

# 2012 Earnings Presentation



March 1, 2013



# Safe Harbor Statement

Statements made in this presentation that relate to future events or PNM Resources' ("PNMR"), Public Service Company of New Mexico's ("PNM"), or Texas-New Mexico Power Company's ("TNMP") (collectively, the "Company") 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 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 and ongoing earnings per diluted share), 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 & Overview

Pat Vincent-Collawn

Chairman, President and CEO

# 2012 Financial Results and Company Updates

	Q4 2012	Q4 2011	YE 2012	YE 2011
Ongoing EPS <sup>(1)</sup>	\$0.13	\$0.22	\$1.31	\$1.08
GAAP EPS <sup>(1)</sup>	\$0.11	\$1.35 <sup>(2)</sup>	\$1.31	\$1.96 <sup>(3)</sup>

- Increased dividend payment 14% for 2013
  - Annual dividend review moved to December
- Affirmed 2013 ongoing earnings guidance at \$1.32 - \$1.42

<sup>(1)</sup> On a diluted basis

<sup>(2)</sup> Includes \$1.17 gain from the Nov. 1, 2011, sale of First Choice Power

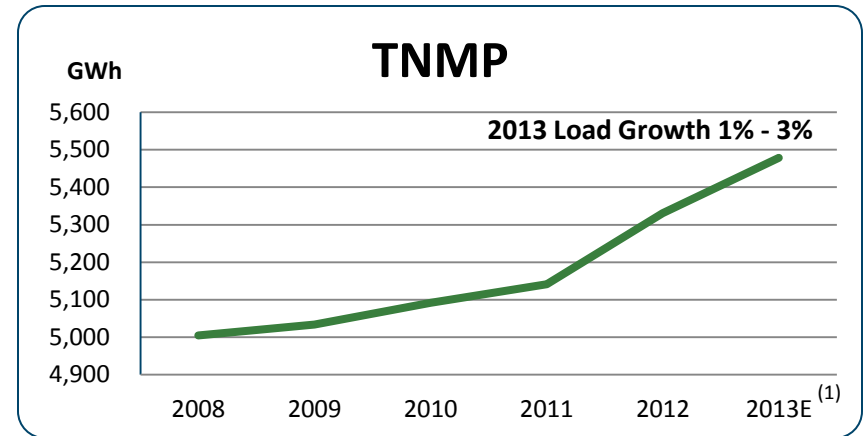
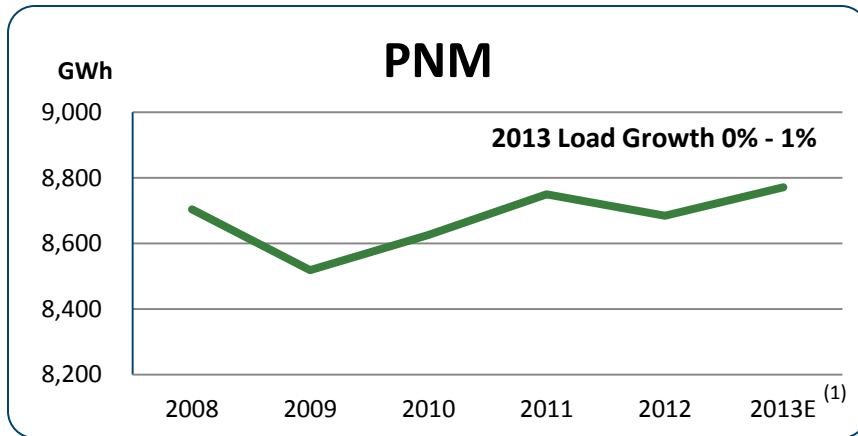
<sup>(3)</sup> Includes \$1.08 gain from the Nov. 1, 2011, sale of First Choice Power

## 2012 Checklist

- ✓ Achieve successful outcomes in:
  - ✓ PNM future test year rulemaking
  - ✓ PNM FERC transmission rate case
  - ✓ PNM FERC generation rate case
  - ✓ PNM renewable rider
- ✓ Maintain strong electric reliability and power plant availability
- ✓ Control O&M and capital costs

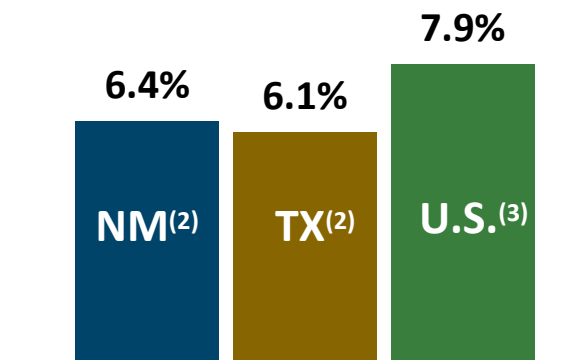
# Load Growth and Economic Conditions

## Regulated Retail Energy Sales Growth (weather-normalized)



2012 Average Customer Growth	
PNM	TNMP
0.3%	0.7%

## Unemployment Rate



<sup>(1)</sup> Assumes mid-point of range

<sup>(2)</sup> U.S. Bureau of Labor Statistics, December 2012

<sup>(3)</sup> U.S. Bureau of Labor Statistics, January 2013

# Regulatory Update

Item	Action	Timing	Docket No.
FERC generation case (Navopache Electric Cooperative, Inc.)	Settlement filed December 7	Awaiting FERC final approval	ER11-4535-000 and ER12-72-000
FERC transmission formula rates case	Filed December 31	2014	ER13-685-000 and ER13-690-000
NMPRC Delta Person Generating Station CCN	Filed January 3	Q3 2013	13-00004-UT
FERC Delta Person Generating Station Approval	Filed January 24	Approved February 26	EC13-68
TNMP TCOS Filing	Filed January 31	Q1 2013	41176

