



Third Quarter 2009 Earnings Presentation

October 29, 2009



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

Statements made in this presentation that relate to future events or PNM Resources', PNM's, or TNMP's (collectively, the "Companies") 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 and the Companies assume no obligation to update this information. Because actual results may differ materially from those expressed or implied by these forward-looking statements, the Companies caution readers not to place undue reliance on these statements. The Companies' 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. These factors include conditions affecting the Companies' ability to access the financial markets or Optim Energy's access to additional debt financing following the utilization of its existing credit facility, including actions by ratings agencies affecting the Companies' credit ratings; the recession, its consequent extreme disruption in the credit markets, and its impacts on the electricity usage of the Companies' customers; state and federal regulatory and legislative decisions and actions, including appeals of prior regulatory proceedings; the ability of PNM to meet the renewable energy requirements established by the New Mexico Public Regulation Commission, including the resource diversity requirement, within the specified cost parameters, and the Company's ability to obtain federal and/or state funding and incentives for the development of alternative or renewable energy; the performance of generating units, including the Palo Verde Nuclear Generating Station, the San Juan Generating Station, the Four Corners Plant, and Optim Energy generating units, and transmission systems; the risk that Optim Energy desires to expand its generation capacity but is unable to identify and implement profitable acquisitions, or that PNM Resources and ECJV will not agree to make additional capital contributions to Optim Energy; the potential unavailability of cash from PNM Resources' subsidiaries or Optim Energy due to regulatory, statutory or contractual restrictions; the impacts of the decline in the values of marketable equity securities on the trust funds maintained to provide nuclear decommissioning funding and pension and other postretirement benefits, including the levels of funding and expense; the ability of First Choice Power to attract and retain customers and collect amounts billed; changes in Electric Reliability Council of Texas protocols; changes in the cost of power acquired by First Choice Power; collections experience; insurance coverage available for claims made in litigation; fluctuations in interest rates; weather; water supply; changes in fuel costs; availability of fuel supplies; uncertainty regard the requirements and related costs of decommissioning power plants owned or partially owned by PNM and Optim Energy and coal mines supplying certain PNM power plants as well as the ability to recover decommissioning costs through charges to customers; the risk that replacement power costs incurred by PNM related to not meeting the specified capacity factor for its generating units under its Emergency Fuel and Purchase Power Cost Adjustment Clause will not be approved by the New Mexico Public Regulation Commission; the risk that PNM may not be able to renew rights-of-way on Native American lands or that the costs of rights-of-way are not allowed to be recovered through rates charged to customers; the effectiveness of risk management and commodity risk transactions; seasonality and other changes in supply and demand in the market for electric power; variability of wholesale power prices and natural gas prices; volatility and liquidity in the wholesale power markets and the natural gas markets; uncertainty regarding the ongoing validity of government programs for emission allowances; the risk that the resolution of the bankruptcy of the Lyondell Chemical Company results in significant adverse impacts on the operations of the Altura Cogen facility and Optim Energy; changes in the competitive environment in the electric industry; the risk that the Companies and Optim Energy may have to commit to substantial capital investments and additional operating costs to comply with new environmental control requirements, including possible future requirements to address concerns about global climate change; the risks associated with completion of generation, transmission, distribution, and other projects, including construction delays and unanticipated cost overruns; the outcome of legal proceedings; changes in applicable accounting principles; and the performance of state, regional, and national economies.

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, ongoing EBITDA, and cash earnings), 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

Jeff Sterba

Chairman and CEO

Q3 2009 Summary

- ◆ Ongoing EPS: \$0.63 vs. \$0.27 in 2008
 - YTD EPS: \$0.94 vs. \$0.24 in 2008
- ◆ GAAP EPS: \$0.59 vs. (\$0.06) in 2008
 - YTD EPS: \$1.61 vs. (\$2.42) in 2008

YTD Key Accomplishments:

- ◆ PNM, TNMP rate cases resolved with favorable results
- ◆ First Choice Power continues path toward restoring value

Utility Operations

Pat Vincent-Collawn

President and COO

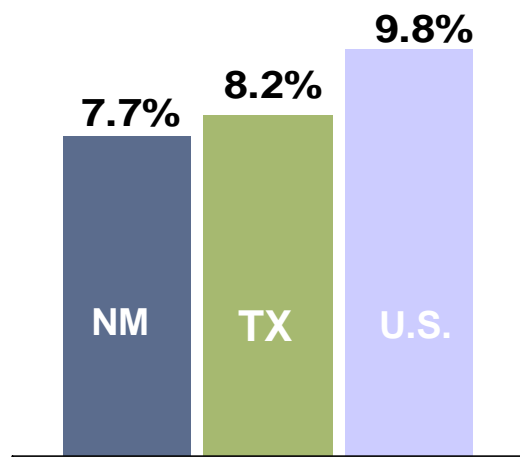
Utilities Update

- ◆ First phase (65%) of PNM rate increase effective July 1
 - Second phase (35%) to be implemented April 1, 2010
- ◆ Strong base load power plant performance
- ◆ Commitment to meet obligations to add solar, wind to PNM portfolio
- ◆ PNM future-test-period workshops ongoing
- ◆ TNMP rate increase implemented September 1

Economic Conditions

Recession impact on regulated businesses appears to be stabilizing

Unemployment Rate⁽¹⁾



Total Retail Energy Sales

(weather-normalized and leap-year adjusted)

	2009 vs. 2008			
	Q1	Q2	Q3	YTD
PNM	-3.7%	-2.6%	-2.5%	-2.9%
TNMP	-3.0%	0.7%	0.6% ⁽²⁾	-0.3% ⁽²⁾

Quarterly Customer Growth

	2009 vs. 2008				Q3 Avg. Customer Count
	Q1	Q2	Q3	YTD	
PNM	0.8%	0.8%	0.7%	0.8%	499,300
TNMP	1.2%	0.6%	0.7%	0.8%	231,900

