



Second Quarter 2009 Earnings Presentation

July 31, 2009



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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, and the Companies' ability to obtain federal and/or state funding and incentives for the development of alternative or renewable energy; 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 the TNMP electric rate case filed in 2008, and appeals of prior regulatory proceedings; 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 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; 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 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 & CEO

Q2 2009 Summary

PNM Electric, First Choice Power performance drive quarterly results

- ◆ Ongoing EPS: \$0.21 vs. (\$0.10) in 2008
 - YTD EPS: \$0.31 vs. (\$0.05) in 2008
- ◆ GAAP EPS: (\$0.02) vs. (\$1.76) in 2008
 - YTD EPS: \$1.02 vs. (\$2.42) in 2008

YTD Key Accomplishments:

- ◆ Regulated operations continue improvement path
- ◆ Competitive retail business turning around

Utility Operations

Pat Vincent-Collawn

President & COO

PNM Electric: Q2 Goals and Progress

- ◆ Achieving appropriate regulatory treatment
 - PNM electric rate stipulation approved in May
 - New rates implemented July 1
 - Work continues on future-test-period process
- ◆ Streamlining capital deployment, managing costs and focusing on fundamentals
 - Strong power plant performance
 - Solid T&D reliability
 - Managing costs
 - 2009 cap-ex reduced \$17M from Q1 plan

PNM Renewable Procurement Plan

- ◆ Filed July 1
- ◆ New build of solar, wind to meet 2011 requirement
- ◆ Plan calls for pursuing ownership
 - Stimulus, other changes make ownership more economical for customers and valuable for shareholders
 - Investment tax credit
 - Government guarantees
- ◆ Regulatory certainty needed for investment

TNMP Q2 Goals and Progress

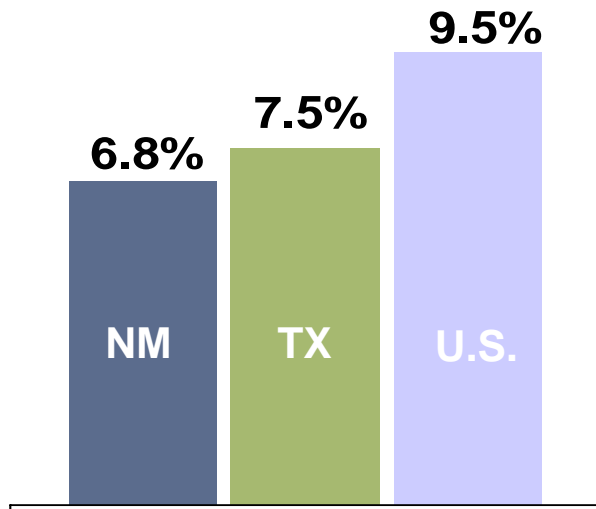
- ◆ Achieving appropriate regulatory treatment
 - TNMP reached unopposed stipulation
 - \$12.7M increase to revenue
 - Proposed order on PUCT agenda for action on Aug. 13

- ◆ Streamlining capital deployment, managing costs and focusing on fundamentals
 - Solid T&D reliability
 - Managing costs
 - 2009 cap-ex reduced \$5M from Q1 plan

Economic Conditions

Recession did not deepen its impact on regulated businesses

Unemployment Rate⁽¹⁾



Total Retail Energy Sales

(weather-normalized and leap-year adjusted)

2009 vs. 2008

	Q1	Q2	YTD
PNM	-3.7%	-2.6%	-3.2%
TNMP	-3.0%	0.7%	-1.0%

Quarterly Customer Growth

	2009 vs. 2008			Q2 Avg. Customer Count
	Q1	Q2	YTD	
PNM	0.8%	0.8%	0.8%	498,700
TNMP	1.2%	0.6%	0.9%	230,700

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

First Choice Power & Optim Energy

Jeff Sterba

PNM Resources Chairman & CEO

First Choice Power: Restoring Value

- ◆ YTD financial performance ahead of plan
- ◆ Average retail margins remain strong
 - Continuing to benefit from lower power prices, streamlined operations and management focus
 - Expecting Q3, Q4 margins to be closer to historical levels as pricing better reflects market
- ◆ Continuing efforts to curb bad debt
 - Increased commercial portfolio, credit standards and improved customer service

Optim Energy: Building Value

- ◆ Achieving 2009 EBITDA target range of \$55M to \$70M, despite lower energy prices
- ◆ Accomplishing growth strategy
 - Cedar Bayou 4 (275 MW) commercially operational in ERCOT on June 24
 - Completed early and under budget
- ◆ Focusing on cost control, liquidity management
- ◆ Sustaining solid power plant performance