# San Juan BART Update

- State alternative plan
  - Shut down units 2 and 3 by year-end 2017
  - Install SNCRs on units 1 and 4 by early 2016<sup>(1)</sup>
  - Reduce greenhouse gases and fresh water consumption
  - Diversify generation portfolio with replacement power
- 10<sup>th</sup> Circuit Litigation
  - Provided report on Feb. 25 that an agreement has been reached
- Installation of SCRs
  - Suspended EPC contractor agreement

<sup>(1)</sup> Installation expected to be complete the later of Jan. 31, 2016 or 15 months after EPA approval of the revised state plan

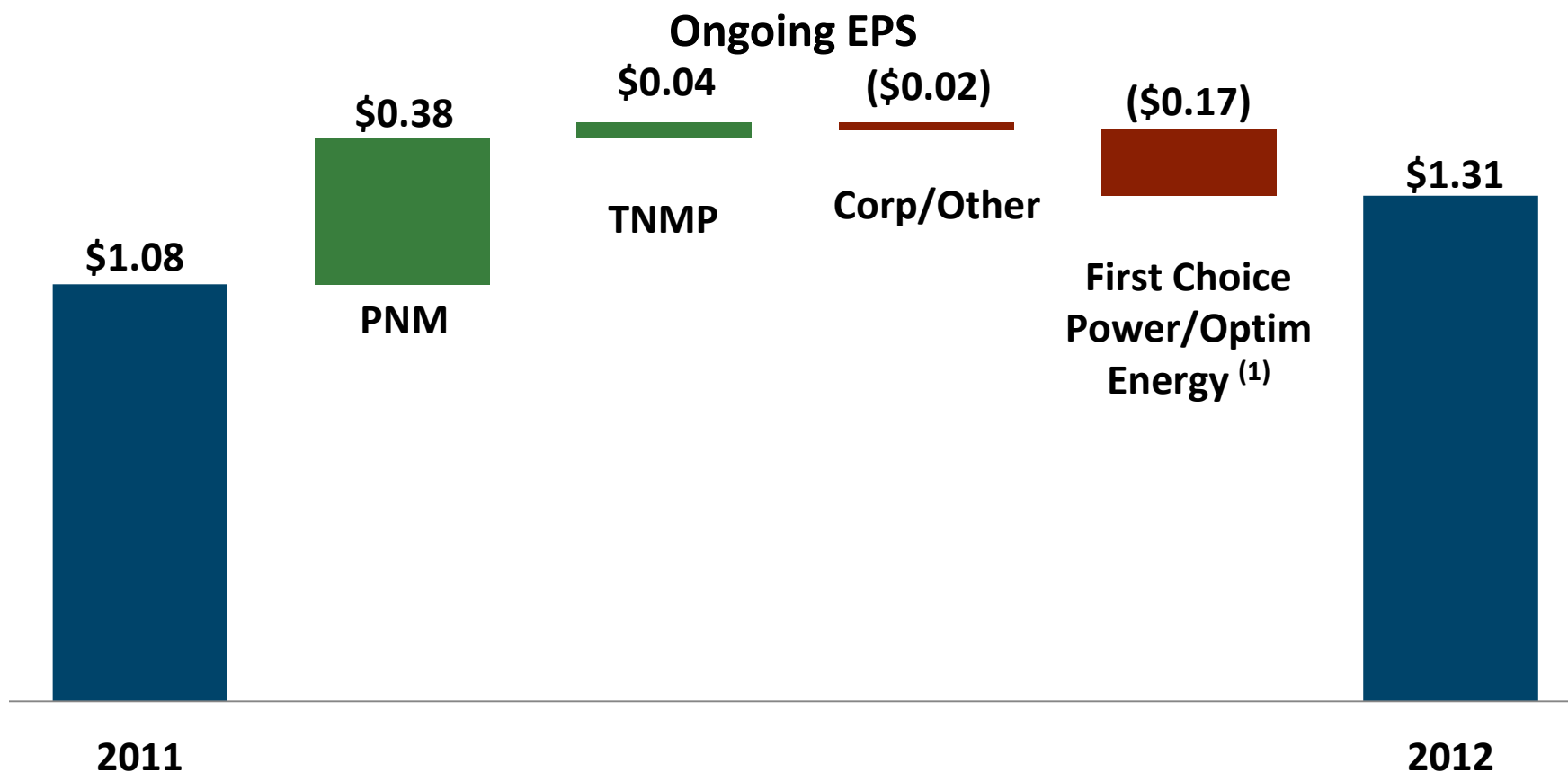


# Financial Overview

Chuck Eldred

Executive Vice President and CFO

