



## 2009 West Coast Seminar



**Don Tarry**  
Executive Director  
Financial Planning & Business Analysis

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#### Non-GAAP Financial Measures

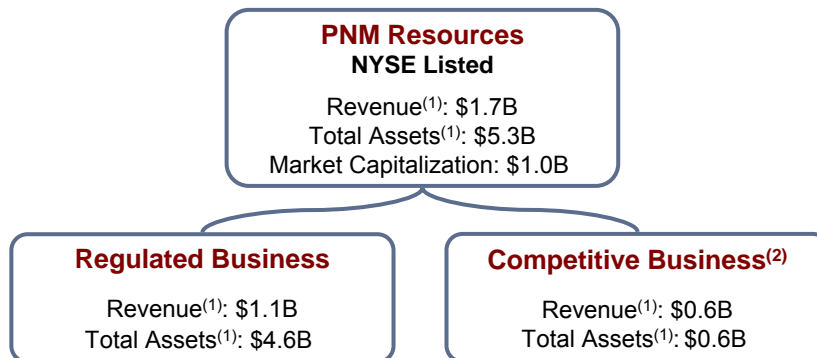
For an explanation of the non-GAAP financial measures that appear on certain slides in this presentation (ongoing earnings, ongoing earnings per diluted share, ongoing EBITDA, and cash earnings), as well as a reconciliation to GAAP measures, please refer to the Company's website as follows:  
<http://www.pnmresources.com/investors/results.cfm>

## PNM Resources Overview

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### Well-balanced Diversified Utility

- ▶ **Balanced risk position:** Regulated business accounts for 70-75% of EBITDA
- ▶ **Diversified:** Geographically and operationally



<sup>(1)</sup> 2009 Estimate

<sup>(2)</sup> Optim Energy is accounted for by the equity method of accounting. As result, Optim Energy's 2009 estimated revenues of \$350M are not reflected in competitive business revenues and total assets only reflect PNMR's equity investment in Optim Energy of \$0.2B

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# Regulated Businesses

## New Mexico and Texas Service Territories



- Located in New Mexico
- 498,600 customers
- 14,653 miles distribution lines
- 2,706MW capacity



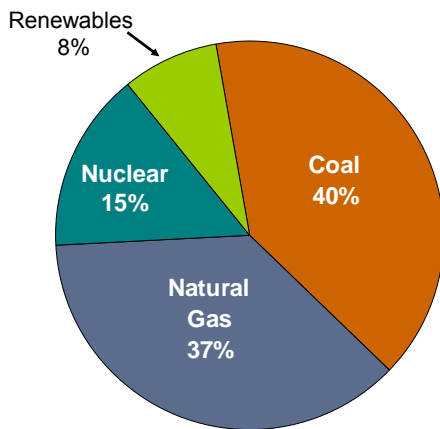
- Located in Texas
- 231,900 customers
- 9,845 miles of distribution lines

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2

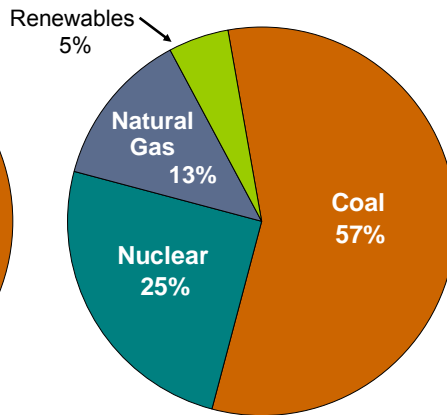
# PNM Diversified Fuel Mix

**Current Capacity** <sup>(1,2)</sup>  
2,706MW



**Energy Sales** <sup>(1)</sup>  
12,968 GWh

Based on last 12 months



<sup>(1)</sup> Includes PNM generation and long-term purchase power contracts

<sup>(2)</sup> Includes 134MW of unregulated nuclear capacity at Palo Verde

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3

## Expanding Renewable Portfolio

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- ▶ PNM's renewable plan includes ~70MW new solar, online in 2011
- ▶ Plan calls for pursuing ownership
  - Stimulus, other changes make ownership more economical for customers and more valuable for shareholders
- ▶ The New Mexico Renewable Energy Act provides:
  - Streamlined proceedings for approval of utilities' renewable energy procurement plans
  - Assures recovery of program costs under approved plan
  - Portfolio standards as percent of retail sales:
    - 10% by 2011
    - 15% by 2015
    - 20% by 2020

