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PNM Resources

# Investor

NEWS RELEASE

**For Immediate Release**
Feb. 23, 2010

## PNM Resources Reports Solid 2009 Earnings

First Choice Power posts strong year; PNM utility results improve
Management to discuss 2010 earnings outlook during conference call today

**FOURTH-QUARTER SUMMARY**

- Quarterly GAAP (generally accepted accounting principles) losses of $0.19 per diluted share, compared with losses of $0.82 per diluted share in 2008
- Quarterly ongoing results of $0.00 per diluted share, compared with losses of $0.14 per diluted share in 2008

**2009 SUMMARY**

- GAAP earnings of $1.36 per diluted share, compared with losses of $3.24 per diluted share in 2008
- Ongoing earnings of $0.94 per diluted share, compared with $0.10 per diluted share in 2008

**(ALBUQUERQUE, N.M.) –** PNM Resources (NYSE: PNM) today reported unaudited 2009 year-end consolidated GAAP earnings of $124.3 million, or $1.36 per diluted share, compared with 2008 losses of $270.6 million, or $3.24 per diluted share.

Year-end unaudited, consolidated ongoing earnings were $86.3 million, or $0.94 per diluted share, compared with 2008 earnings of $8.2 million, or $0.10 per diluted share. Ongoing earnings exclude various special items. Reconciliations of GAAP to non-GAAP measures such as ongoing earnings and EBITDA (earnings before interest charges, income taxes, depreciation and amortization) are shown in the attached schedules 1 through 8.

"Our 2009 results, which are a dramatic improvement over 2008, reflect a better regulatory framework for our utilities, significant improvement by First Choice Power and modest growth for Optim Energy," said Jeff Sterba, PNM Resources chairman and CEO. "Clearly, 2009 was an important and successful year for PNM Resources and our subsidiaries.

"We are cautiously optimistic for 2010 as the nation digs its way out of the economic downturn, which has affected all of our subsidiaries' financial performance," Sterba said. "Nevertheless, uncertainty remains regarding environmental regulatory initiatives and cost pressures that pose challenges for our utilities and the electric utility industry."

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## FOURTH-QUARTER RESULTS

As expected, fourth-quarter financial performance resulted in a loss for the company. PNM Resources reported quarterly unaudited consolidated GAAP losses of $17.3 million, or $0.19 per diluted share, compared with losses of $73.0 million, or $0.82 per diluted share, in 2008. Unaudited, consolidated ongoing losses were $0.2 million, compared with losses of $12.5 million, or $0.14 per diluted share, in 2008.

Quarterly GAAP results reflect write-down of Optim Energy's inventory of $NO_X$ emission allowances that had been issued by the Texas Commission on Environmental Quality. The write-down reflects a decrease in the current market value of these allowances. PNM Resources' share of Optim Energy's after-tax write-down was $15.6 million for the quarter. In addition, quarterly GAAP results include the $3.0 million after-tax expense related to the settlement of disputes regarding the California energy crisis of 2000-2001, which is subject to FERC approval.

## SEGMENT REPORTING OF 2009 YEAR-END EARNINGS

### Regulated Operations

**PNM** – *a vertically integrated electric utility in New Mexico with distribution, transmission and generation assets.*

- PNM reported ongoing earnings of $45.8 million, or $0.50 per diluted share, compared with $15.7 million, or $0.19 per diluted share, in 2008. GAAP earnings were $19.5 million, or $0.21 per diluted share, compared with losses of $67.0 million, or $0.82 per diluted share, in 2008.
- Higher retail rates implemented in July and the ability to recover fuel costs through the fuel and purchased power cost adjustment clause, combined with the impact of a full year of the 2008 rate increase, improved earnings. Load declined 1.7 percent in 2009 compared with 2008.

**TNMP** – *an electric transmission and distribution utility in Texas.*

- TNMP reported ongoing earnings of $11.9 million, or $0.13 per diluted share, compared with $23.2 million, or $0.28 per diluted share, in 2008. GAAP earnings were $12.2 million, or $0.13 per diluted share, compared with losses of $8.8 million, or $0.11 per diluted share, in 2008.
- Higher distribution maintenance costs, increased pension and benefit expenses and higher financing costs more than offset the September implementation of new transmission and distribution rates.

### Unregulated Operations

**First Choice Power** – *an unregulated retail electric provider in Texas.*

- First Choice Power reported ongoing earnings of $40.5 million, or $0.44 per diluted share, compared with losses of $23.8 million, or $0.28 per diluted share, in 2008. GAAP earnings were $44.4 million, or $0.48 per diluted share, compared with 2008 losses of $177.6 million, or $2.13 per diluted share.

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- Lower purchased power prices significantly improved average retail margins throughout the year and more than offset an 8.9 percent reduction of sales volumes. Bad-debt expense decreased from $51.8 million in 2008 to $41.2 million in 2009. As a percent of sales revenue, bad-debt expense decreased from 8.2 percent in 2008 to 7.8 percent in 2009.

**Optim Energy** – *jointly owned by PNM Resources and a subsidiary of Cascade Investment, L.L.C., Optim Energy owns interests in three generating assets in Texas, totaling nearly 1,200 megawatts.*

- PNM Resources' share of Optim Energy net ongoing losses was $0.6 million, or $0.01 per diluted share, compared with 2008 losses of $2.5 million, or $0.03 per diluted share. GAAP losses were $18.2 million, or $0.20 per diluted share, compared with 2008 losses of $17.9 million, or $0.21 per diluted share. GAAP losses were driven primarily by write-downs associated with emission allowances in both years and impairment charges in 2008.
- PNM Resources' share of Optim Energy's ongoing EBITDA was $31.9 million, compared with $24.5 million in 2008. Improvement resulted from the addition of Cedar Bayou 4, favorable hedged positions, Twin Oaks Power fuel savings and operational cost reductions.