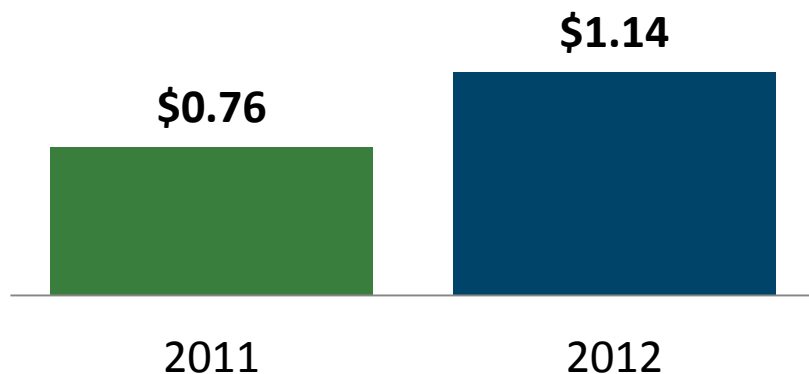
# 2012 Financial Summary



<sup>(1)</sup> After August 31, 2011 Optim Energy's financial results were not included in PNM Resources' ongoing earnings. Sale of First Choice Power was completed on November 1, 2011.

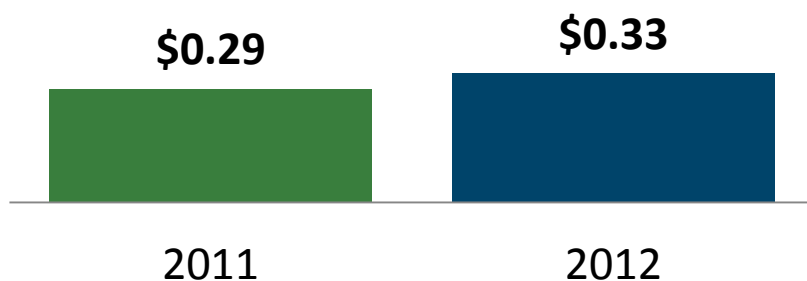
# PNM and TNMP: FY 2012 vs FY 2011 EPS (Ongoing)

## PNM



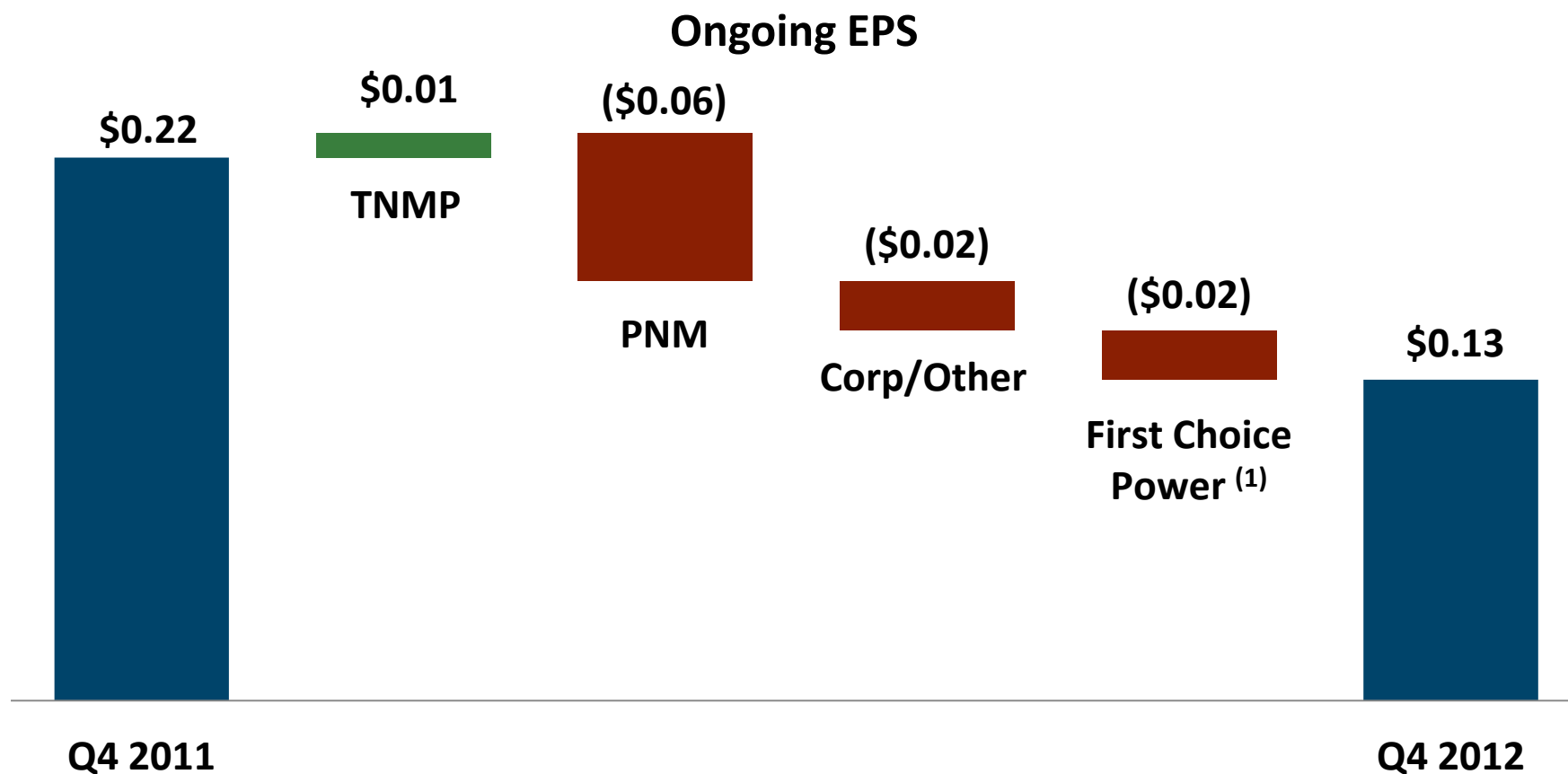
2012 Key Performance Drivers	Δ EPS
Retail rate relief and renewable rider	\$0.29
AFUDC	\$0.07
O&M reductions	\$0.06
FERC rate relief	\$0.03
Outage costs	(\$0.03)
Interest expense	(\$0.03)
Load	(\$0.05)
Palo Verde 3 market price	(\$0.05)
Other	(\$0.04)
PNM Resources 2011 share repurchase	\$0.13