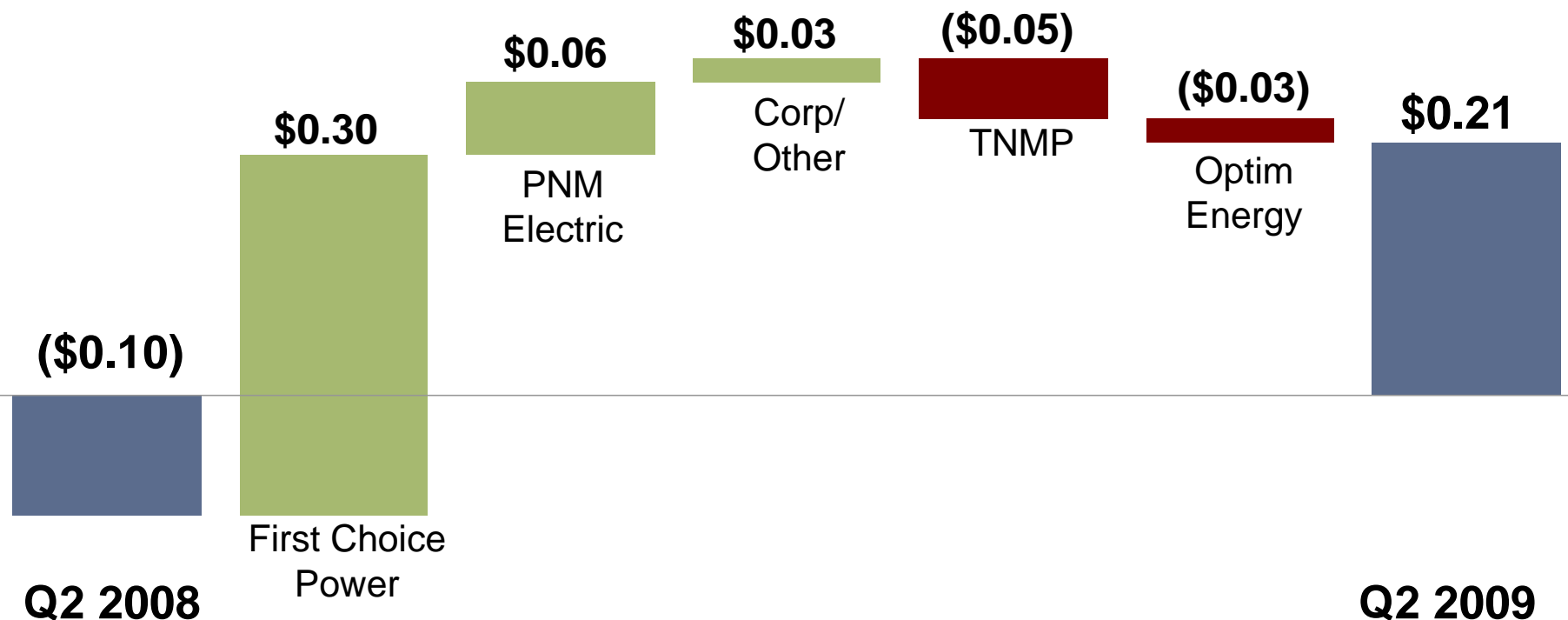
Financial Overview

Chuck Eldred

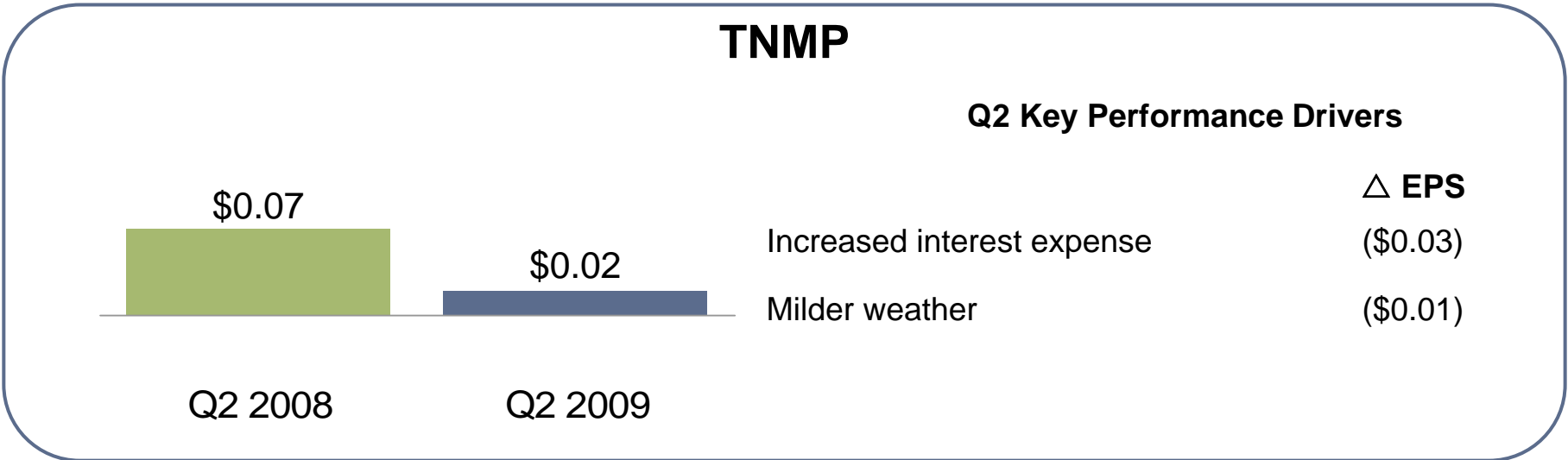
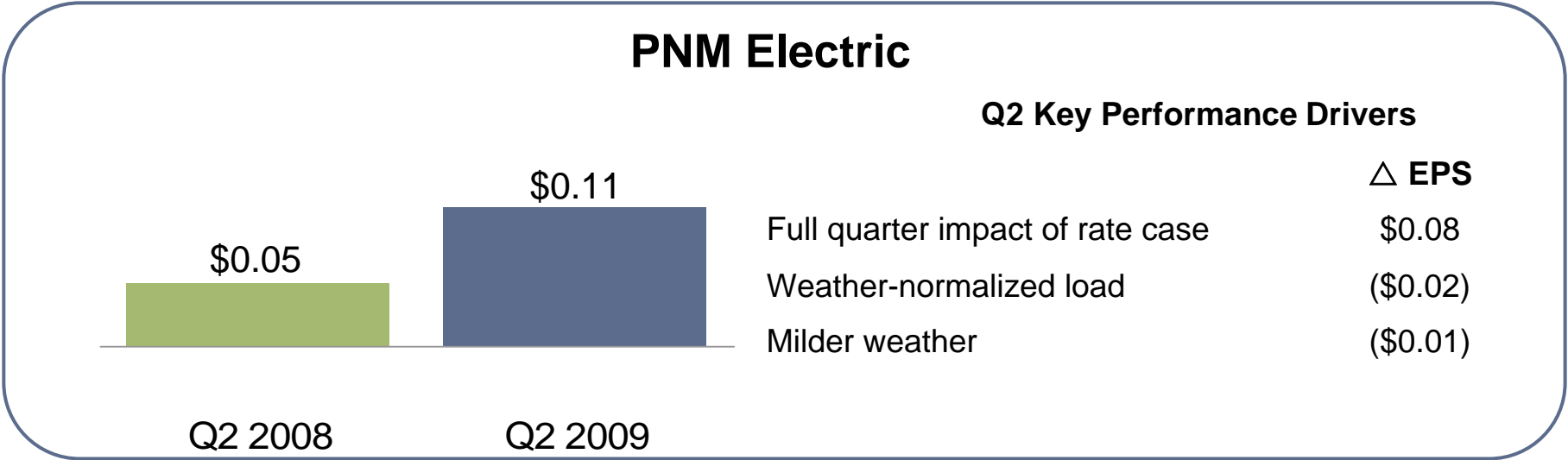
Executive Vice President & CFO

Q2 2009 EPS (Ongoing)

- ◆ Ongoing EPS up to \$0.21 from last year's loss of \$0.10
 - Main drivers: Improved performance at FCP, full year impact of rate relief and continued focus on cost control
- ◆ YTD cash earnings up substantially from last year
- ◆ Liquidity remains strong



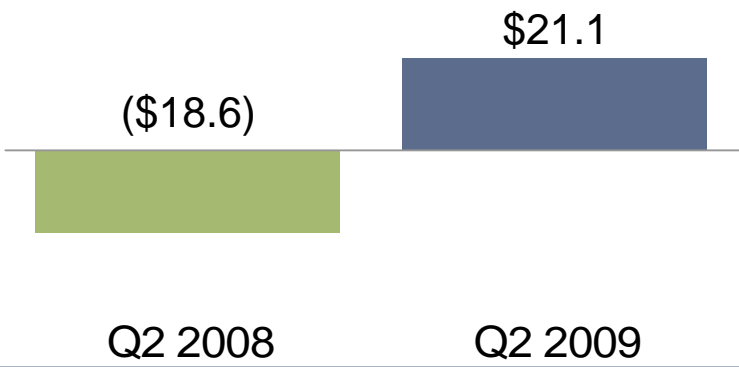
Regulated Operations: Q2 2009 EPS (Ongoing)



Unregulated Operations: Q2 2009 EBITDA (Ongoing)

First Choice Power

(In millions)