**Corporate/Other** – *a segment that reflects costs at the PNM Resources holding company, mainly comprised of interest expense related to debt. For the purposes of this news release, the Corporate/Other segment excludes the results of Optim Energy as reported above.*

- Corporate/Other reported ongoing losses of $18.9 million, or $0.20 per diluted share, compared with 2008 ongoing losses of $26.4 million, or $0.32 per diluted share. GAAP losses were $4.3 million, or $0.04 per diluted share, compared with GAAP losses of $34.0 million, or $0.39 per diluted share, in 2008.
- Less outstanding debt, lower interest rates for short-term debt and the repurchase of certain senior unsecured notes reduced financing costs by $17.3 million.

### Discontinued Operations

**PNM Gas:** *On Jan. 30, 2009, PNM completed the sale of its natural gas utility to New Mexico Gas Co.*

- PNM Gas operations contributed $7.7 million, or $0.08 per diluted share, to ongoing earnings prior to its sale.

### 2010 EARNINGS GUIDANCE

PNM Resources today announced its 2010 earnings guidance range. Management expects 2010 ongoing earnings to be in the range of $0.60 to $0.72 per diluted share. The 2010 earnings range reflects lower projected earnings from First Choice Power due to declining average retail margins. Ongoing earnings from the company's regulated electric operations are projected to grow 5 percent to 15 percent in 2010 compared with 2009 results.

Management will discuss the 2010 earnings outlook in more detail during the 2009 earnings call.

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## 2009 EARNINGS CALL: 9 AM EST TODAY

PNM Resources will discuss 2009 earnings results and the 2010 outlook during a live conference call and Web cast **today at 9 a.m. Eastern**. Speaking on the call will be Jeff Sterba, PNM Resources chairman and CEO; Pat Vincent-Collawn, PNM Resources president and COO; and Chuck Eldred, PNM Resources executive vice president and CFO.

A live webcast of the call will be archived at http://www.pnmresources.com/investors/events.cfm. Listeners are encouraged to visit the Web site at least 30 minutes before the event to register, download and install any necessary audio software.

Investors, analysts and other participants can listen to the live conference call by dialing (888) 389-5997 (toll free) or (719) 325-2499 (toll) five to 10 minutes prior to the event and referencing "the PNM Resources 2009 earnings conference call." A telephone replay will be available at noon Eastern until midnight March 2 by dialing (888) 203-1112 (toll free) or (719) 457-0820 (toll) and using confirmation code 7026411.

Supporting material for PNM Resources' earnings announcements can be viewed and downloaded at http://www.pnmresources.com/investors/results.cfm.

## E-MAIL ALERTS, RSS FEEDS AVAILABLE

PNM Resources encourages analysts, investors and other interested parties to visit www.PNMResources.com and register to automatically receive company financial information by e-mail or RSS feeds. Once registered, participants can choose from a menu to automatically receive requested information, including news releases, notices of webcasts and filings with the U.S. Securities and Exchange Commission. Participants can unsubscribe at any time and will not receive information that was not requested.

**Background:**

PNM Resources (NYSE: PNM) is an energy holding company based in Albuquerque, N.M., with 2009 consolidated operating revenues from continuing operations of $1.6 billion. Through its utility and energy subsidiaries, PNM Resources has more than 2,710 megawatts of generation resources and serves electricity to more than 875,300 homes and businesses in New Mexico and Texas. The company also has a 50-percent ownership of Optim Energy, which owns nearly 1,200 megawatts of generation resources. For more information, visit the company's Web site at www.PNMResources.com.

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

Statements made in this news release 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 Company's ability to access the financial markets and negotiate new credit facilities for those expiring in 2011 and 2012, or Optim Energy's access to additional debt financing following the utilization of its existing credit facility, including actions by ratings agencies affecting the Company's credit ratings; the recession, its consequent extreme disruption in the credit markets, and its impacts on the electricity usage of the Company's customers; state and federal regulatory and legislative decisions and actions, including appeals of prior regulatory proceedings, and including provisions relating to climate change, reduction of green house gases, coal combustion byproducts, and other power plant emissions; the ability of PNM to meet the renewable energy requirements established by the N.M. 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 ability of PNM to successfully utilize a future test year in a rate filing with the NMPRC, including PNM's ability to accurately forecast operating and capital expenditures and withstand challenges by regulators and intervenors; 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 ERCOT 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 regarding 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 FPPAC will not be approved by the NMPRC; 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; the impact of mandatory energy efficiency measures on customer energy usage; 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 Company and Optim Energy may have to commit to substantial capital investments and additional operating costs to comply with new environmental requirements including possible future requirements to address concerns about global climate change, and the resultant impacts on the operations and economic viability of generating plants in which PNM and Optim Energy have interests; the risks associated with completion of generation, transmission, distribution, and other projects, including construction delays and unanticipated cost overruns; uncertainty surrounding the status of PNM's participation in jointly-owned projects resulting from the scheduled expiration of the operational documents for the projects beginning in 2015 and potential changes in the objectives of the participants in the projects; the outcome of legal proceedings; changes in applicable accounting principles, and the performance of state, regional, and national economies.