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4

## Achieving Fair Regulatory Treatment

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### **PNM Electric**

- ▶ File future-test-period rate case in Q2 2010; proposed new rates to be implemented April 2011
- ▶ Ownership of additional renewable assets by 2011
- ▶ Expanded energy efficiency programs with incentives

### **TNMP**

- ▶ Annual Transmission Cost of Service (TCOS) filing
- ▶ Potential rate case filing 2010-2011

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5

## First Choice Power

**First Choice Power**  
Simply Better



- ▶ Acquired in June 2005
- ▶ Fifth-largest Retail Electric Provider in ERCOT
- ▶ 232,100 customers
- ▶ 2009E ongoing EBITDA: \$55-\$60M
- ▶ 84 employees
- ▶ Streamlined, efficient scalable business model
- ▶ Well-positioned in attractive high-growth customer markets

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6

## Optim Energy



Altura Cogen



Cedar Bayou 4 artist rendition

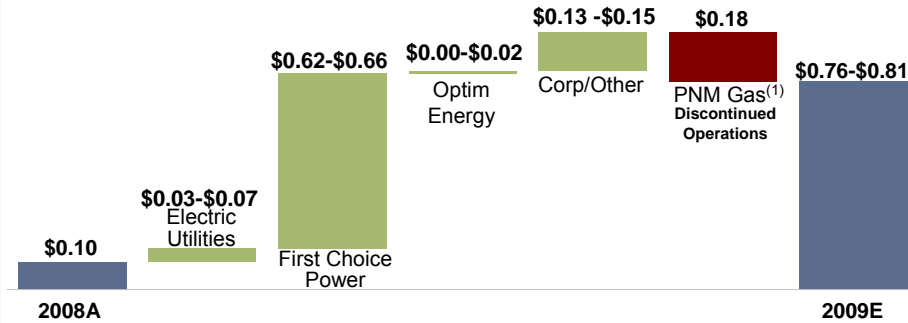
- ▶ Unregulated generation and services company in ERCOT
- ▶ Formed in 2007 between PNM Resources & subsidiary of Cascade Investment, LLC
- ▶ 2009E ongoing EBITDA: \$60-65M
- ▶ 1,180MW in North, Houston zones
  - 305-MW Twin Oaks Power, lignite coal
  - 600-MW Altura Cogen, natural gas
  - 275-MW Cedar Bayou 4, natural gas

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7

## Improved 2009 Earnings (Ongoing)

- ▶ Guidance range increased from \$0.25-\$0.40 to \$0.76-\$0.81
- ▶ Improvement driven by First Choice Power, regulatory relief



Note: Numbers do not add across

<sup>(1)</sup> PNM Gas operations were sold in January 2009.

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8

## Reduced Debt Significantly in 2009

### Capital Structure (In millions)

	<u>12/31/2008</u>	<u>9/30/2009</u>
Total debt	\$2,329	\$1,726
Equity	1,758	1,805
Total capital	\$4,087	\$3,531

### Percentage of Debt to Total Capital

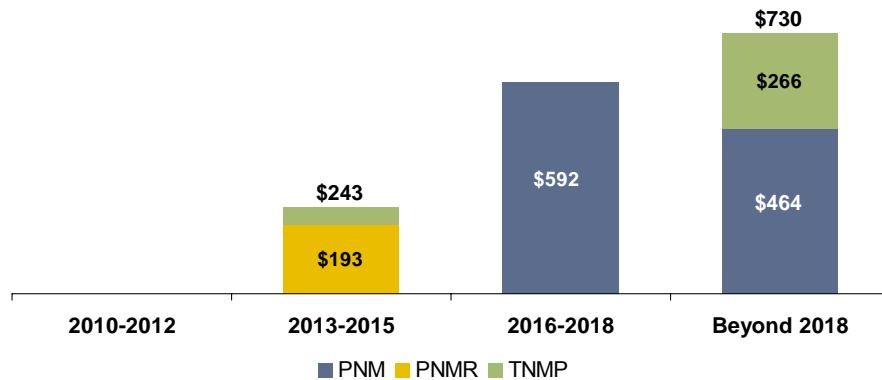


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9

## Minimal Upcoming Refinancing Risk

### Long-term Debt Maturities (In millions)



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10

## Summary

- ▶ Diverse business portfolio
- ▶ Regulated business well positioned for growth
  - Future-test-year rate case
  - Growing rate base
  - Investment in renewables and transmission
- ▶ Presence in ERCOT market:
  - Generation
  - T&D
  - Retail
- ▶ Improving credit metrics
  - Solid liquidity
  - No long-term debt maturity through 2012

