAP Financial Measure Disclosures on page 2.

Contact Information and Safe Harbor Statement

Investor Relations Contact Information

Lisa Goodman **Executive Director, Investor Relations and Shareholder Services**
1-505-241-2160 Lisa.Goodman@pnmresources.com

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

Statements made in this news release 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 any 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. 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 in this presentation (ongoing earnings, ongoing earnings per diluted share, regulated return and ongoing earnings guidance measures), as well as a reconciliation to GAAP measures, please refer to the Company's website at <https://www.pnmresources.com/investors/financial-information/non-gaap-measures.aspx>. 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.

Website: www.pnmresources.com

Key Components of PNM 2025 Rate Request

- **Laying the Foundation for Delivering Reliable, Resilient, and Carbon-Free Energy to Customers**
 - Replacing aging equipment and facilities, improving and expanding the system to accommodate increasing renewable generation resources and respond to changing customer needs
 - Increasing wildfire mitigation and vegetation management efforts and increasing protection against cyber and physical threats
 - Incorporating impacts of inflation on operating and maintenance costs
 - Including offsets for increases in customer load growth
- **Transitioning to a Cleaner Energy Portfolio for Our Customers**
 - Recovering third-party battery storage contracts approved in prior cases; proposed recovery through fuel clause
 - Aligning recovery of Four Corners investments with anticipated 2031 abandonment through updated depreciation rates
- **Responding to Changing Capital Markets that Help Fund Utility Operations**
 - Adjusting cost of equity, cost of debt and capital structure
- **Creating Opportunities for New Mexico**
 - Proposing phased-in rate path implementation to help minimize customer impact:
 - 50% base rate increase implemented July 2025
 - Remaining 50% implemented January 2026
 - Continuing to promote Time of Day pilot program
 - Moving towards cost-based rates for commercial and industrial customers to attract economic development

Key Drivers of PNM 2025 Rate Request

	Requested Increase (\$M)			
	Base Rates	Fuel Clause	Total Revenues	
Rate base investments (vs 2024 future test year filing)	\$73.9		\$73.9	Reflects \$430M new rate base vs 2024, including depreciation, property taxes, and equity return at current authorized return
Equity financing costs (ROE)	\$20.1		\$20.1	10.45% vs current authorized 9.26%
Capital structure	\$7.5		\$7.5	52.5% equity vs current authorized 50%
Debt financing costs	\$6.4		\$6.4	Recovery of expected financing costs
Battery Storage capacity payments				
Move existing to fuel clause	(\$45.0)	\$45.0	\$ -	Pass-through of third-party battery costs approved in prior cases
New battery resources		\$37.2	\$37.2	
Four Corners Depreciation (2031 vs 2041)	\$19.8		\$19.8	Recovery of depreciation costs reflecting planned exit/shutdown date
Wildfire mitigation	\$12.6		\$12.6	Recovery of expected O&M costs
Other operating & maintenance	\$13.8		\$13.8	Recovery of future O&M costs
Subtotal	\$109.2	\$82.1	\$191.3	
Load Growth	(\$17.0)		(\$17.0)	Recovery of increased load
Requested increase:	\$92.2	\$82.1	\$174.3	Total Request

Rate Request Considerations

Impact of ROE and Capital Structure Changes⁽¹⁾:

Current Authorized	Requested	Earnings Impact
50% equity layer 9.26% ROE	52.5% equity layer 10.45% ROE	+/- 1% = \$0.03 EPS +/- 0.1% = \$0.02 EPS

Impact of Phased-In Rate Path on 2025 EPS⁽²⁾:

Base Rate Request	July – Dec 2025 Impact (6 mos)	2025 Phase-In (~50%)
\$92.2M revenue	\$46.1M revenue	(\$23.0M) revenue = (\$0.18) EPS

⁽¹⁾ Impact calculated on \$3.1B rate base, including PNM Renewable Rider and Grid Modernization rate base outside of this filing

⁽²⁾ Phased-in rate path for amount less than the full request is subject to PNM agreement