**Non-GAAP Financial Measures**

PNM Resources ("the Company") uses ongoing earnings and ongoing earnings per diluted share (or ongoing diluted earnings per share) and EBITDA (earnings before interest charges, income taxes, depreciation and amortization) and ongoing EBITDA to evaluate the operations of the Company and to establish goals for management and employees. While the Company believes these financial measures are appropriate and useful for investors, they are not measures presented in accordance with generally accepted accounting principles in the U.S. (GAAP). The Company does not intend for these measures, or any piece of these measures, to represent any financial measure as defined by GAAP. Furthermore, the Company's calculations of these measures as presented may or may not be comparable to similarly titled measures used by other companies.

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# PNM Resources
## Schedule 1
## 2009 Reconciliation of Ongoing to GAAP Earnings
## (Preliminary and Unaudited)

**Quarter Ended December 31, 2009**
(in thousands)

| | Utilities | | | | | | |
|---|---|---|---|---|---|---|---|
| | PNM Electric | TNMP Electric | PNM Gas | First Choice | Optim Energy (50%) | Corp/ Other | PNMR |
| **Ongoing Earnings (Loss)** | **$ 4,040** | **$ 2,827** | **$ -** | **$ 2,812** | **$ (3,425)** | **$ (6,477)** | **$ (223)** |
| **Adjusting items, net of income tax effects*** | | | | | | | |
| Mark-to-market impact of economic hedges | (84) | - | - | 1,559 | 228 | - | 1,703 |
| Gain on sale of gas operations** | - | - | (527) | - | - | - | (527) |
| Settlement of California energy crisis legal proceeding | (2,981) | - | - | - | - | - | (2,981) |
| Net change in unrealized impairments of NDT securities | 990 | - | - | - | - | - | 990 |
| Post sale discontinued operations | - | - | (552) | - | - | - | (552) |
| Regulatory disallowances | (155) | - | - | - | - | - | (155) |
| Write-down of emission allowances | - | - | - | - | (15,582) | - | (15,582) |
| Total Adjustments | **(2,230)** | **-** | **(1,079)** | **1,559** | **(15,354)** | **-** | **(17,104)** |
| **GAAP Earnings (Loss) Attributable to PNMR:** | | | | | | | |
| **Continuing Operations** | **1,810** | **2,827** | | **4,371** | **(18,779)** | **(6,477)** | **(16,248)** |
| **Discontinued Operations** | | | **(1,079)** | | | | **(1,079)** |
| **Net Earnings (Loss)** | **$ 1,810** | **$ 2,827** | **$ (1,079)** | **$ 4,371** | **$ (18,779)** | **$ (6,477)** | **$ (17,327)** |

**Year Ended December 31, 2009**
(in thousands)

| | Utilities | | | | | | |
|---|---|---|---|---|---|---|---|
| | PNM Electric | TNMP Electric | PNM Gas | First Choice | Optim Energy (50%) | Corp/ Other | PNMR |
| **Ongoing Earnings (Loss)** | **$ 45,788** | **$ 11,909** | **$ 7,687** | **$ 40,453** | **$ (558)** | **$ (18,939)** | **$ 86,340** |
| **Adjusting items, net of income tax effects*** | | | | | | | |
| Business improvement plan | (319) | - | - | - | - | 349 | 30 |
| CapRock settlement | - | - | - | - | - | 9,062 | 9,062 |
| Depreciation associated with sale of gas assets | - | - | 1,112 | - | - | - | 1,112 |
| Mark-to-market impact of economic hedges | 2,857 | - | - | 3,962 | (2,070) | - | 4,749 |
| Gain on reacquired debt | - | - | - | - | - | 4,415 | 4,415 |
| Gain on sale of gas operations** | - | - | 65,341 | - | - | - | 65,341 |
| Settlement of California energy crisis legal proceeding | (19,312) | - | - | - | - | - | (19,312) |
| Interest on uncertain tax positions | 3,534 | - | - | - | - | - | 3,534 |
| Net change in unrealized impairments of NDT securities | 3,550 | - | - | - | - | - | 3,550 |
| Post sale discontinued operations | - | - | (3,339) | - | - | 6 | (3,333) |
| Regulatory recoveries (disallowances) | (16,233) | 257 | - | - | - | - | (15,976) |
| Sale of water rights | - | - | - | - | - | 768 | 768 |
| Work continuance planning | (382) | - | - | - | - | - | (382) |
| Write-down of emission allowances | - | - | - | - | (15,582) | - | (15,582) |
| Total Adjustments | **(26,305)** | **257** | **63,114** | **3,962** | **(17,652)** | **14,600** | **37,976** |
| **GAAP Earnings (Loss) Attributable to PNMR:** | | | | | | | |
| **Continuing Operations** | **19,483** | **12,166** | | **44,415** | **(18,210)** | **(4,339)** | **53,515** |
| **Discontinued Operations** | | | **70,801** | | | | **70,801** |
| **Net Earnings (Loss)** | **$ 19,483** | **$ 12,166** | **$ 70,801** | **$ 44,415** | **$ (18,210)** | **$ (4,339)** | **$ 124,316** |

** Income tax effects calculated using tax rates of 35.65% for First Choice and TNMP and 39.59% for all other segments unless otherwise indicated.*
*** Gain on sale of PNM Gas is net of income taxes (benefit) of $(346) and $33,085 for the quarter and year.*