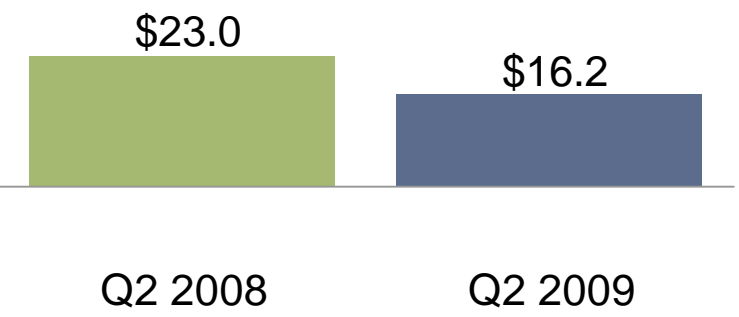


Q2 Key Performance Drivers

	Δ EBITDA
Increased margins	\$43.8
Bad debt	(\$1.1)
Marketing initiatives	(\$1.4)

Optim Energy (100%)

(In millions)



Q2 Key Performance Drivers

	Δ EBITDA
Lower energy prices	(\$7.3)
Twin Oaks scheduled outage	(\$1.6)
Increased O&M	(\$1.1)
Cedar Bayou 4	\$3.9

2009 Earnings Outlook (Ongoing)

- ◆ Updating EPS outlook to reflect impact of rate case settlements

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

Impact of PNM rate case	0.12
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Impact of TNMP stipulation, if approved	0.03
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2009 Outlook as of 7/31/2009	<u>\$0.40 - \$0.55</u>
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- ◆ Expect to be at high end of range with potential to exceed
- ◆ Affirming unregulated operations' EBITDA outlook, with First Choice Power having the potential to exceed

2009 Cash Earnings Outlook (Ongoing)

- ◆ Increasing cash earnings outlook to reflect timing of tax refund and cash impact of rate case settlements

2009 Cash Earnings Outlook as of 5/1/2009 (no rate relief) \$250M - \$270M

Changes

Tax refund	47
Cash impact of rate settlements	10
Customer refund of SO ₂ allowances	(4)
Other	2

2009 Cash Earnings Outlook as of 7/31/2009 \$305M - \$325M

- ◆ Liquidity:
 - Available liquidity: \$782M ⁽¹⁾
 - Expected available liquidity as of 12/31/2009: \$680M