## TNMP



2012 Key Performance Drivers	Δ EPS
Load	\$0.04
Rate relief	\$0.01
Weather	(\$0.06)
Other	\$0.02
PNM Resources 2011 share repurchase	\$0.03

# Q4 2012 Financial Summary



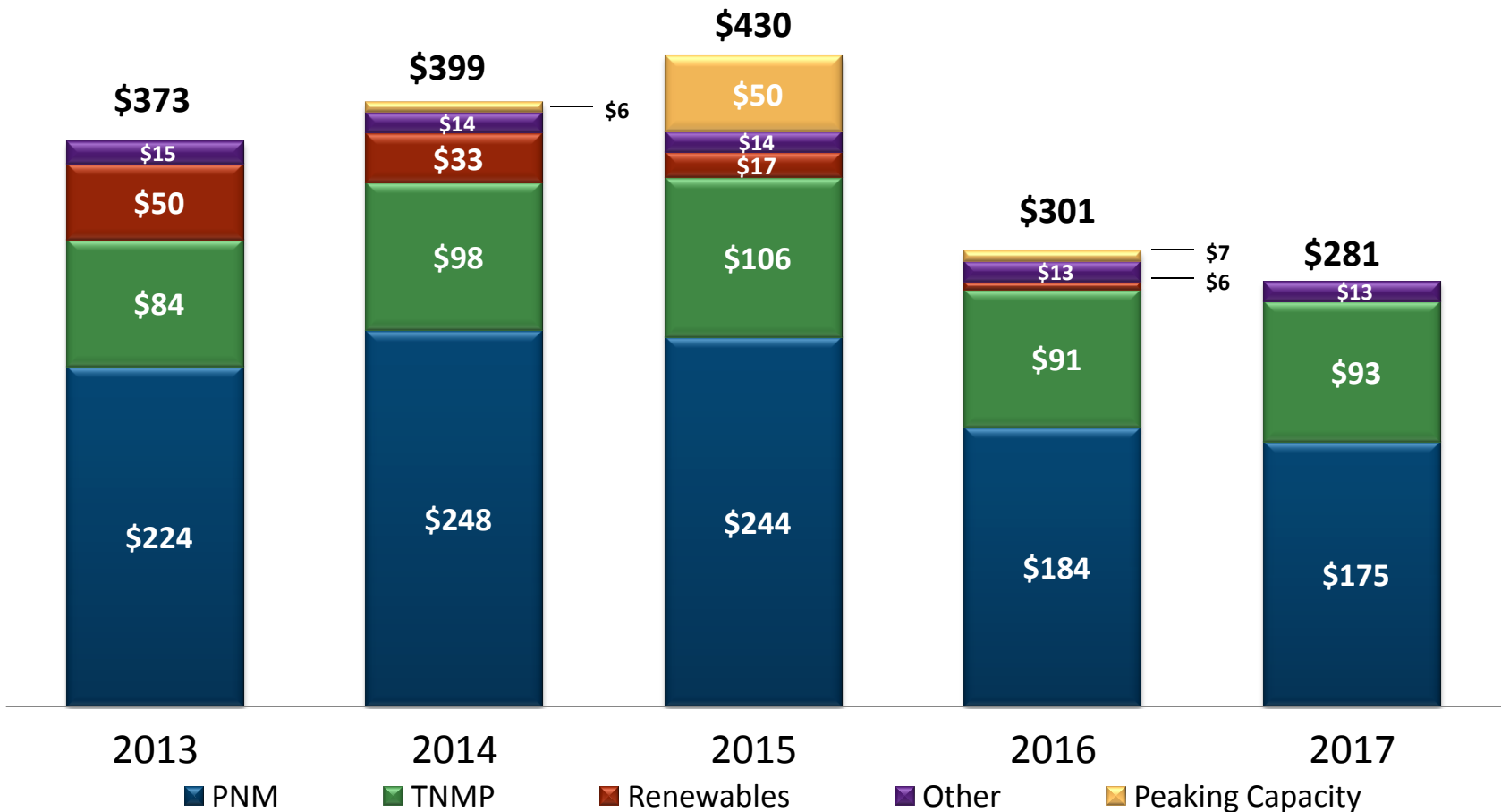
<sup>(1)</sup> Sale of First Choice Power was completed on November 1, 2011.