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11

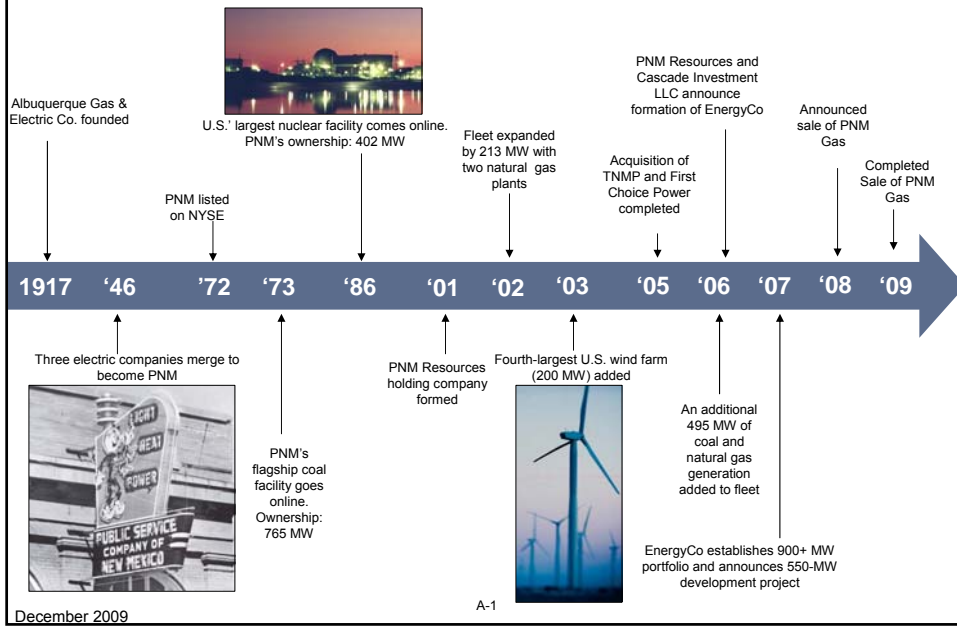
## 2009 Checklist

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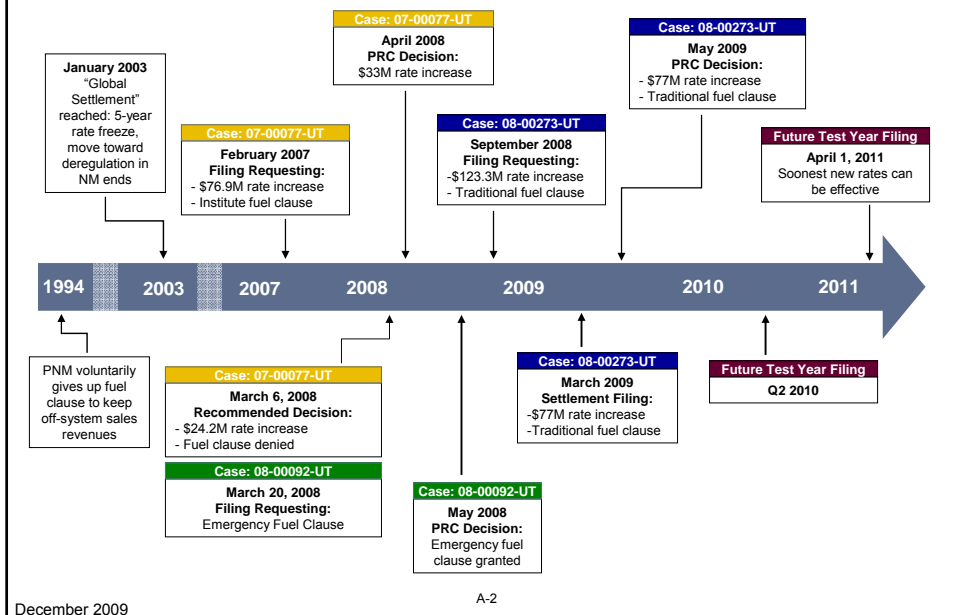
- Achieve successful outcomes in PNM and TNMP rate cases**  
PNM rates implemented July 1; TNMP rates implemented Sept. 1
- Restore First Choice Power's sustainable earnings potential**  
✓ YTD financial performance exceeding expectations
- Grow EBITDA to targeted levels at Optim Energy**  
✓ On track 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