⁽¹⁾ U.S. Bureau of Labor Statistics, September 2009

⁽²⁾ Adjusted for 2008 impacts of Hurricane Ike. Non-Ike adjusted quarterly and year-to-date energy sales growth was 6.1% and 1.7%, respectively

First Choice Power and Optim Energy

Jeff Sterba

PNM Resources Chairman and CEO

First Choice Power: Restoring Value

- ◆ Expected 2009 EBITDA range of \$55M to \$60M
- ◆ Quarterly average retail margins remained strong
 - Continued to benefit from low purchased power prices
 - Expecting Q4 and 2010 margins to compress
 - Price decreases in 2009 to better align with market
- ◆ Efforts to curb bad debt paying off
 - Lower customer default rates
 - Lower bad-debt expense expected in 2009 vs. 2008

Optim Energy

- ◆ Expected 2009 EBITDA range of \$60M to \$65M
- ◆ Cedar Bayou 4 operating smoothly
 - Efficiency, flexibility allows quick response to market conditions
- ◆ Sustained solid power plant performance
- ◆ Near-term strategy:
 - Cash conservation
 - Position generation assets to achieve quick turnaround as market conditions improve

Financial Overview

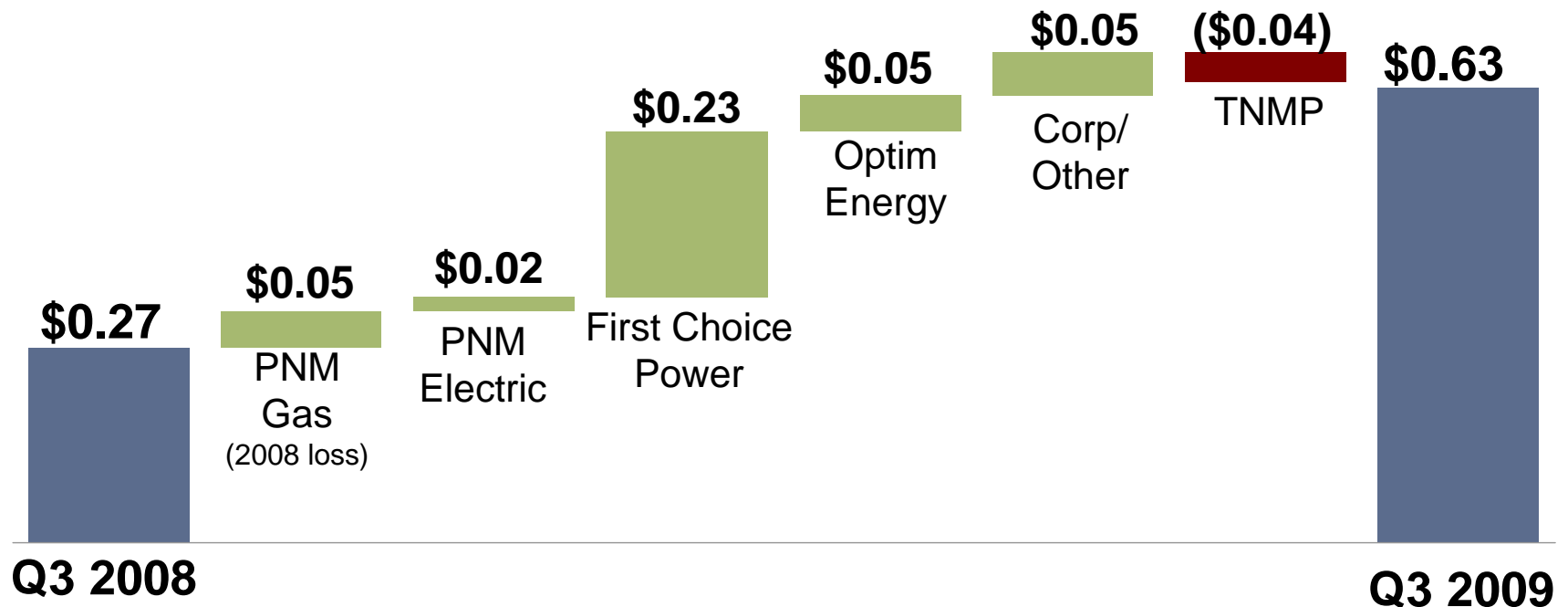
Chuck Eldred

Executive Vice President and CFO

Q3 Financial Summary (Ongoing)

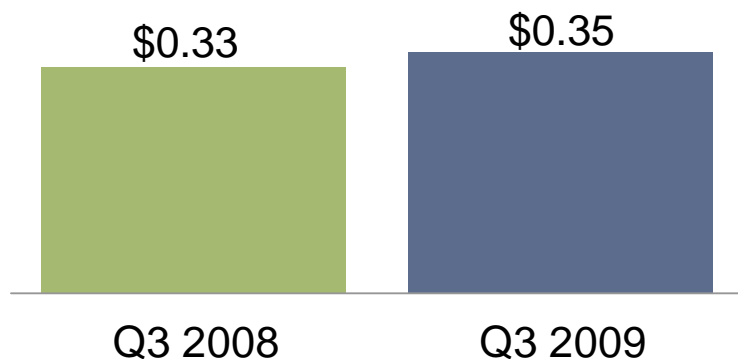
- ◆ Ongoing EPS up \$0.36 from \$0.27 to \$0.63
- ◆ YTD cash earnings up substantially from last year
- ◆ Liquidity remains strong

Q3 2009 EPS (ongoing)



Regulated Operations: Q3 2009 EPS (Ongoing)

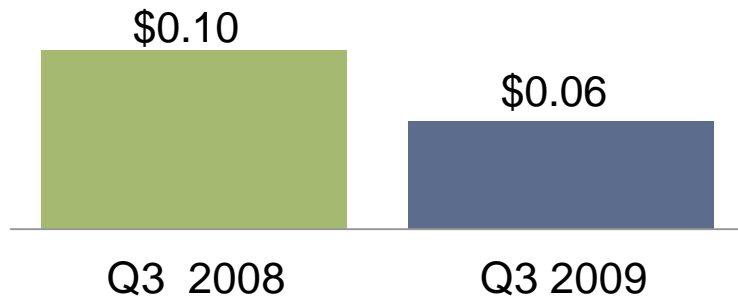
PNM Electric



Q3 Key Performance Drivers

	△ EPS
Rate case impact	\$0.05
Lower interest expense	\$0.02
Warmer weather	\$0.01
Weather-normalized load	(\$0.03)
Dilution	(\$0.02)
Pension income	(\$0.01)