For definition of cash earnings, see page 33

(1) For Liquidity table, see page 34

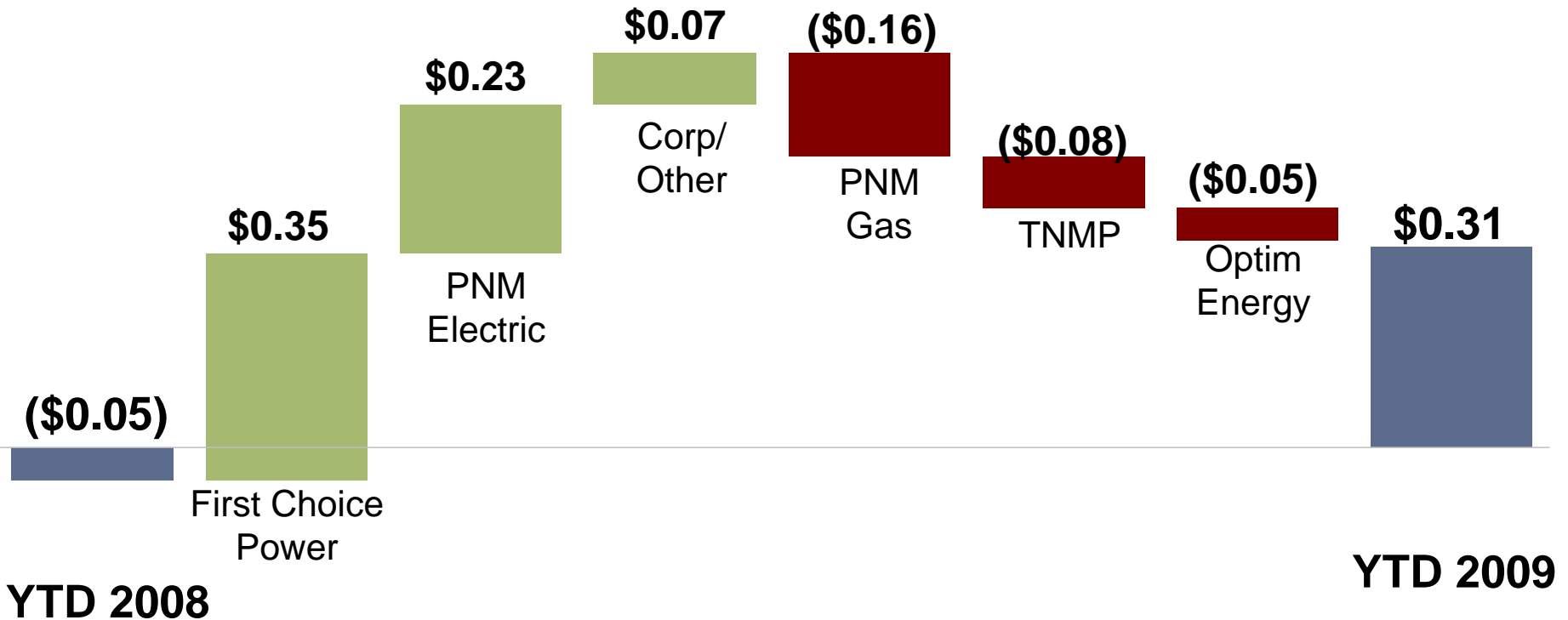
2009 Checklist

- Achieve successful outcomes in PNM and TNMP rate cases
 - ✓ PNM rate case settled, new rates in effect July 1; TNMP unopposed stipulation hearing Aug. 13
- Restore First Choice Power's sustainable earnings potential
 - ✓ YTD financial performance ahead of plan
- 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 an additional \$22M from the Q1 plan for a total of \$375M
- Maintain top quartile performance in reliability
 - ✓ Second quarter results on target
- Strong operational performance at all baseload units
 - ✓ Weighted-average baseload EAF June YTD 2009: 83.8% compared to June YTD 2008: 74.1%
- Improve credit metrics
 - ✓ June YTD cash earnings up \$46M (29%) vs. comparable period last year

Questions & Answers

Appendix

2009 EPS YTD Walk Across (Ongoing)



Weather

Heating Degree Days

Three months ended June 30

	2009	2008	Normal
PNM	285	370	284
TNMP	62	46	47

Heating Degree Days

Six months ended June 30

	2009	2008	Normal
PNM	2,029	2,466	2,214
TNMP	905	942	990

Cooling Degree Days

Three months ended June 30

	2009	2008	Normal
PNM	409	478	481
TNMP	1,087	1,156	1,039

Cooling Degree Days

Six months ended June 30

	2009	2008	Normal
PNM	410	478	482
TNMP	1,210	1,269	1,124

PNM 2009 Rate Case Earnings Impact

	<u>2009</u>	<u>2010</u> (In millions)	<u>Approved Stipulation</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	70.4	77.1
Delta & Valencia demand charges recovered in fuel clause ⁽¹⁾	(12.6)	(25.3)	(25.3)
Incremental revenues	13.0	45.1	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