## Appendix

# Company History



# Timeline of PNM Rate Cases



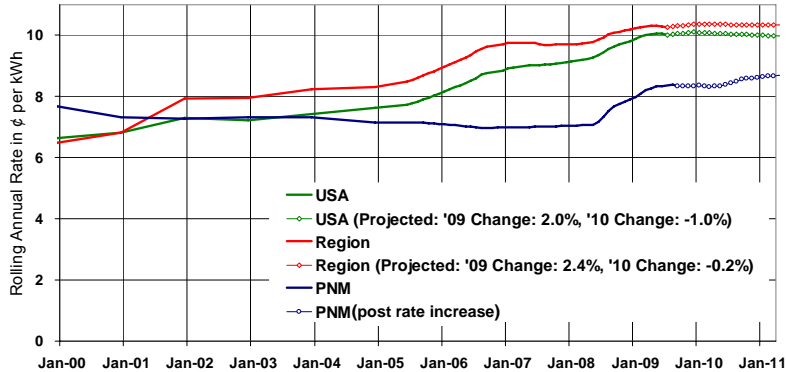
# PNM Retail Rate Comparison

Even after the April 1, 2010 implementation of the second phase of PNM's rate increase, average PNM retail rates are projected to be 13% below the U.S. and 16% below regional rates

## Annual RETAIL Rate Comparison Over Time

Region Includes: AZ, CA, CO, ID, MT, NM, NV, OR, TX, UT, WA, and WY

Source: Energy Information Administration & PNM Stipulation data



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A-3

# Rate Base

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

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

<sup>(2)</sup> Formerly known as TNMP-New Mexico

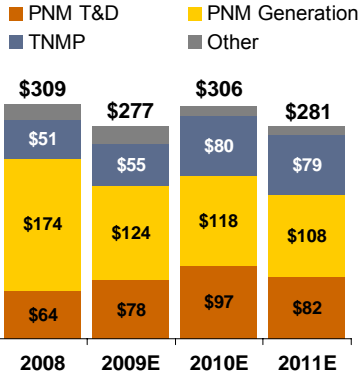
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A-4

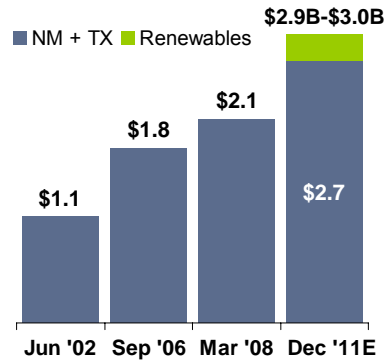
# Capital Spend Drives Solid Rate Base Growth

Despite a \$379M reduction in 5-year capital spending, regulated rate base is still expected to grow

**Electric Capital Spending**  
(In millions)



**Electric Rate Base<sup>(1)</sup>**  
(In billions)



<sup>(1)</sup> 2011 estimated rate base is subject to change based on future capital spending revisions and final decision on renewable generation mix. Amounts include rate base associated with firm wholesale contracts

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A-5

# PNM 2009 Rate Case Earnings Impact

	2009	2010 (In millions)	Annual
Phase-in # 1 (65% implemented July 1, 2009)	\$ 25.6	\$ 50.1	
Phase-in # 2 (Remaining 35% starting April 1, 2010)		20.2	
<b>Total increase in test period non-fuel revenues</b>	<b>25.6</b>	<b>70.3</b>	<b>77.1</b>
Delta & Valencia demand charges recovered in fuel clause <sup>(1)</sup>	(12.6)	(25.3)	(25.3)
<b>Incremental revenues</b>	<b>13.0</b>	<b>45.0</b>	<b>51.8</b>
After-tax	\$ 7.8	\$ 27.2	\$ 31.3
EPS at 91.7M shares	\$ 0.09	\$ 0.30	\$ 0.34

<sup>(1)</sup> 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.