TNMP



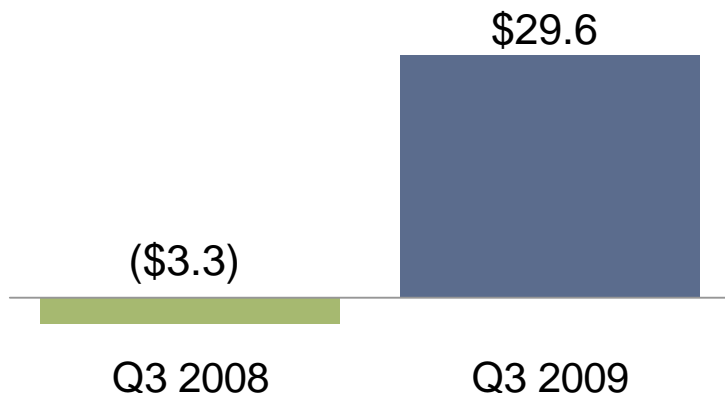
Q3 Key Performance Drivers

	△ EPS
Rate case impact	\$0.01
Hurricane Ike (2008)	\$0.01
Increased interest expense	(\$0.03)
Pension income and other costs	(\$0.02)

Unregulated Operations: Q3 2009 EBITDA (Ongoing)

First Choice Power

(In millions)

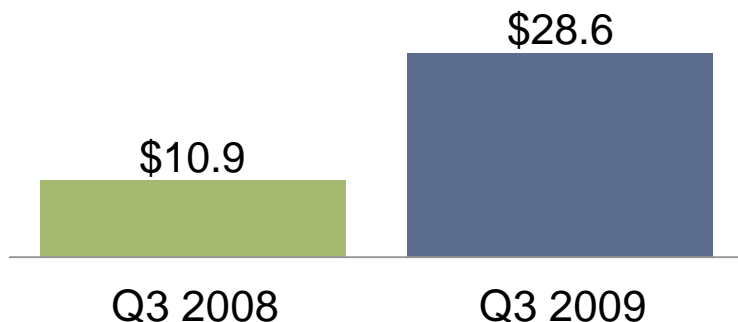


Q3 Key Performance Drivers

	△ EBITDA
Increased margins	\$29.5
Lehman bankruptcy/Hurricane Ike (2008)	\$7.2
Bad debt	\$1.2
Customer retention and acquisition	(\$2.3)

Optim Energy (100%)

(In millions)



Q3 Key Performance Drivers

	△ EBITDA
Hedge positions	\$10.0
Cedar Bayou 4 addition	\$3.5
Cost reductions	\$2.0
Twin Oaks fuel savings	\$2.0

2009 Outlook (Ongoing)

- ◆ Narrowing range and increasing outlook to reflect improved performance at First Choice Power and Optim Energy

2009 Outlook as of 2/6/2009 (no rate relief)	\$0.25 - \$0.40
---	------------------------

Changes

Impact of PNM rate case	0.12
-------------------------	------

Impact of TNMP rate case	0.03
--------------------------	------

2009 Outlook as of 7/31/2009	\$0.40 - \$0.55
-------------------------------------	------------------------

Changes

Improved Performance at First Choice Power	0.25
--	------

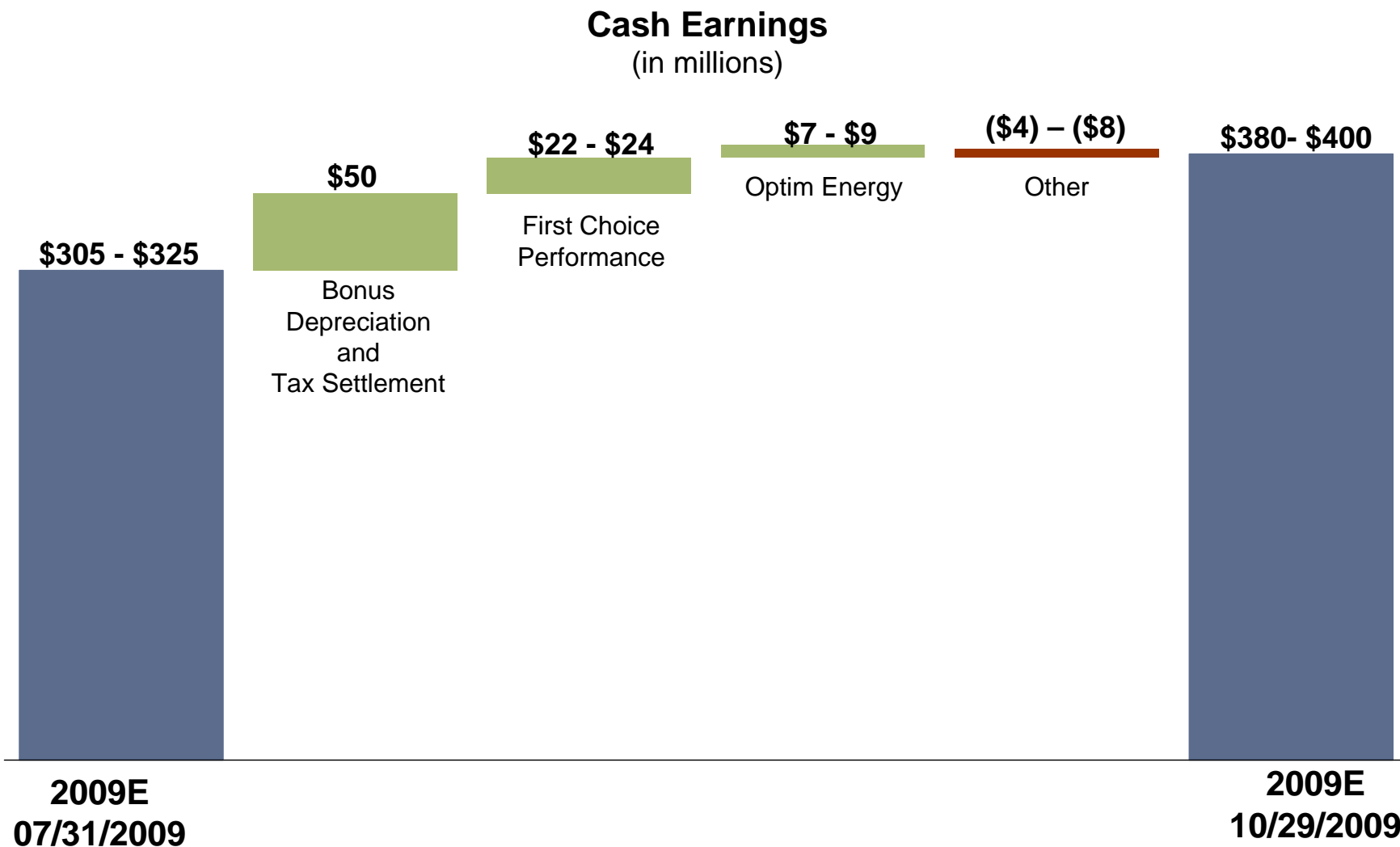
Optim Energy	0.03 - 0.04
--------------	-------------