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

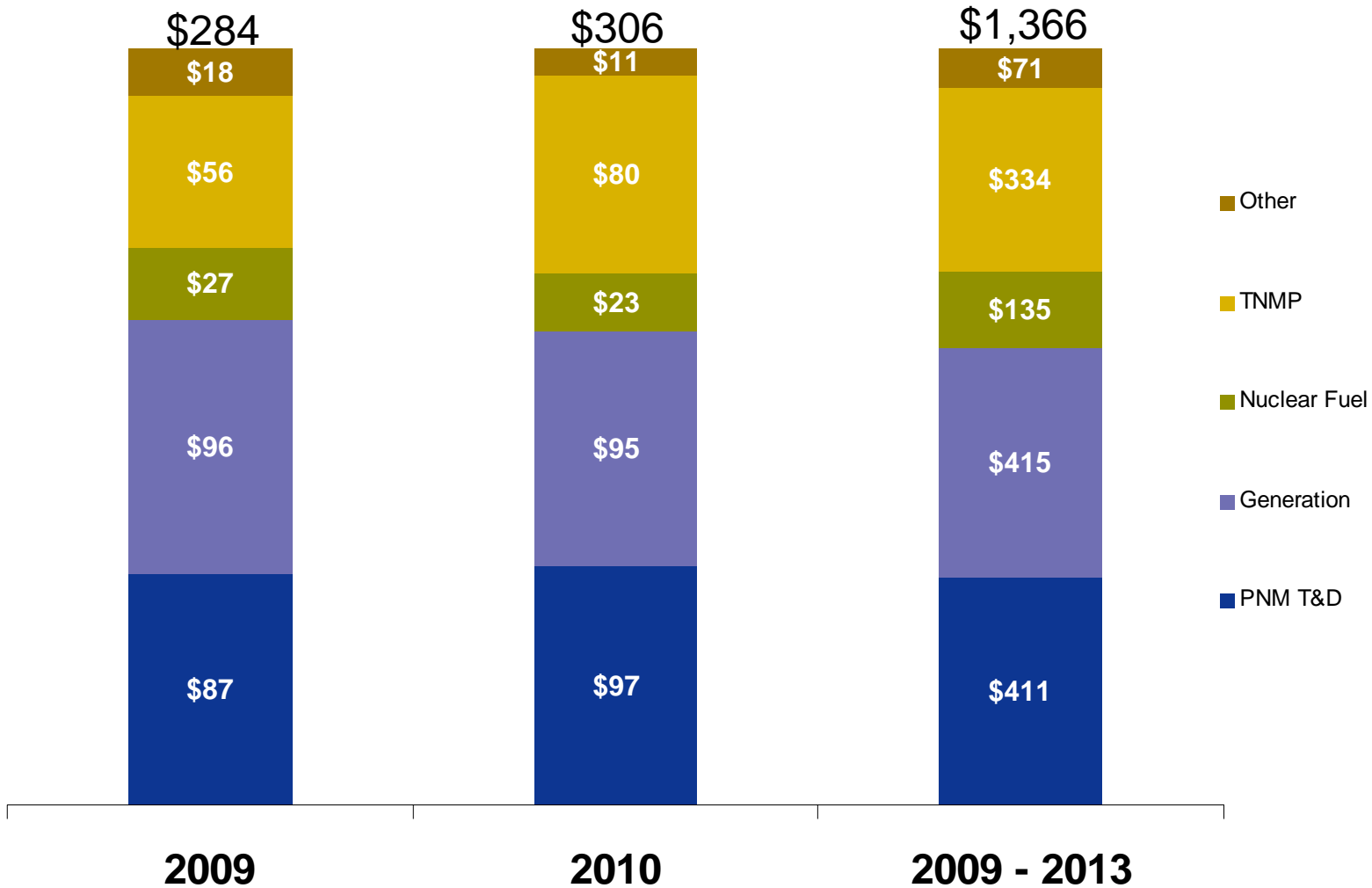
Expanding Renewable Portfolio

The New Mexico Renewable Energy Act provides:

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

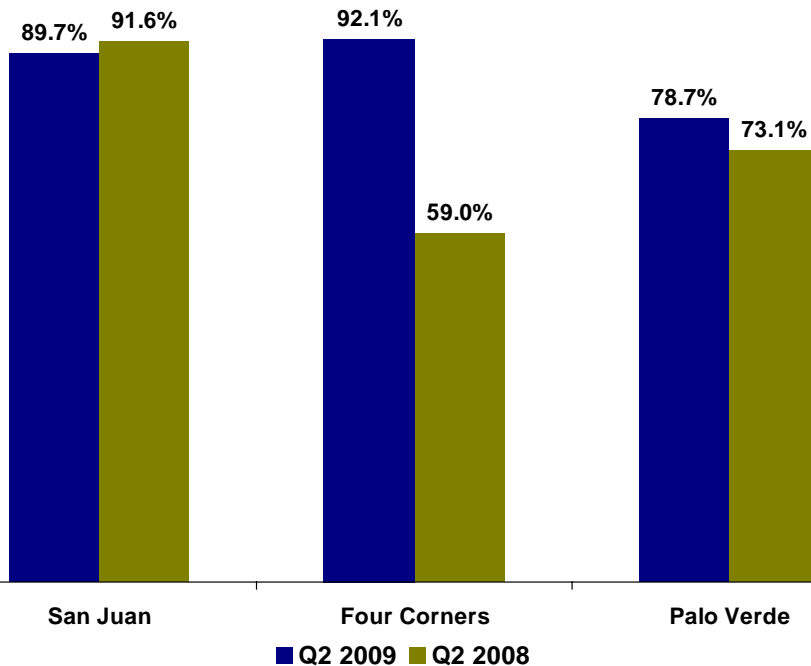
PNM Resources Capital Spending Plan

(In millions)