# Core Capital Spending

2013 – 2017 Core Capital Plan: \$1.8B  
2013 Expected Depreciation: \$156M

PNM Rate Base CAGR: 2% - 3%  
TNMP Rate Base CAGR: 7% - 9%

(In millions)

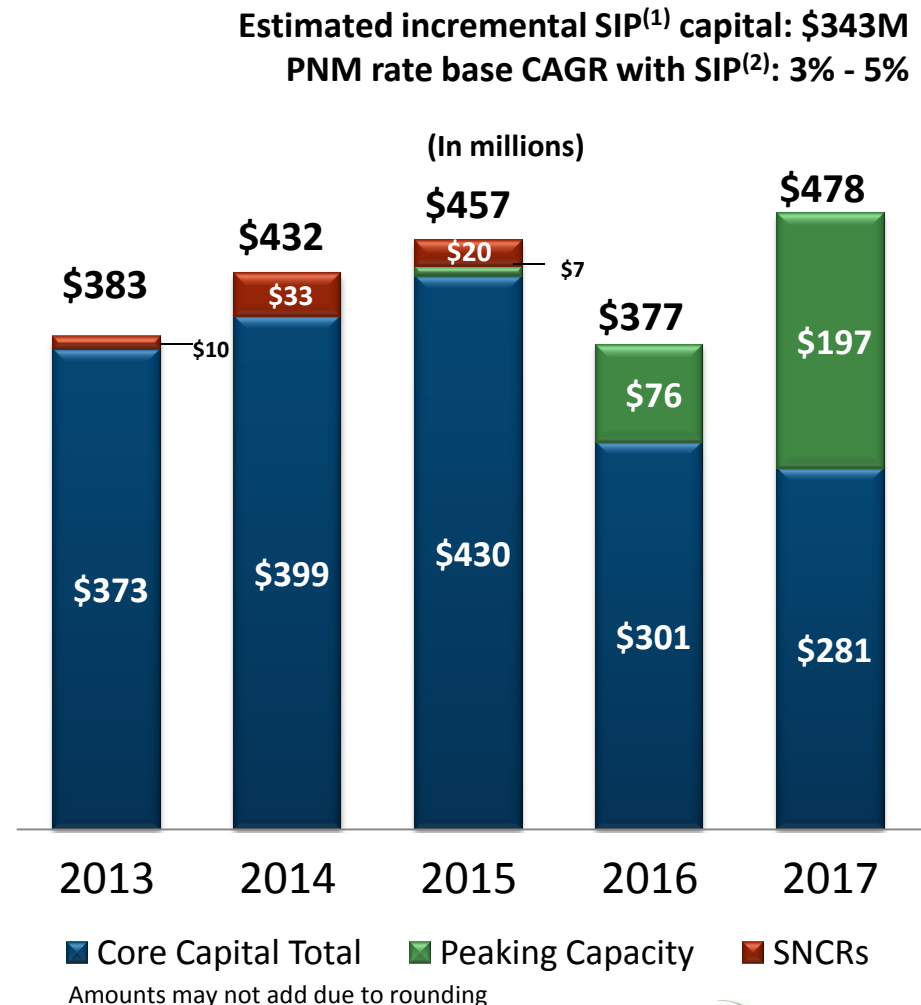


Amounts may not add due to rounding

San Juan environmental capital spend for either SCR and SNCR technology and any replacement generating capacity excluded from core capital

# Capital Spending Under Revised State Plan

- PNM's share of SNCR capital costs are approximately \$63M
- Potential replacement power options:
  - Peaking capacity
    - 150-200 MW gas peaker
    - 40 MW gas peaker
  - Base load<sup>(2)</sup>
    - 134 MW Palo Verde 3 and/or
    - Additional gas generation



(1) State implementation plan

(2) Base load is not included in the \$343M of capital spend

# Dividend Increase

**2013 Dividend:**

**\$0.66**

**Payout ratio:**

**48% <sup>(1)</sup>**

**Dividend yield:**

**3.0% <sup>(2)</sup>**

<sup>(1)</sup> Assumes mid-point of the 2013 guidance range

<sup>(2)</sup> Based on 2/26/13 stock price of \$21.90

- The annual common stock dividend was raised by 14% on February 28, 2013
- Long-term target: 50% - 60% payout ratio
  - Above average dividend growth expected
- The Board will continue to evaluate the dividend considering:
  - Sustainability and growth
  - Capital investment needs
  - Industry standards
- Annual dividend review will move to December
  - Expect a comparable dividend increase that will allow us to achieve our target payout ratio