2009 Outlook as of 10/29/2009	\$0.76 - \$0.81 ⁽¹⁾
--------------------------------------	---------------------------------------

See Appendix slide A-15 for business segment outlook range.

⁽¹⁾ Not additive

Cash Earnings Outlook



2010 Assumptions and Considerations (Ongoing)

2009 vs. 2010 positive drivers

EPS

Full year impact of rate cases:

PNM Electric

\$0.21

TNMP

\$0.04

2009 vs. 2010 negative drivers

Sale of PNM Gas

(\$0.08)

Load Growth

Flat

Incremental outage costs

(\$0.05) – (\$0.03)

Higher pension and retiree medical

(\$0.05) – (\$0.03)

First Choice Power - *Return to normal margins*

(\$0.25) – (\$0.22)

2009 Checklist

- ☒ Achieve successful outcomes in PNM and TNMP rate cases
PNM rates implemented July 1; TNMP rates implemented Sept. 1
- ☐ Restore First Choice Power's sustainable earnings potential
✓ YTD financial performance exceeding expectations
- ☐ Grow EBITDA to targeted levels at Optim Energy
✓ On track to achieve 2009 EBITDA target range
- ☐ Streamline capital deployment, manage costs and focus on utility fundamentals
✓ Reduced 5-year capital spending plan by \$26M since Q1 plan for a total savings of \$379M
- ☐ Maintain top quartile performance in reliability
✓ Third-quarter results on target
- ☐ Strong operational performance at all baseload units
✓ Weighted-average baseload EAF YTD 2009: 86.7% compared with YTD 2008: 78.5%
- ☐ Improve credit metrics
✓ September YTD cash earnings up \$125M (61%) vs. comparable period last year

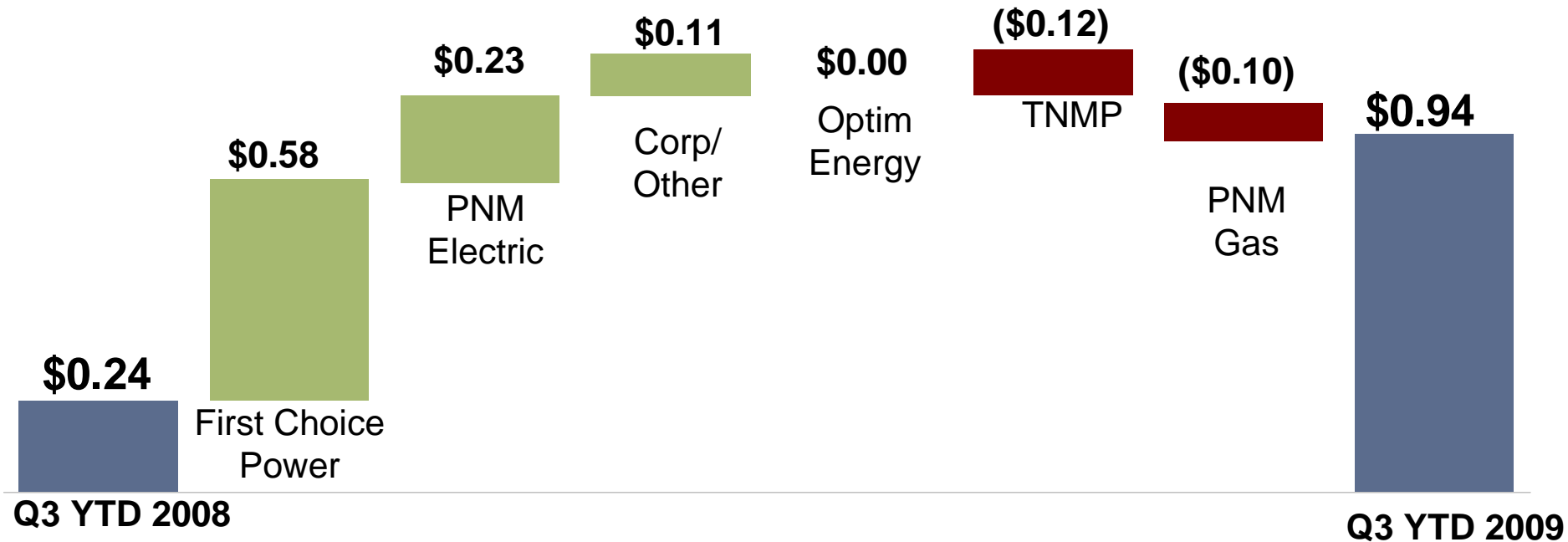
Incremental Long-Term Value Adders

- ◆ PNM future-test-period rate case
- ◆ Ownership of additional renewable assets by 2011
- ◆ Expanded energy efficiency programs with incentives
- ◆ Additional transmission to support:
 - Tres Amigas grid connections project
 - Renewables for export