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A-6

## TNMP Stipulation Earnings Impact

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

December 2009

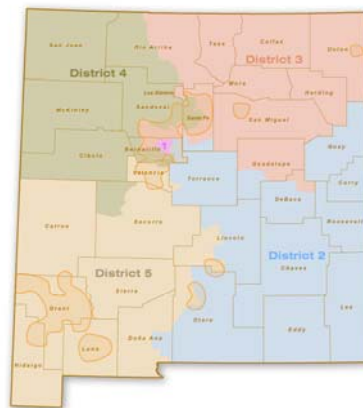
A-7

## NMPRC Commissioners and Districts

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

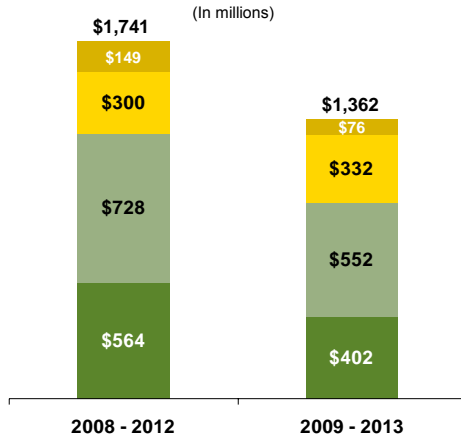
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A-8

# Streamlining Consolidated Capital

Reduced forecasted 5-year capital spending by \$379 million

■ PNM T&D ■ Generation ■ TNMP ■ Other (incl. \$3M of PNM Gas capital)



- ▶ Delay of new plant construction due to inclusion of the Luna & Lordsburg plants into rate base
- ▶ Lower load growth expectations
- ▶ Reduction in nuclear fuel costs
- ▶ Completion of San Juan environmental upgrades
- ▶ TNMP increase targeted for transmission expansion

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A-9

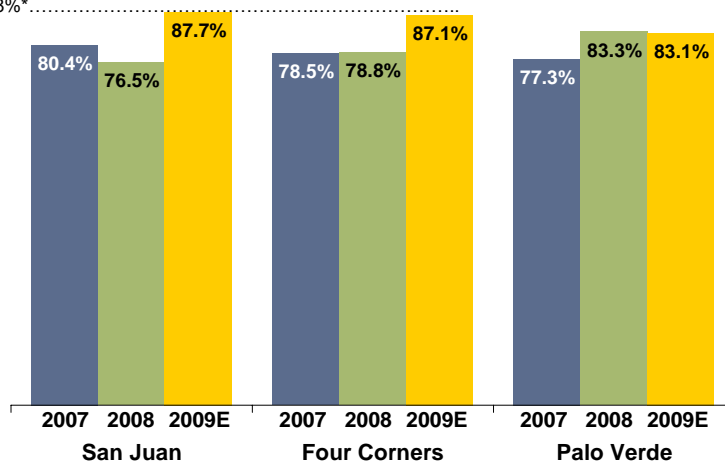
# PNM Plant Performance (Equivalent Availability Factors)

Top Quartile

Coal: 88%\*

Top Quartile

Nuclear: 92%\*

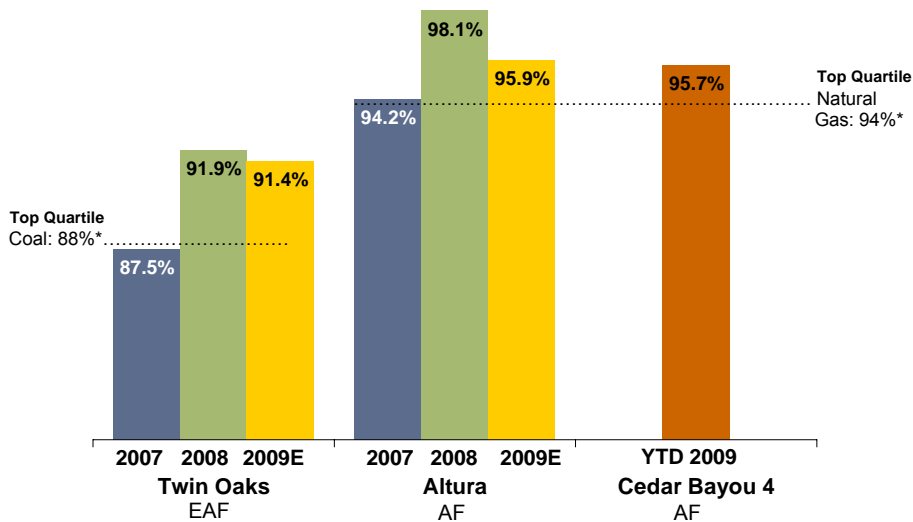


\* Annual top quartile numbers from the North American Electricity Reliability Council