# PNM Resources
## Schedule 2
## 2008 Reconciliation of Ongoing to GAAP Earnings
## (Preliminary and Unaudited)

**Quarter Ended December 31, 2008**
(in thousands)

| | Utilities | | | | | | |
|---|---|---|---|---|---|---|---|
| | PNM Electric | TNMP Electric | PNM Gas | First Choice | Optim Energy (50%) | Corp/ Other | PNMR |
| **Ongoing Earnings (Loss)** | **$ (3,700)** | **$ 5,581** | **$ 6,951** | **$ (9,935)** | **$ (5,508)** | **$ (5,871)** | **$ (12,482)** |
| **Adjusting items, net of income tax effects*** | | | | | | | |
| Acquisition/Divestiture | (686) | - | (4) | - | - | (748) | (1,438) |
| Business improvement plan | (358) | 62 | (169) | | | (2,092) | (2,557) |
| Depreciation on gas assets | - | - | 3,299 | - | - | - | 3,299 |
| Mark-to-market impact of economic hedges | (455) | - | (72) | (1,690) | 5,148 | - | 2,931 |
| Impairment of goodwill** | - | - | - | (39,297) | - | - | (39,297) |
| Impairment of other intangible assets | - | - | - | (24,951) | - | - | (24,951) |
| Net change in unrealized impairments of NDT securities | (3,356) | - | - | - | - | - | (3,356) |
| Speculative trading | - | - | - | (680) | - | - | (680) |
| Texas deferred tax adjustments | - | 2,494 | - | - | - | 3,000 | 5,494 |
| Total Adjustments | **(4,855)** | **2,556** | **3,054** | **(66,618)** | **5,148** | **160** | **(60,555)** |
| **GAAP Earnings (Loss) Attributable to PNMR:** | | | | | | | |
| **Continuing Operations** | **(8,555)** | **8,137** | | **(76,553)** | **(360)** | **(5,711)** | **(83,042)** |
| **Discontinued Operations** | | | **10,005** | | | | **10,005** |
| **Net Earnings (Loss)** | **$ (8,555)** | **$ 8,137** | **$ 10,005** | **$ (76,553)** | **$ (360)** | **$ (5,711)** | **$ (73,037)** |

**Year Ended December 31, 2008**
(in thousands)

| | Utilities | | | | | | |
|---|---|---|---|---|---|---|---|
| | PNM Electric | TNMP Electric | PNM Gas | First Choice | Optim Energy (50%) | Corp/ Other | PNMR |
| **Ongoing Earnings (Loss)** | **$ 15,684** | **$ 23,224** | **$ 21,944** | **$ (23,795)** | **$ (2,531)** | **$ (26,360)** | **$ 8,166** |
| **Adjusting items, net of income tax effects*** | | | | | | | |
| Acquisition/Divestiture | (2,170) | - | (13) | - | - | (4,096) | (6,279) |
| Afton write-down | (1,199) | - | - | - | - | - | (1,199) |
| Business improvement plan | (165) | (84) | (312) | - | - | (6,526) | (7,087) |
| Depreciation on gas assets | - | - | 13,004 | - | - | - | 13,004 |
| Mark-to-market impact of economic hedges | (3,471) | - | (1) | (2,136) | 1,901 | - | (3,707) |
| Gain on sale of merchant portfolio | 3,083 | - | - | - | - | - | 3,083 |
| Impairment of goodwill** | (51,143) | (34,456) | - | (88,755) | - | - | (174,354) |
| Impairment of other intangible assets | - | - | - | (30,822) | (6,978) | - | (37,800) |
| Interest on uncertain tax positions | (1,922) | 29 | 6 | 66 | - | 12 | (1,809) |
| Net change in unrealized impairments of NDT securities | (7,426) | - | - | - | - | - | (7,426) |
| Regulatory disallowances | (18,273) | - | - | - | - | - | (18,273) |
| Speculative trading | - | - | - | (32,131) | (739) | - | (32,870) |
| Texas deferred tax adjustments | - | 2,494 | - | - | - | 3,000 | 5,494 |
| Write-down of emission allowances | - | - | - | - | (9,587) | - | (9,587) |
| Total Adjustments | **(82,686)** | **(32,017)** | **12,684** | **(153,778)** | **(15,403)** | **(7,610)** | **(278,810)** |
| **GAAP Earnings (Loss) Attributable to PNMR:** | | | | | | | |
| **Continuing Operations** | **(67,002)** | **(8,793)** | | **(177,573)** | **(17,934)** | **(33,970)** | **(305,272)** |
| **Discontinued Operations** | | | **34,628** | | | | **34,628** |
| **Net Earnings (Loss)** | **$ (67,002)** | **$ (8,793)** | **$ 34,628** | **$ (177,573)** | **$ (17,934)** | **$ (33,970)** | **$ (270,644)** |

** Income tax effects calculated using tax rates of 35.65% for First Choice and TNMP and 39.59% for all other segments unless otherwise indicated.*
***Impairment of goodwill has no income tax effects*

# PNM Resources
## Schedule 3
## 2009 Reconciliation of Ongoing to GAAP Earnings Per Share
## (Preliminary and Unaudited)