Questions & Answers

Appendix

2009 EPS YTD Walk Across (Ongoing)



Weather

Third Quarter Heating and Cooling-Degree Days ¹

	2009	Normal ²	2008	Increase/Decrease			
				2009 vs. Normal ²	Chg.	2009 vs. Last Year	Chg.
Albuquerque, NM							
Heating-Degree Days	38	15	0	23	153.3%	38	increase
Cooling-Degree Days	1,024	1,000	905	24	2.4%	119	13.2%
Dallas, TX							
Cooling-Degree Days	1,650	1,788	1,842	-138	-7.7%	-192	-10.4%
Houston, TX							
Cooling-Degree Days	1,794	1,672	1,628	122	7.3%	166	10.2%

¹ Source: NOAA/National Weather Service; heating-degree and cooling-degree days are quantitative indices designed to reflect the demand for energy needed to heat or cool a home or business and are derived from daily average temperatures.

² Reflects 10-year average (1998-2007)

PNM 2009 Rate Case Earnings Impact

	<u>2009</u>	<u>2010</u> (In millions)	<u>Annual</u>
Phase-in # 1 (65% implemented July 1, 2009)	\$ 25.6	\$ 50.1	
Phase-in # 2 (Remaining 35% starting April 1, 2010)		20.2	
Total increase in test period non-fuel revenues	25.6	70.3	77.1
 Delta & Valencia demand charges recovered in fuel clause ⁽¹⁾	 (12.6)	 (25.3)	 (25.3)
Incremental revenues	13.0	45.0	51.8
 O&M			
Depreciation/Amortization ⁽²⁾	5.7	22.4	22.4
Net Impact (before-tax)	\$ 18.7	\$ 67.6	\$ 74.2
 After-tax	\$ 11.3	\$ 40.8	\$ 44.8
EPS at 91.7M shares	\$ 0.12	\$ 0.45	\$ 0.49

⁽¹⁾ Delta demand charges of \$11.4M are currently recovered through the fuel clause. Valencia demand charges of \$13.9M were to be recovered through the fuel clause as part of the proposed resource stipulation. The electric rate stipulation allows recovery of these charges through base rates.

⁽²⁾ EPS outlook for 2009 assumed implementation of new depreciation rates, which were expected to increase depreciation by \$22.4M. Under the settlement new rates would not be implemented.

TNMP Stipulation Earnings Impact

	2009	2010
	(In millions)	
Revenues		
Base Rates	\$ 2.5	\$ 6.8
CTC	0.3	1.1
Hurricane Ike	1.6	4.8
Subtotal	4.4	12.7
Expenses		
Amortization	(0.7)	(2.5)
Other Income	0.7	0.0
Net Impact (before-tax)	\$ 4.4	\$ 10.2
After-tax	\$ 2.9	\$ 6.6
EPS at 91.7M shares	\$ 0.03	\$ 0.07