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A-10

# Optim Energy Plant Performance



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

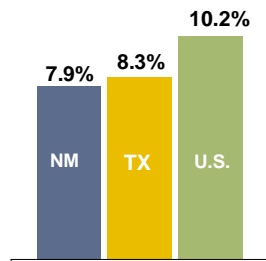
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A-11

# Economic Conditions

## Recession impact on regulated businesses appears to have bottomed out

### October 2009 Unemployment Rate<sup>(1)</sup>



### Total Retail Energy Sales

(weather-normalized and leap-year adjusted)

	2009 vs. 2008			
	Q1	Q2	Q3	Jan.-Sept.
PNM	-3.7%	-2.6%	-2.5%	-2.9%
TNMP	-3.0%	0.7%	0.6% <sup>(2)</sup>	-0.3% <sup>(2)</sup>

### Quarterly Customer Growth

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

<sup>(1)</sup> U.S. Bureau of Labor Statistics, October 2009

<sup>(2)</sup> 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

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A-12

## 2009 Outlook (Ongoing)

### Increasing Earnings Outlook for 2009

	<u>Ongoing EPS</u>
<b>2009 Outlook as of 2/6/2009</b> (no rate relief)	<b>\$0.25 - \$0.40</b>
<b>Changes</b>	
Impact of PNM rate case	0.12
Impact of TNMP rate case	0.03
<b>2009 Outlook as of 7/31/2009</b>	<b><u>\$0.40 - \$0.55</u></b>
<b>Changes</b>	
Improved Performance at First Choice Power	0.25
Optim Energy	0.03 - 0.04
<b>2009 Outlook as of 10/29/2009</b>	<b><u>\$0.76 - \$0.81</u></b> <sup>(1)</sup>

(1) Not additive

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A-13

## Cash Earnings

### Cash earnings increases transparency into company's internally generated cash flow and financial performance

- Calculated primarily from SEC reports
- Company to provide annual forward-looking outlook

#### Components of 2008 Cash Earnings

(in millions)

<b>Cash Earnings</b>	
<b>Net cash flows from operating activities</b>	<b>\$88</b>
+/- adjustments in arriving at cash earnings	
Changes in certain current assets & liabilities	53
Return of principal on Palo Verde lessor notes	23
Payments received from Palo Verde firm-sales contracts	89
PNMR share of Optim Energy cash earnings <sup>1</sup>	<u>14</u>
<b>Total Cash Earnings</b>	<b><u>\$267</u></b>

<sup>1</sup> Optim Energy cash earnings defined as net cash flows from operating activities less changes in certain current assets & liabilities

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A-14

## Available Liquidity Remains Solid

### Available Liquidity as of 10/26/09

	PNM Resources <sup>(1)</sup>	PNM Separate	TNMP Separate	PNM Resources Consolidated
	(In millions)			
<b>Financing</b>				
Revolving credit facility	\$ 600.0	\$ 400.0	\$ 75.0	\$ 1,075.0
Local lines of credit	5.0	5.0	-	10.0
<b>Total Capacity</b>	<b>\$ 605.0</b>	<b>\$ 405.0</b>	<b>\$ 75.0</b>	<b>\$ 1,085.0</b>
<b>Outstanding Balances</b>				
Total short-term debt & LOC	\$ 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
<b>Available Liquidity</b>	<b>\$ 516.9</b>	<b>\$ 298.7</b>	<b>\$ 53.5</b>	<b>\$ 869.1</b>

<sup>(1)</sup> Includes First Choice Power

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A-15

## 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*

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A-16

## Investor Relations Contacts

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### **Analysts**

Gina Jacobi  
Director, Investor Relations  
(505) 241-2211  
Gina.Jacobi@pnmresources.com

### **Analysts & Media**

Frederick Bermudez  
(505) 241-4831  
Frederick.Bermudez@pnmresources.com