**Quarter Ended December 31, 2009**
(earnings per diluted share)

| | Utilities | | | | | | |
|---|---|---|---|---|---|---|---|
| | PNM Electric | TNMP Electric | PNM Gas | First Choice | Optim Energy (50%) | Corp/ Other | PNMR |
| **Ongoing Earnings (Loss)** | **$ 0.04** | **$ 0.03** | **$ 0.00** | **$ 0.03** | **$ (0.04)** | **$ (0.06)** | **$ 0.00** |
| **Adjusting items** | | | | | | | |
| Mark-to-market impact of economic hedges | - | - | - | 0.01 | - | - | 0.01 |
| Gain on sale of gas operations | - | - | - | - | - | - | - |
| Settlement of California energy crisis legal proceeding | (0.03) | - | - | - | - | - | (0.03) |
| Net change in unrealized impairments of NDT securities | 0.01 | - | - | - | - | - | 0.01 |
| Post sale discontinued operations | - | - | (0.01) | - | - | - | (0.01) |
| Regulatory disallowances | - | - | - | - | - | - | - |
| Write-down of emission allowances | - | - | - | - | (0.17) | - | (0.17) |
| Total Adjustments | **(0.02)** | **-** | **(0.01)** | **0.01** | **(0.17)** | **-** | **(0.19)** |
| **GAAP Earnings (Loss) Attributable to PNMR:** | | | | | | | |
| **Continuing Operations** | **0.02** | **0.03** | | **0.04** | **(0.21)** | **(0.06)** | **(0.18)** |
| **Discontinued Operations** | | | **(0.01)** | | | | **(0.01)** |
| **Net Earnings (Loss)** | **$ 0.02** | **$ 0.03** | **$ (0.01)** | **$ 0.04** | **$ (0.21)** | **$ (0.06)** | **$ (0.19)** |

Average Diluted Shares Outstanding: 91,873,667

**Year Ended December 31, 2009**
(earnings per diluted share)

| | Utilities | | | | | | |
|---|---|---|---|---|---|---|---|
| | PNM Electric | TNMP Electric | PNM Gas | First Choice | Optim Energy (50%) | Corp/ Other | PNMR |
| **Ongoing Earnings (Loss)** | **$ 0.50** | **$ 0.13** | **$ 0.08** | **$ 0.44** | **$ (0.01)** | **$ (0.20)** | **$ 0.94** |
| **Adjusting items** | | | | | | | |
| Business improvement plan | - | - | - | - | - | - | - |
| CapRock settlement | - | - | - | - | - | 0.10 | 0.10 |
| Depreciation associated with sale of gas assets | - | - | 0.01 | - | - | - | 0.01 |
| Mark-to-market impact of economic hedges | 0.03 | - | - | 0.04 | (0.02) | - | 0.05 |
| Gain on reacquired debt | - | - | - | - | - | 0.05 | 0.05 |
| Gain on sale of gas operations | | - | 0.72 | - | - | - | 0.72 |
| Settlement of California energy crisis legal proceeding | (0.21) | - | - | - | - | - | (0.21) |
| Interest on uncertain tax positions | 0.04 | - | - | - | - | - | 0.04 |
| Net change in unrealized impairments of NDT securities | 0.03 | - | - | - | - | - | 0.03 |
| Post sale discontinued operations | - | - | (0.03) | - | - | - | (0.03) |
| Regulatory recoveries (disallowances) | (0.18) | - | - | - | - | - | (0.18) |
| Sale of water rights | - | - | - | - | - | 0.01 | 0.01 |
| Work continuance planning | - | - | - | - | - | - | - |
| Write-down of emission allowances | - | - | - | - | (0.17) | - | (0.17) |
| Total Adjustments | **(0.29)** | **0.00** | **0.70** | **0.04** | **(0.19)** | **0.16** | **0.42** |
| **GAAP Earnings (Loss) Attributable to PNMR:** | | | | | | | |
| **Continuing Operations** | **0.21** | **0.13** | | **0.48** | **(0.20)** | **(0.04)** | **0.58** |
| **Discontinued Operations** | | | **0.78** | | | | **0.78** |
| **Net Earnings (Loss)** | **$ 0.21** | **$ 0.13** | **$ 0.78** | **$ 0.48** | **$ (0.20)** | **$ (0.04)** | **$ 1.36** |

Average Diluted Shares Outstanding: 91,670,611

**PNM Resources**
**Schedule 4**
**2008 Reconciliation of Ongoing to GAAP Earnings Per Share**
**(Preliminary and Unaudited)**

**Quarter Ended December 31, 2008**
(earnings per diluted share)

| | Utilities | | | | | | |
|---|---|---|---|---|---|---|---|
| | PNM Electric | TNMP Electric | PNM Gas | First Choice | Optim Energy (50%) | Corp/ Other | PNMR |
| **Ongoing Earnings (Loss)** | **$ (0.04)** | **$ 0.06** | **$ 0.08** | **$ (0.11)** | **$ (0.06)** | **$ (0.07)** | **$ (0.14)** |
| **Adjusting items** | | | | | | | |
| Acquisition/Divestiture | (0.01) | - | - | - | - | (0.01) | (0.02) |
| Business improvement plan | - | - | - | - | - | (0.02) | (0.02) |
| Depreciation on gas assets | - | - | 0.04 | - | - | - | 0.04 |
| Mark-to-market impact of economic hedges | (0.01) | - | - | (0.02) | 0.06 | - | 0.03 |
| Impairment of goodwill** | - | - | - | (0.44) | - | - | (0.44) |
| Impairment of other intangible assets | - | - | - | (0.28) | - | - | (0.28) |
| Net change in unrealized impairments of NDT securities | (0.04) | - | - | - | - | - | (0.04) |
| Speculative trading | - | - | - | (0.01) | - | - | (0.01) |
| Texas deferred tax adjustments | - | 0.03 | - | - | - | 0.03 | 0.06 |
| Total Adjustments | **(0.06)** | **0.03** | **0.04** | **(0.75)** | **0.06** | **-** | **(0.68)** |
| **GAAP Earnings (Loss) Attributable to PNMR:** | | | | | | | |
| **Continuing Operations** | **(0.10)** | **0.09** | | **(0.86)** | **0.00** | **(0.07)** | **(0.94)** |
| **Discontinued Operations** | | | **0.12** | | | | **0.12** |
| **Net Earnings (Loss)** | **$ (0.10)** | **$ 0.09** | **$ 0.12** | **$ (0.86)** | **$ 0.00** | **$ (0.07)** | **$ (0.82)** |