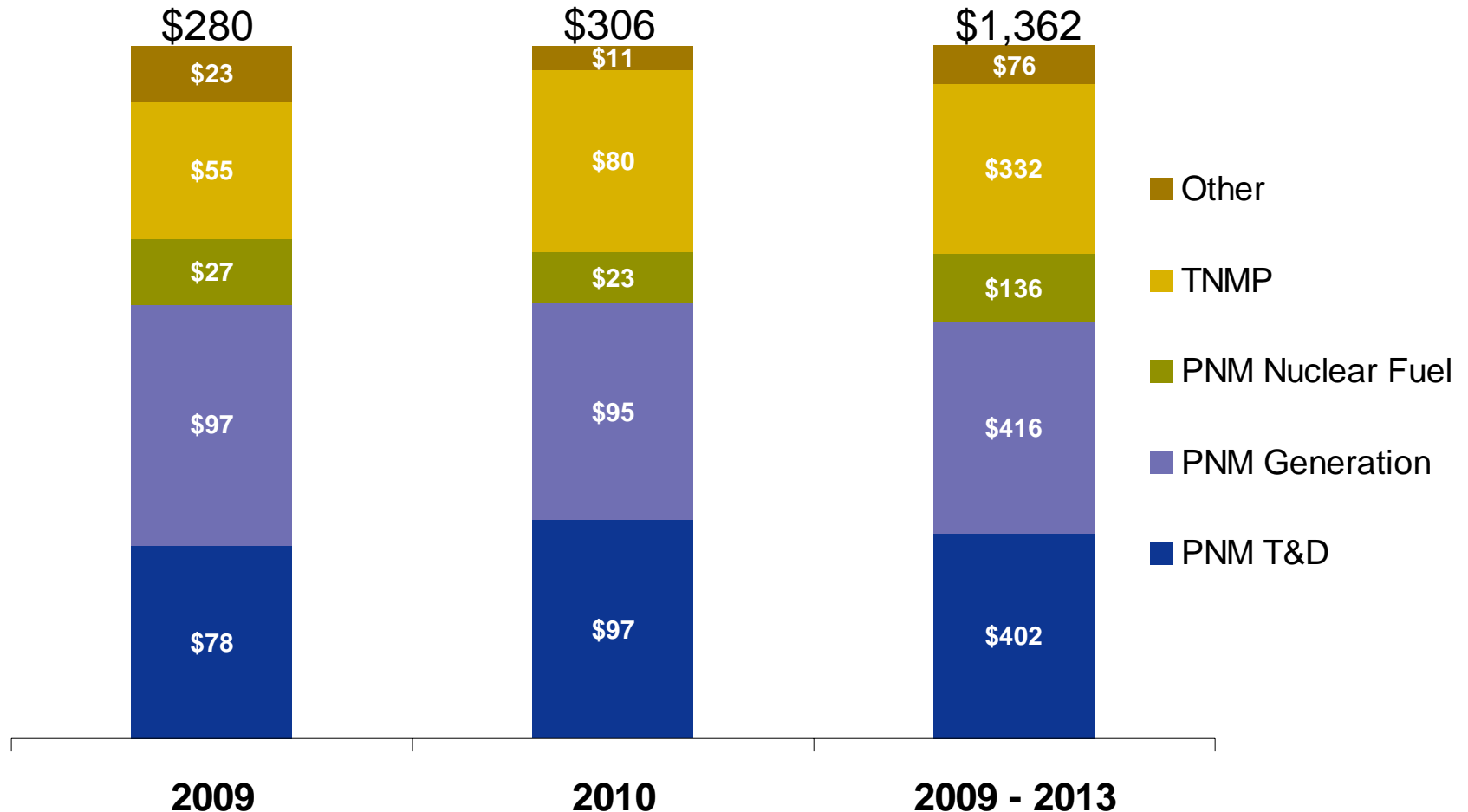
Expanding Renewable Portfolio

The New Mexico Renewable Energy Act provides:

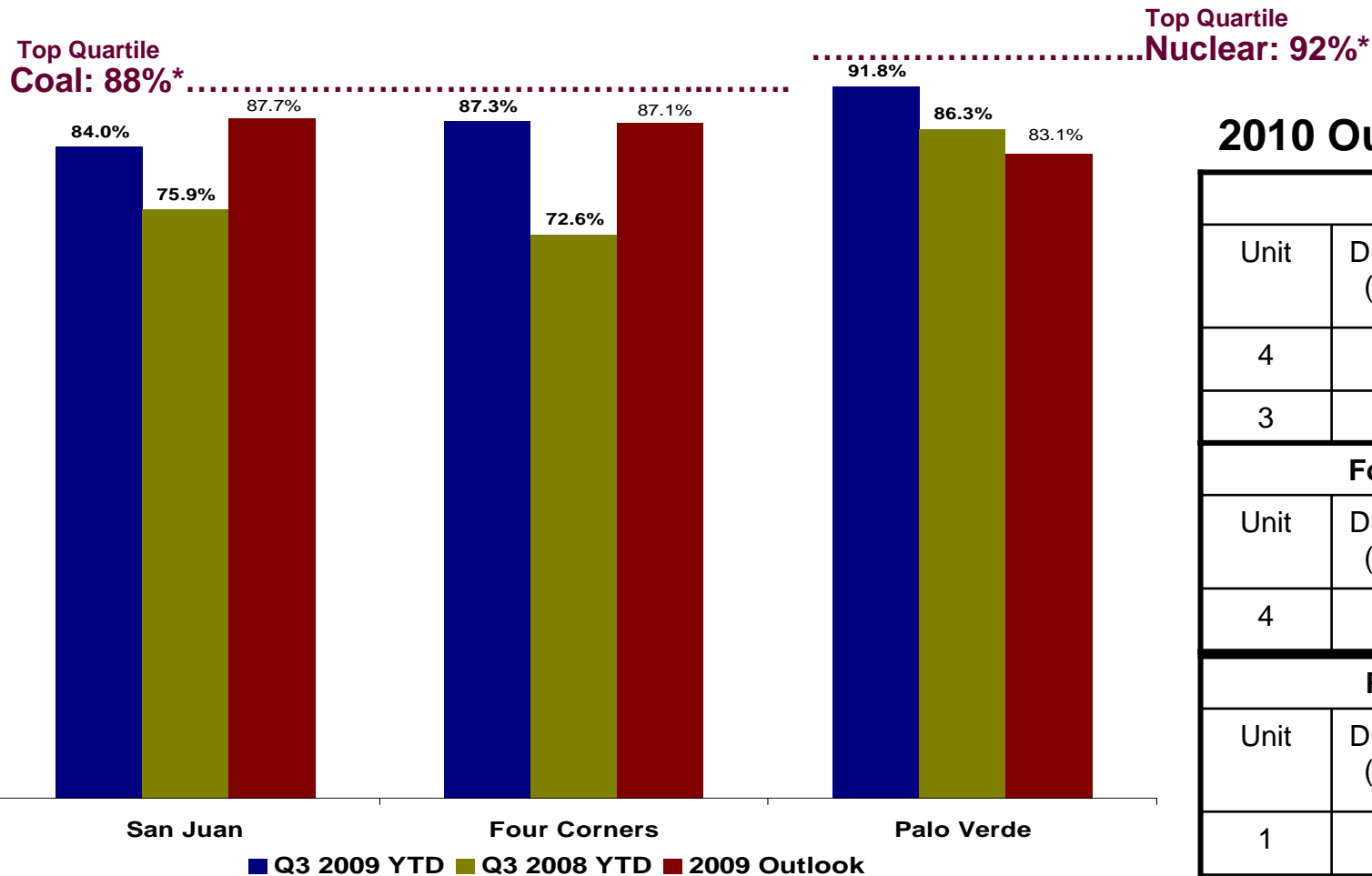
- ◆ Streamlined proceedings for approval of utilities' renewable energy procurement plans
- ◆ Recovery of program costs under approved procurement plan
- ◆ Portfolio standards as percent of retail sales:
 - 10% by 2011
 - 15% by 2015
 - 20% by 2020

PNM Resources Capital Spending Plan

(In millions)