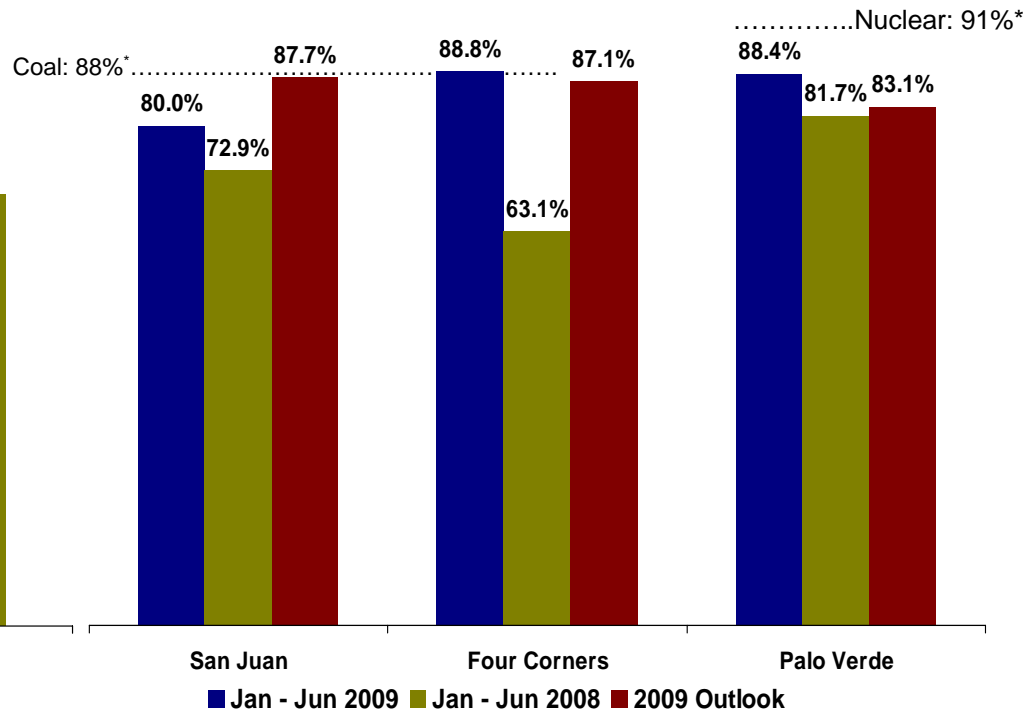


PNM Plant EAF

Q2 2009



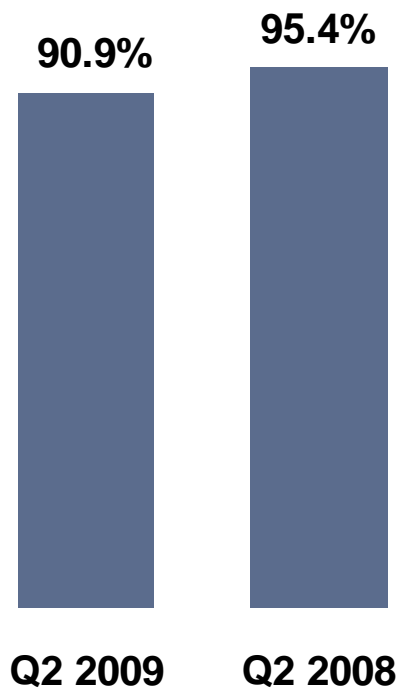
YTD 2009



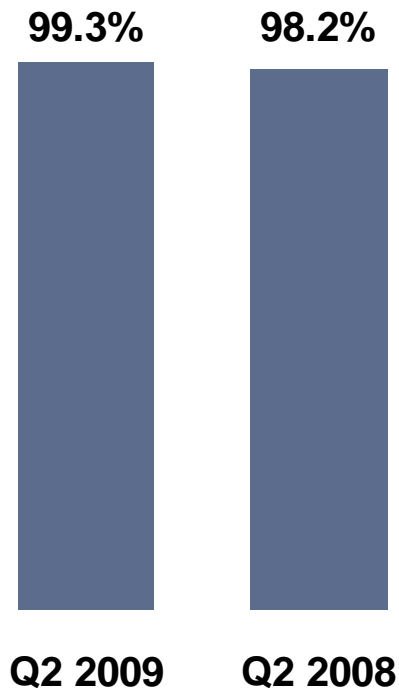
* Annual top quartile numbers from the North American Electricity Reliability Council

Optim Energy Plant Performance

**Twin Oaks
EAF**



**Altura Cogen
AF**



Planned Outages

Altura Cogen	
Duration (days)	Time Period
4	Q3 2009
58	Q4 2009

Optim Energy EBITDA

Calculation of Optim Energy Ongoing EBITDA

	<u>Three Months Ended</u> <u>June 30, 2009</u>	<u>Six Months Ended</u> <u>June 30, 2009</u>
	(In millions)	
GAAP Net Earnings	\$ (14.1)	\$ (11.0)
Interest expense	3.0	5.5
Income tax	(0.1)	0.1
Depreciation and amortization expense	7.4	15.1
Purchase accounting amortization	4.2	8.7
Losses on forward mark on economic hedges	15.8	6.4
	<u>16.2</u>	<u>24.8</u>
Ongoing Optim Energy EBITDA		
	<u>16.2</u>	<u>24.8</u>
50 percent of Ongoing EBITDA (PNMR share)	<u>\$ 8.1</u>	<u>\$ 12.4</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.

Hedging

First Choice Power

Hedging strategy is to manage as flat of a book as possible, meaning sales volumes match purchase volumes.

- ◆ Nearly 100% hedged for residential term customers. ~ 75% of residential customers are term customers
- ◆ Portfolio constantly adjusted for new acquisitions and changes in forecasted weather and attrition assumptions

Optim Energy

Optim Energy's hedging strategy is to optimize its generation portfolio between energy and ancillary service markets on a forward, day-ahead and real-time basis. Hedges are placed on a rolling four-quarter basis. Longer-term hedges are considered under the right market conditions.

- ◆ Percent of gross generation hedged for remainder of 2009: 50%

Cash Earnings

- ◆ **Cash earnings increases transparency into company's internally generated cash flow and financial performance**
 - Calculated primarily from SEC reports

Components of Cash Earnings

	June YTD	
	2009	2008
	(In millions)	
Net cash flows from operating activities	\$ (34)	\$ 13
+/- adjustments in arriving at cash earnings		
Changes in certain current assets & liabilities ⁽¹⁾	77	49
Taxes on PNM Gas sale proceeds ⁽²⁾	126	-
Return of principal on Palo Verde lessor notes	12	11
Payments received from Palo Verde firm-sales contracts	15	73
PNMR share of Optim Energy cash earnings ⁽³⁾	9	13
Total Cash Earnings	\$ 205	\$ 159

⁽¹⁾ Including bad debt expense

⁽²⁾ Taxes on the proceeds from the PNM Gas sale are included in net cash flows from operating activities while the gross proceeds from the sale are reflected in investing activities. As a result, the taxes are added back to arrive at cash earnings.