Average Diluted Shares Outstanding: 88,823,719

**Year Ended December 31, 2008**
(earnings per diluted share)

| | Utilities | | | | | | |
|---|---|---|---|---|---|---|---|
| | PNM Electric | TNMP Electric | PNM Gas | First Choice | Optim Energy (50%) | Corp/ Other | PNMR |
| **Ongoing Earnings (Loss)** | **$ 0.19** | **$ 0.28** | **$ 0.26** | **$ (0.28)** | **$ (0.03)** | **$ (0.32)** | **$ 0.10** |
| **Adjusting items** | | | | | | | |
| Acquisition/Divestiture | (0.03) | - | - | - | - | (0.04) | (0.07) |
| Afton write-down | (0.02) | - | - | - | - | - | (0.02) |
| Business improvement plan | - | - | - | - | - | (0.07) | (0.07) |
| Depreciation on gas assets | - | - | 0.16 | - | - | - | 0.16 |
| Mark-to-market impact of economic hedges | (0.04) | - | - | (0.03) | 0.02 | - | (0.05) |
| Gain on sale of merchant portfolio | 0.03 | - | - | - | - | - | 0.03 |
| Impairment of goodwill | (0.61) | (0.42) | - | (1.06) | - | - | (2.09) |
| Impairment of other intangible assets | - | - | - | (0.37) | (0.08) | - | (0.45) |
| Interest on uncertain tax positions | (0.03) | - | - | - | - | - | (0.03) |
| Net change in unrealized impairments of NDT securities | (0.09) | - | - | - | - | - | (0.09) |
| Regulatory disallowances | (0.22) | - | - | - | - | - | (0.22) |
| Speculative trading | - | - | - | (0.39) | (0.01) | - | (0.40) |
| Texas deferred tax adjustments | - | 0.03 | - | - | - | 0.04 | 0.07 |
| Write-down of emission allowances | - | - | - | - | (0.11) | - | (0.11) |
| Total Adjustments | **(1.01)** | **(0.39)** | **0.16** | **(1.85)** | **(0.18)** | **(0.07)** | **(3.34)** |
| **GAAP Earnings (Loss) Attributable to PNMR:** | | | | | | | |
| **Continuing Operations** | **(0.82)** | **(0.11)** | | **(2.13)** | **(0.21)** | **(0.39)** | **(3.66)** |
| **Discontinued Operations** | | | **0.42** | | | | **0.42** |
| **Net Earnings (Loss)** | **$ (0.82)** | **$ (0.11)** | **$ 0.42** | **$ (2.13)** | **$ (0.21)** | **$ (0.39)** | **$ (3.24)** |

Average Diluted Shares Outstanding: 83,467,701

# PNM Resources
## Schedule 5
## Segment Reconciliation of GAAP Net Earnings to Ongoing EBITDA
## (Earnings Before Interest Charges, Income Taxes, Depreciation and Amortization)
## (Preliminary and Unaudited)
## (in millions)

| | Quarter Ended December 31, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | **PNM Electric** | **TNMP Electric** | **PNM Gas** | **First Choice** | **Corporate & Other*** | **PNMR Consolidated** |
| **GAAP Net Earnings (Loss) Attributable to PNMR** | $1.8 | $2.8 | ($1.1) | $4.4 | ($25.2) | ($17.3) |
| Interest charges | 17.6 | 7.8 | 0.0 | 0.4 | 5.1 | 30.9 |
| Income taxes | 2.4 | 1.7 | (0.7) | 3.1 | (16.2) | (9.7) |
| Depreciation and amortization | 22.6 | 9.4 | 0.0 | 0.4 | 3.8 | 36.2 |
| **EBITDA** | 44.4 | 21.7 | (1.8) | 8.3 | (32.5) | 40.1 |
| Ongoing adjustments (before tax) | 4.8 | 0.0 | 1.8 | (2.5) | 25.3 | 29.4 |
| **Ongoing EBITDA** | **$49.2** | **$21.7** | **$0.0** | **$5.8** | **($7.2)** | **$69.5** |

| | Year Ended December 31, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | **PNM Electric** | **TNMP Electric** | **PNM Gas** | **First Choice** | **Corporate & Other*** | **PNMR Consolidated** |
| **GAAP Net Earnings (Loss) Attributable to PNMR** | $19.5 | $12.2 | $70.8 | $44.4 | ($22.6) | $124.3 |
| Interest charges | 69.1 | 27.8 | 1.0 | 2.8 | 22.5 | 123.2 |
| Income taxes | 13.7 | 8.0 | 36.7 | 25.6 | (18.5) | 65.5 |
| Depreciation and amortization | 91.4 | 37.3 | 0.0 | 1.8 | 16.7 | 147.2 |
| **EBITDA** | 193.7 | 85.3 | 108.5 | 74.6 | (1.9) | 460.2 |
| Ongoing adjustments (before tax) | 42.0 | (0.5) | (93.0) | (6.1) | 5.2 | (52.4) |
| **Ongoing EBITDA** | **$235.7** | **$84.8** | **$15.5** | **$68.5** | **$3.3** | **$407.8** |

* Corporate & Other segment includes equity in net earnings (loss) of Optim Energy. See Schedule 7 for calculation of Optim Energy ongoing EBITDA.