PNM Plant EAF



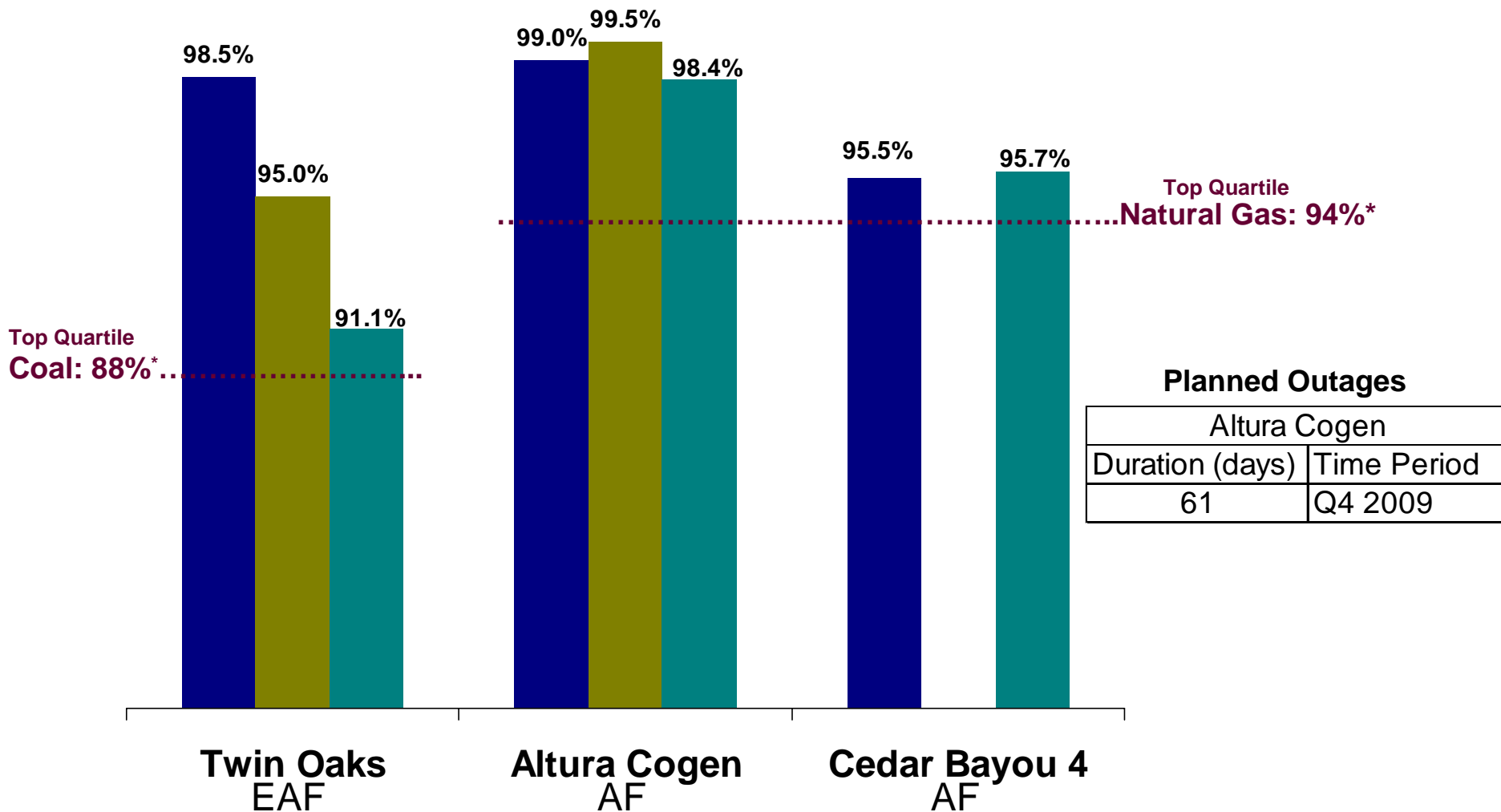
2010 Outage Schedule

San Juan		
Unit	Duration (days)	Time Period
4	44	Q1 2010
3	44	Q1/Q2 2010
Four Corners		
Unit	Duration (days)	Time Period
4	88	Q1/Q2 2010
Palo Verde		
Unit	Duration (days)	Time Period
1	63	Q1/Q2 2010
3	63	Q4 2010

* Annual top quartile numbers from the North American Electricity Reliability Council

Optim Energy Plant Performance

■ Q3 2009 ■ Q3 2008 ■ Q3 YTD 2009



* Annual top quartile numbers from the North American Electricity Reliability Council

Optim Energy EBITDA

Calculation of Optim Energy Ongoing EBITDA

	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
	(in millions)	
GAAP Net Earnings	\$ 15.6	\$ 4.8
Interest expense	4.1	9.6
Income tax	0.3	0.4
Depreciation and amortization expense	10.0	25.8
Purchase accounting amortizations	(2.5)	6.2
Losses on forward mark on economic hedges	1.1	7.1
	<u>28.6</u>	<u>53.9</u>
Ongoing Optim Energy EBITDA	<u>28.6</u>	<u>53.9</u>
50 percent of Ongoing EBITDA (PNMR share)	<u>\$ 14.3</u>	<u>\$ 27.0</u>

Optim Energy Amortization Schedule

Future amortization for out of market contracts, emission allowances, and the impact on PNMR earnings is as follows:

	Twin Oaks Contract Amortization	Altura Cogen Contract Amortization	Optim Energy Emission Allowance Amortization	PNMR's 50 percent share of Optim Energy Amortization	PNMR's Basis in Amortization	PNMR Net Earnings Impact
			(In millions)			
2009 ⁽¹⁾	\$ 12.8	\$ (19.4)	\$ (10.4)	\$ (8.5)	\$ (1.8)	\$ (10.3)
2010	2.7	(16.3)	(5.2)	(9.4)	(2.7)	(12.1)
2011	-	(14.7)	(4.9)	(9.8)	*	(9.8)
2012	-	(9.4)	(4.8)	(7.1)	*	(7.1)
2013	-	(8.8)	(4.4)	(6.6)	*	(6.6)
2014 and beyond	-	(51.2)	(86.2)	(68.7)	*	(68.7)
Total	\$ 15.5	\$ (119.8)	\$ (115.9)	\$ (110.1)	\$ (4.5)	\$ (114.6)

In the table presented above, emission allowances were assumed to be used, sold or expired in the related vintage year. Since actual usage, sales and expirations will vary from this assumption, future year's amortization expense may be different than presented.