## 2013 Guidance (Ongoing)





# Key Strategic Goals and Checklist

## 2013 Checklist

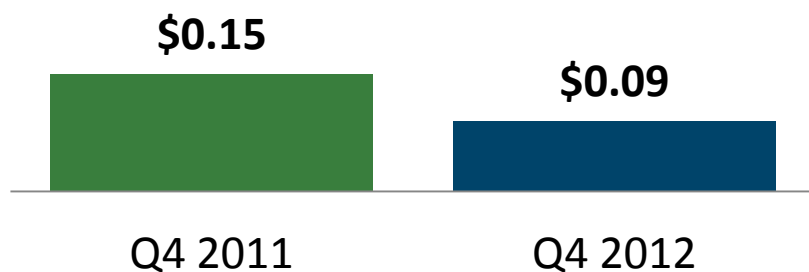
- ☐ Achieve successful outcomes in:
  - ☐ NM filings for revised SIP
  - ☐ FERC transmission formula rates
  - ☐ FERC Gallup power sale agreement
  - ☐ TX TCOS filing
- ☐ Maintain strong electric reliability and power plant availability
- ☐ Control O&M and capital costs
- ☐ Continue execution of plan to achieve top quartile total return by 2016

# Questions & Answers

# Appendix

# PNM and TNMP: Q4 2012 vs Q4 2011 EPS (Ongoing)

## PNM



Q4 2012 Key Performance Drivers	Δ EPS
Palo Verde Nuclear Decommissioning Trust	\$0.04
AFUDC	\$0.03
Load	(\$0.04)
Outage costs	(\$0.06)
Other	(\$0.03)

## TNMP



Q4 2012 Key Performance Drivers	Δ EPS
Load	\$0.01

# Potential Earnings Power

*Minimizing regulatory lag, improving market prices, and reducing Corporate debt could improve current EPS by \$0.16 to \$0.25 without rate base growth*

	% of Rate Base	Mid Point Guidance Range		Potential Earnings Power		Growth Potential EPS	Potential Achievement
		Return	EPS	Allowed Return	Resulting EPS		
<b>PNM Regulated Business</b>							
PNM Retail	86%	10%	\$1.16	10%	\$1.16		
Renewables <sup>(1)</sup>	4%	10%	\$0.05	10%	\$0.05		
FERC Transmission	7%	8%	\$0.07	9% - 10%	\$0.08 - \$0.09	\$0.01 - \$0.02	2013 – 2014
FERC Generation	3%	4 %	\$0.02	9% - 10%	\$0.04 - \$0.05	\$0.02 - \$0.03	2014 <sup>(2)</sup>
Costs not included in rates <sup>(3)</sup>			(\$0.03)		(\$0.03)		2014
<b>PV3 Unregulated Generation</b>			(\$0.07)		(\$0.07) - \$0.00	\$0.00- \$0.07	See Note 4
<b>TNMP</b>		10%	\$0.33	10.125%	\$0.34	\$0.01	2013
<b>Corporate/Other</b>			(\$0.16)		(\$0.04) <sup>(5)</sup>	\$0.12	2016
<b>Total</b>			<b>\$1.37</b>		<b>\$1.53 - \$1.62</b>	<b>\$0.16 - \$0.25</b>	

<sup>(1)</sup> Renewable rate rider implemented on August 20, 2012.

<sup>(2)</sup> FERC Generation's potential achievement would occur with the filing and resolution of new rates for the Gallup contract, which is expected in 2014.

<sup>(3)</sup> Consists primarily of certain incentive compensation and pension-related costs associated with the sale of PNM Gas.

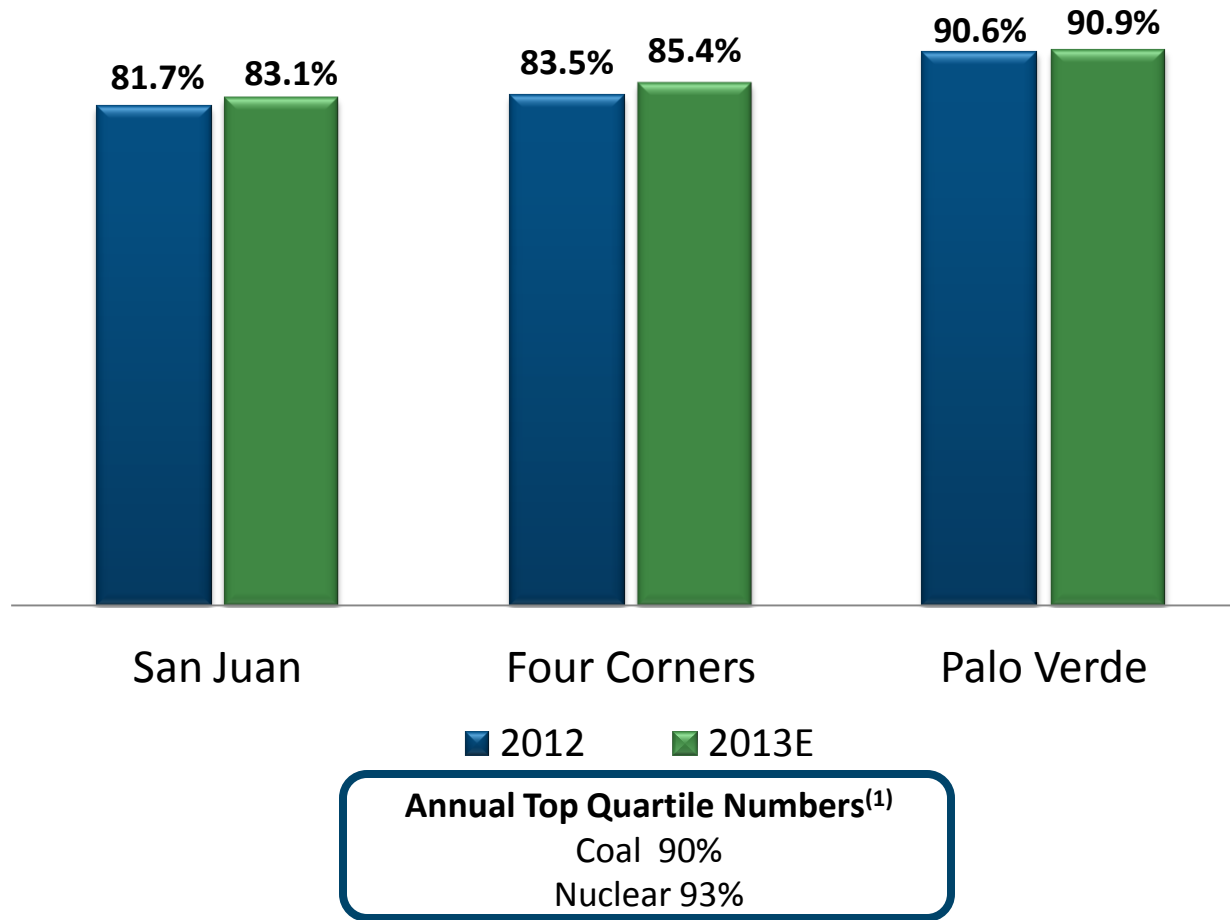
<sup>(4)</sup> PV3 generation is currently sold at market. The range assumes a market price of \$34 to \$42 per MWh.