# PNM Resources
## Schedule 6
## Segment Reconciliation of GAAP Net Earnings to Ongoing EBITDA
## (Earnings Before Interest Charges, Income Taxes, Depreciation and Amortization)
## (Preliminary and Unaudited)
## (in millions)

| | Quarter Ended December 31, 2008 | | | | | |
|---|---|---|---|---|---|---|
| | **PNM Electric** | **TNMP Electric** | **PNM Gas** | **First Choice** | **Corporate & Other*** | **PNMR Consolidated** |
| **GAAP Net Earnings (Loss) Attributable to PNMR** | ($8.6) | $8.1 | $10.0 | ($76.6) | ($5.9) | ($73.0) |
| Interest charges | 17.8 | 4.8 | 3.3 | 1.5 | 9.8 | 37.2 |
| Income taxes | (4.9) | 0.5 | 6.7 | (19.2) | (11.9) | (28.8) |
| Depreciation and amortization | 21.5 | 11.7 | 0.0 | 0.7 | 4.3 | 38.2 |
| **EBITDA** | 25.8 | 25.1 | 20.0 | (93.6) | (3.7) | (26.4) |
| Ongoing adjustments (before tax) | 7.1 | (0.1) | 0.4 | 81.5 | (3.8) | 85.1 |
| **Ongoing EBITDA** | **$32.9** | **$25.0** | **$20.4** | **($12.1)** | **($7.5)** | **$58.7** |

| | Year Ended December 31, 2008 | | | | | |
|---|---|---|---|---|---|---|
| | **PNM Electric** | **TNMP Electric** | **PNM Gas** | **First Choice** | **Corporate & Other*** | **PNMR Consolidated** |
| **GAAP Net Earnings (Loss) Attributable to PNMR** | ($67.0) | ($8.8) | $34.6 | ($177.6) | ($51.8) | ($270.6) |
| Interest charges | 69.9 | 18.3 | 13.2 | 4.0 | 40.8 | 146.2 |
| Income taxes | (10.0) | 11.1 | 23.0 | (47.6) | (44.4) | (67.9) |
| Depreciation and amortization | 85.7 | 38.7 | 0.0 | 2.4 | 17.6 | 144.4 |
| **EBITDA** | 78.6 | 59.3 | 70.8 | (218.8) | (37.8) | (47.9) |
| Ongoing adjustments (before tax) | 98.6 | 34.6 | 0.5 | 189.3 | 42.0 | 365.0 |
| **Ongoing EBITDA** | **$177.2** | **$93.9** | **$71.3** | **($29.5)** | **$4.2** | **$317.1** |

* Corporate & Other segment includes equity in net earnings (loss) of Optim Energy. See Schedule 7 for calculation of Optim Energy ongoing EBITDA.

**PNM Resources**
**Schedule 7**
**Calculation of Optim Energy Ongoing EBITDA**
**(Earnings Before Interest Charges, Income Taxes, Depreciation and Amortization)**
**(Preliminary and Unaudited)**

| | Quarter Ended December 31, 2009 | Year Ended December 31, 2009 |
|---|---|---|
| | (in millions) | |
| GAAP Net Earnings | $ (61.7) | $ (56.8) |
| Interest expense | 4.2 | 13.8 |
| Income tax | (0.5) | (0.2) |
| Depreciation and amortization expense | 11.4 | 37.2 |
| Purchase accounting amortizations | 5.1 | 11.3 |
| Mark-to-market impact of economic hedges | (0.3) | 6.9 |
| Write-down of emission allowances | 51.6 | 51.6 |
| Ongoing Optim Energy EBITDA | 9.8 | 63.8 |
| 50 percent of Ongoing EBITDA (PNMR share) | $ 4.9 | $ 31.9 |

| | Quarter Ended December 31, 2008 | Year Ended December 31, 2008 |
|---|---|---|
| | (in millions) | |
| GAAP Net Earnings | $ (1.6) | $ (60.5) |
| Interest expense | 4.2 | 19.2 |
| Income tax | 0.1 | (0.1) |
| Depreciation and amortization expense | 7.7 | 30.6 |
| Impairment of intangible assets | 0.0 | 23.0 |
| Mark-to-market impact of economic hedges | (17.1) | (6.3) |
| Purchase accounting amortizations | 6.6 | 8.9 |
| Speculative trading | 0.0 | 2.4 |
| Write-down of emission allowances | 0.0 | 31.7 |
| Ongoing Optim Energy EBITDA | (0.1) | 48.9 |
| 50 percent of Ongoing EBITDA (PNMR share) | $ - | $ 24.5 |

# PNM Resources
## Schedule 8
## Reconciliation of Ongoing (non-GAAP) Net Earnings to GAAP Consolidated Statement of Earnings (Loss)
## (Preliminary and Unaudited)
## (in thousands, except per share data)