⁽¹⁾ 2009 numbers represent a full year.

Liquidity

	PNM Resources ⁽¹⁾	PNM Separate (In millions)	TNMP Separate	PNM Resources Consolidated
Financing				
Revolving credit facility	\$ 600.0	\$ 400.0	\$ 75.0	\$ 1,075.0
Local lines of credit	5.0	5.0	-	10.0
Total Financing Capacity	\$ 605.0	\$ 405.0	\$ 75.0	\$ 1,085.0
Outstanding Balances as of 10/26/09				
Total short-term debt & letters of credit	\$ 103.6	\$ 106.3	\$ 21.5	\$ 231.4
Remaining availability	501.4	298.7	53.5	853.6
Cash balances	15.5	0.0	0.0	15.5
Available Liquidity as of 10/26/09	\$ 516.9	\$ 298.7	\$ 53.5	\$ 869.1

⁽¹⁾ Includes First Choice Power

Credit Ratings

Senior Unsecured Debt

S&P

PNM Resources	BB-
PNM	BB+

Outlook: Negative

Moody's

PNM Resources	Ba2
PNM	Baa3

Outlook: Negative

Fitch

PNM Resources	BB
PNM	BB+

Outlook: Stable

TNMP First Mortgage Bonds

S&P

BBB-
Outlook: Negative

Moody's

Baa2
Outlook: Negative

Fitch

BBB
Outlook: Stable

Selected Balance Sheet Information

	Dec 31, 2008	Sept. 30, 2009
	(In millions)	
Long-Term Debt (incl. current portion)		
PNM	\$ 1,056	\$ 1,020
TNMP	168	310
PNMR	361	203
Consolidated	<u>\$ 1,585</u>	<u>\$ 1,533</u>
 Total Debt (incl. short-term)		
PNM	\$ 1,396	\$ 1,128
TNMP*	318	310
PNMR	615	288
Consolidated	<u>\$ 2,329</u>	<u>\$ 1,726</u>

* Excludes debt from affiliate

2009 Outlook Ranges (Ongoing)

<u>Business Segments</u>	<u>Ongoing EPS as of 10/29/2009</u>
Regulated Operations	
Electric (PNM & TNMP)	0.50 - 0.54
PNM Gas	0.08
Unregulated Operations	
First Choice Power	0.36 - 0.40
Optim Energy (PNMR Share - 50%)	(0.03) - (0.01)
Corp/Other	(0.19) - (0.17)
2009 Outlook as of 10/29/2009	<u>\$0.76 - \$0.81</u> ⁽¹⁾

	<u>Ongoing EBITDA as of 10/29/2009</u>
Unregulated Operations	
First Choice Power	\$55 - \$60
Optim Energy (100%)	\$60 - \$65

⁽¹⁾ Business segment outlook ranges are not additive

Rate Base

	Test Period Ended	Rate Base	Allowed Equity Ratio	ROE	Revenue Requirement
PNM	March 31, 2008	\$1.5B	50%	10.5% Implied	\$736.3M
TNMP	March 31, 2008	\$430M	40%	10.5% Implied ⁽¹⁾	\$161.0M
PNM South ⁽²⁾	Sept. 30, 2004	\$70M	45%	10.0%	Rates frozen until 12/31/2010

⁽¹⁾ An allowed ROE of 10.25% is specified for Hurricane Ike recovery and future transmission rate base

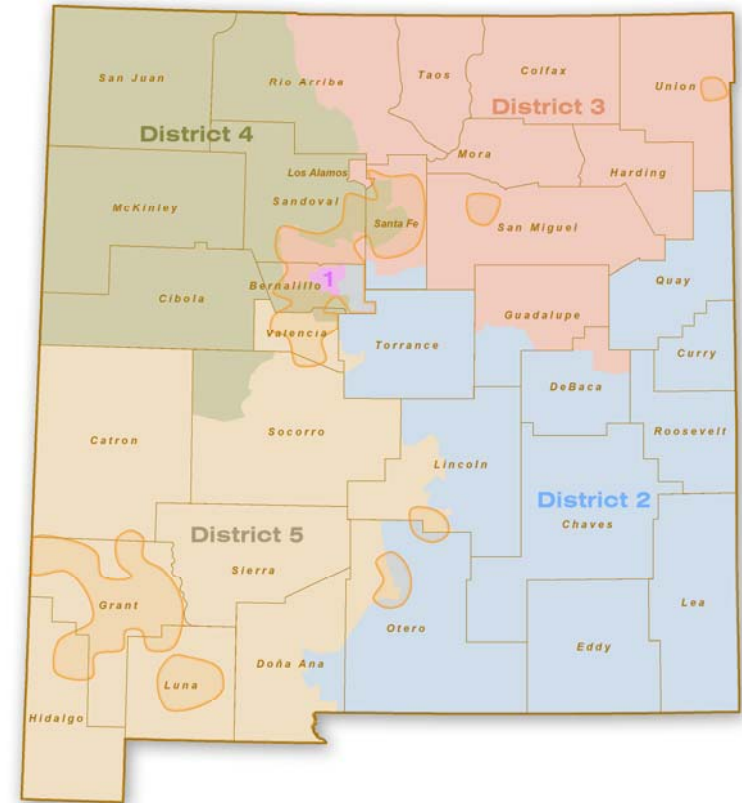
⁽²⁾ Formerly known as TNMP-New Mexico

NMPRC Commissioners and Districts

<u>Name</u>	<u>District</u>	<u>Term Ends</u>	<u>Party</u>
Jason Marks	District 1	2012*	Democrat
David King Vice Chair	District 2	2010*	Republican
Jerome Block	District 3	2012	Democrat
Carol K. Sloan	District 4	2010	Democrat
Sandy Jones Chairman	District 5	2010	Democrat

* Two-term limit reached

NMPRC Districts and PNM Services Areas



PRC district data 2003. PNM Service Area based on existing primary distribution infrastructure. Map created by PNM Innovative Software Solutions, July 2009.