<sup>(5)</sup> \$143M of 9.25% debt at PNM Resources holding company matures May 15, 2015. Repayment funded by operating company dividends.



This table is not intended to represent a forward-looking projection of earnings. A-3

# PNM Plant EAF and Outages



## 2013 - 2014 Outage Schedule

Unit	Duration in Days	Time Period
<b>San Juan</b>		
4	54	Q1 – Q2 2013
1	9	Q1 2014
2	50	Q1 2014
<b>Four Corners</b>		
4	21	Q2 2013
5	73	Q1 – Q2 2014
4	13	Q4 2014
<b>Palo Verde</b>		
1	40	Q1 – Q2 2013
3	40	Q4 2013
2	40	Q1 – Q2 2014
1	40	Q4 2014

<sup>(1)</sup>Annual top quartile numbers from the North American Electricity Reliability Corporation as of September 2012.

# Liquidity as of February 22, 2013

		PNM Resources	PNM	TNMP	PNM Resources Consolidated
Financing Capacity:		(In millions)			
	Revolving credit facility <sup>(1)</sup>	\$300.0	\$400.0	\$75.0	\$775.0
As of 2/22/13:					
	Short-term debt <sup>(1)</sup> and LOC balances	\$35.5	\$111.2	\$25.3	\$172.0
	Remaining availability	264.5	288.8	49.7	603.0
	Invested cash	2.8	-	-	2.8
	<b>Available liquidity as of 2/22/13:</b>	<b>\$267.3</b>	<b>\$288.8</b>	<b>\$49.7</b>	<b>\$605.8</b>

<sup>(1)</sup>PNM Resources also has a fully drawn \$100M term loan due 12/27/13 not reflected above.

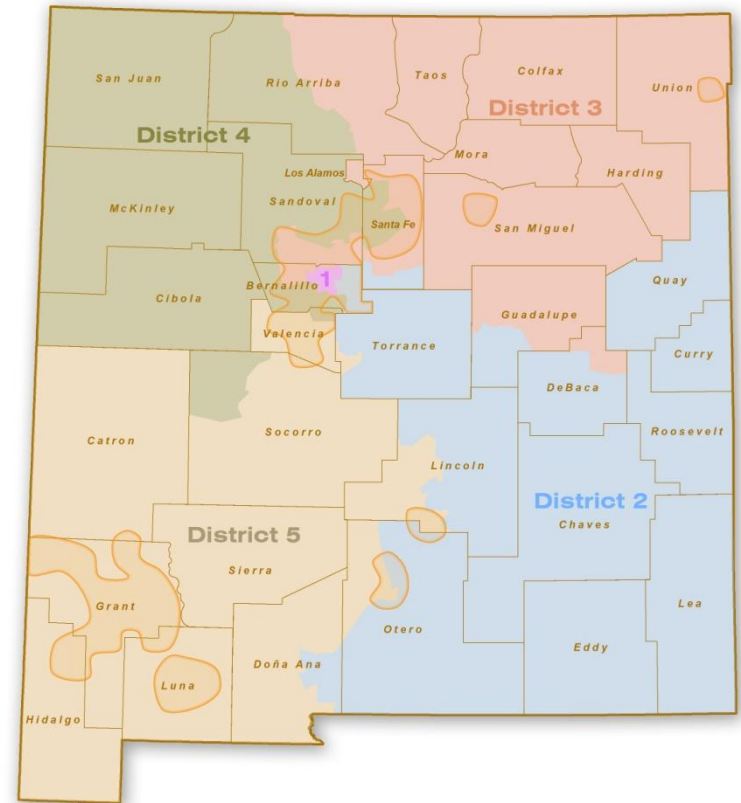
# Regulatory Information



# NMPRC Commissioners and Districts

Name	District	Term Ends	Party
Karen Montoya	District 1	2016	Democrat
Patrick Lyons	District 2	2014	Republican
Valerie Espinoza Vice Chair	District 3	2016	Democrat
Theresa Becenti-Aguilar	District 4	2014	Democrat
Ben Hall Chairman	District 5	2014	Republican