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | | | 2008 | | |
| | GAAP | Adjustments | Ongoing | GAAP | Adjustments | Ongoing |
| | (in thousands, except per share data) | | | | | |
| Operating revenues | $ 1,647,744 | $ 31,842 (a) | $ 1,679,586 | $ 1,959,522 | $ (7,497) (i) | $ 1,952,025 |
| Cost of energy | 717,989 | 28,930 (b) | 746,919 | 1,239,854 | (50,899) (k) | 1,188,955 |
| Gross margin | 929,755 | 2,912 | 932,667 | 719,668 | 43,402 | 763,070 |
| Other operating expenses | 589,864 | (30,523) (c) | 559,341 | 805,120 | (272,500) (l) | 532,620 |
| Depreciation and amortization | 147,949 | (2,829) (d) | 145,120 | 144,362 | (1,410) (d) | 142,952 |
| Operating income (loss) | 191,942 | 36,264 | 228,206 | (229,814) | 317,312 | 87,498 |
| Equity in net earnings (loss) of Optim Energy | (30,145) | 29,222 (e) | (923) | (29,687) | 25,497 (m) | (4,190) |
| Net other income (deductions) | 55,159 | (35,260) (f) | 19,899 | 4,075 | 15,534 (n) | 19,609 |
| Interest charges | (122,205) | - | (122,205) | (132,955) | 4,758 (o) | (128,197) |
| Earnings (Loss) before Income Taxes | 94,751 | 30,226 | 124,977 | (388,381) | 363,101 | (25,280) |
| Income Taxes (Benefit) | 28,818 | 16,978 (g) | 45,796 | (90,816) | 78,786 (g) | (12,030) |
| Earnings (Loss) from Continuing Operations | 65,933 | 13,248 | 79,181 | (297,565) | 284,315 | (13,250) |
| Earnings from Discontinued Operations, net of Income Taxes | 70,801 | (63,114) (h) | 7,687 | 34,628 | (12,684) (p) | 21,944 |
| Net Earnings (Loss) | 136,734 | (49,866) | 86,868 | (262,937) | 271,631 | 8,694 |
| Earnings Attributable to Valencia Non-controlling Interest | (11,890) | 11,890 (d) | - | (7,179) | 7,179 (d) | - |
| Preferred Stock Dividend Requirements of Subsidiary | (528) | - | (528) | (528) | - | (528) |
| Net Earnings (Loss) Attributable to PNMR | $ 124,316 | $ (37,976) | $ 86,340 | $ (270,644) | $ 278,810 | $ 8,166 |
| Earnings (Loss) from Continuing Operations Attributable to PNMR per Common Share: | | | | | | |
| Basic | $ 0.58 | $ 0.28 | $ 0.86 | $ (3.66) | $ 3.50 | $ (0.16) |
| Diluted | $ 0.58 | $ 0.28 | $ 0.86 | $ (3.66) | $ 3.50 | $ (0.16) |
| Net Earnings (Loss) Attributable to PNMR per Common Share: | | | | | | |
| Basic | $ 1.36 | $ (0.42) | $ 0.94 | $ (3.24) | $ 3.34 | $ 0.10 |
| Diluted | $ 1.36 | $ (0.42) | $ 0.94 | $ (3.24) | $ 3.34 | $ 0.10 |
| Average common shares outstanding: | | | | | | |
| Basic | 91,435 | | | 83,468 | | |
| Diluted | 91,671 | | | 83,468 | | |

(a) Mark-to-market impact of economic hedges $(127); Settlement of legal proceeding $31,969
(b) Mark-to-market impact of economic hedges $10,754; Consolidation of Valencia $18,176
(c) Business improvement plan $37; Post sale discontinued operations $6; Work continuance planning $(633); Regulatory recoveries/disallowances $(26,476); Consolidation of Valencia $(3,457)
(d) Consolidation of Valencia
(e) Mark-to-market impact of economic hedges $3,429; Write-down of emission allowances $25,793
(f) Net change in unrealized impairments of NDT securities $(5,816); Business improvement plan $(10); Gain on reaquired debt $(7,312); Sale of water rights $(1,272); Interest on uncertain tax positions $(5,850); CapRock settlement $(15,000)
(g) Net taxes on nonrecurring items
(h) Depreciation associated with sale of gas assets $(1,112); Gain on sale of gas operations $(65,341); Post sale discontinued operations $3,339
(i) Mark-to-market impact of economic hedges $(1,062); Speculative trading $49,931; Gain on sale of merchant portfolio $(56,366)
(k) Mark-to-market impact of economic hedges $(10,037); Gain on sale of merchant portfolio $(51,263); Consolidation of Valencia $10,401
(l) Business improvement plan $(10,982); Acquisition/Divestiture $(5,929); Regulatory disallowances $(30,248); Impairment of intangible assets $(221,769); Afton write-down $(1,985); Consolidation of Valencia $(1,587)
(m) Mark-to-market impact of economic hedges $(2,827); Speculative trading $1,223; Impairment of intangible assets $11,231; Write-off of emission allowances $15,870
(n) Business improvement plan $227; Interest on uncertain tax positions $3,014; Net change in unrealized impairments of NDT securities $12,293
(o) Acquisition/Divestiture $4,533; Consolidation of Valencia $225
(p) Acquisition/Divestiture $13; Business improvement plan $312; Depreciation on gas assets $(13,004); Mark-to-market impact of economic hedges $1; Interest on uncertain tax positions $(6)