⁽³⁾ Optim Energy cash earnings defined as net cash flows from operating activities less changes in certain current assets & liabilities

Liquidity

	PNM Resources ⁽¹⁾	PNM Separate	TNMP Separate	PNM Resources Consolidated
	(In millions)			
Financing				
Revolving credit facility	\$ 600.0	\$ 400.0	\$ 75.0	\$ 1,075.0
Local lines of credit	10.0	8.5	-	18.5
Total Financing Capacity	\$ 610.0	\$ 408.5	\$ 75.0	\$ 1,093.5
Outstanding Balances as of 7/28/09				
Total borrowings & letters of credit	\$ 226.3	\$ 92.2	\$ 1.5	\$ 320.0
Remaining availability	383.7	316.3	73.5	773.5
Cash balances	3.3	5.6	0.0	8.9
Available Liquidity as of 7/28/09	\$ 387.0	\$ 321.9	\$ 73.5	\$ 782.4

⁽¹⁾ Includes First Choice Power

Selected Balance Sheet Information

	Dec 31, 2008	June 30, 2009
	(In millions)	
Long-Term Debt (incl. current portion)		
PNM	\$ 1,056	\$ 1,056
TNMP	168	309
PNMR	361	204
Consolidated	<u>\$ 1,585</u>	<u>\$ 1,569</u>
Total Debt (incl. short-term)		
PNM	\$ 1,396	\$ 1,101
TNMP*	318	309
PNMR	615	344
Consolidated	<u><u>\$ 2,329</u></u>	<u><u>\$ 1,754</u></u>

* Excludes debt from affiliate

Credit Ratings

Senior Unsecured Debt

S&P

PNM Resources	BB-
PNM	BB+
TNMP*	BB+
<i>Outlook: Negative</i>	

Moody's

PNM Resources	Ba2
PNM	Baa3
TNMP*	Baa3
<i>Outlook: Negative</i>	

Fitch

PNM Resources	BB
PNM	BB+
TNMP*	BBB-
<i>Outlook: Stable</i>	

*TNMP does not have any unsecured debt outstanding.

TNMP First Mortgage Bonds

S&P

BBB-
<i>Outlook: Negative</i>

Moody's

Baa2
<i>Outlook: Negative</i>

Fitch

BBB
<i>Outlook: Stable</i>

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 Stipulation filed July 2009	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

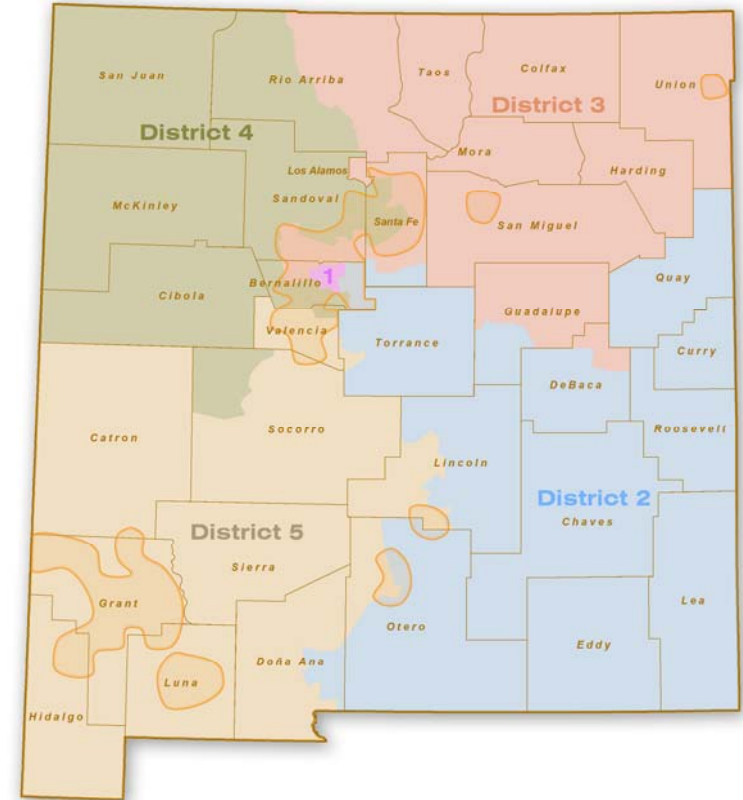
⁽²⁾ Formerly known as TNMP-New Mexico

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 Data 2003. PNM Service Areas based on existing primary electrical distribution infrastructure. Map created by PNM Innovative Software Solutions, July 2009