**NMPRC Districts and  
PNM Service Areas**



# Public Utility Commission of Texas Commissioners

Name	Term Began	Term Ends	Party
Donna Nelson Chairman	Aug. 2008	Aug. 2015	Republican
Kenneth Anderson	Sept. 2008	Aug. 2017	Republican
Rolando Pablos <sup>(1)</sup>	Sept. 2011	Aug. 2013	Republican

Commissioners are appointed by Governor of Texas. Length of term is determined by the Governor.

<sup>(1)</sup>Commissioner Pablos has resigned effective March 1, 2013. A replacement is yet to be appointed.

# Balance Sheet and Credit Metrics

# Selected Balance Sheet Information

(In millions)	Dec 31, 2011	Dec 31, 2012
<b>Long-Term Debt (incl. current portion)</b>		
PNM	\$1,215.5	\$1,215.6
TNMP	311.0	311.6
PNMR	147.5	145.1
Consolidated	<b>\$1,674.0</b>	<b>\$1,672.3</b>
<b>Total Debt (incl. short-term) <sup>(1)</sup></b>		
PNM	\$1,281.5	\$1,236.7
TNMP	311.0	311.6
PNMR	164.2	282.7
Consolidated	<b>\$1,756.7</b>	<b>\$1,831.0</b>

<sup>(1)</sup> Excludes inter-company debt

# Credit Ratings

## Moody's

	<b>PNMR</b>	<b>PNM</b>	<b>TNMP</b>
Debt rating	Ba1 <sup>(1)</sup>	Baa3 <sup>(1)</sup>	A3 <sup>(2)</sup>
Outlook	Stable	Stable	Stable

## S&P

	<b>PNMR</b>	<b>PNM</b>	<b>TNMP</b>
Debt rating	BB+ <sup>(1)</sup>	BBB- <sup>(1)</sup>	BBB+ <sup>(2)</sup>
Outlook	Stable	Stable	Stable

<sup>(1)</sup> Senior unsecured debt

<sup>(2)</sup> Senior secured debt

# Environmental Compliance

# Environmental Control Equipment at Coal Units

Coal Unit	PNM Share Capacity (MW)	Low NOx Burners/ Overfired Air	Activated Carbon Injection <sup>(1)</sup>	SNCR <sup>(2)</sup>	SCR <sup>(2)</sup>	Baghouse <sup>(3)</sup>	Scrubbers
San Juan Unit 1	170	X	X			X	X
San Juan Unit 2	170	X	X			X	X
San Juan Unit 3	249	X	X			X	X
San Juan Unit 4	195	X	X			X	X
Four Corners Unit 4	100	Pre-2000 low NOx burners-considered outdated				X	X
Four Corners Unit 5	100	Pre-2000 low NOx burners-considered outdated				X	X

<sup>(1)</sup> Activated carbon injection systems reduce mercury emissions. For San Juan, the installation was completed in 2009, as part of a 3-year, \$320M environmental upgrade.

<sup>(2)</sup> SNCR refers to selective non-catalytic reduction systems. SCR refers to selective catalytic reduction systems. Both systems reduce NOx emissions.

<sup>(3)</sup> Baghouses collect flyash and other particulate matter. For San Juan, the installation was completed in 2009, as part of a 3-year, \$320M environmental upgrade.

# Impact of Proposed Environmental Regulation

	Estimated Compliance Costs (PNM Share)	Comments
<b>San Juan Generating Station</b>		
Clean Air Act – Regional Haze (FIP) – SCR	~\$385M - \$425M	SCR contract with Fluor suspended
Clean Air Act – Regional Haze (SIP) – SNCR	~\$62M - \$64M	See “Capital Spending Under Revised State Plan” slide
Clean Air Act – National Ambient Air Quality Standards (NAAQS)	Included in SCR and SNCR estimates above	BART upgrade would assist with compliance with NAAQS
Mercury Rules (MATS) (proposed)	None to minimal	Testing shows 99% removal
Resource Conservation and Recovery Act – Coal Ash (proposed)	Significant exposure	A hazardous waste designation of coal ash could result in significant costs to comply
Clean Water Act – 316(b) (proposed)	Minimal to some exposure	Performing analysis to determine cost of compliance
<b>Four Corners (Units 4 and 5)</b>		
Clean Air Act – Regional Haze - SCR	~\$69M	APS has concluded negotiations with EPA
Mercury Rules (MATS) (proposed)	Slight exposure	APS evaluating options
Resource Conservation and Recovery Act – Coal Ash (proposed)	Significant exposure	A hazardous waste designation of coal ash could result in significant costs to comply
Clean Water Act – 316(b) (proposed)	Some exposure	Performing analysis to determine cost of compliance