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PNM Settles FERC Transmission Rate Case

ALBUQUERQUE, N.M.--(BUSINESS WIRE)-- PNM Resources' (NYSE: PNM) New Mexico utility, PNM, today filed an agreement with the Federal Energy Regulatory Commission that would settle its transmission rate case submitted in October 2010.

The unopposed agreement requires FERC approval and does not impact retail rates for New Mexico residential or business customers.

As permitted by FERC rules, in June 2011 PNM began billing at the higher rates associated with the transmission case, subject to refund. Revenues recorded by PNM since 2011 have been aligned with the agreed-to annual increase of \$3 million.

The agreement is a "black-box settlement," meaning the parties agreed to a specific revenue number but no specific return on equity. The settlement parties agreed not to oppose the concept of a formula-based transmission rate filing as long as it is submitted within a year of the pending case's approval by FERC. The company plans to file for formula rates after approval in the current case is received.

"Although the settlement is less than the \$9.6 million requested," said Pat Collawn, PNM Resources chairman, president and CEO, "it is a good first step toward earning an appropriate return on this business by allowing more timely recovery through the implementation of formula-based rates. The \$3 million annual increase is what the company's previously announced 2012 earnings guidance range assumed."

Background:

PNM Resources (NYSE: PNM) is an energy holding company based in Albuquerque, N.M., with 2011 consolidated operating revenues of \$1.3 billion, excluding First Choice Power. Through its regulated utilities, PNM and TNMP, PNM Resources has approximately 2,550 megawatts of generation capacity and serves electricity to more than 735,000 homes and businesses in New Mexico and Texas. For more information, visit the company's Web site at www.PNMResources.com.

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' ("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. These factors include: the ability of PNM and TNMP to recover costs and earn allowed returns in regulated jurisdictions; the ability of the Company to successfully forecast and manage its operating and capital expenditures; state and federal regulatory, legislative, and judicial decisions and actions on ratemaking, tax, and other matters; state and federal regulation or legislation relating to environmental matters, including the resultant costs of compliance and other impacts on the operations and economic viability of PNM's generating plants; the risk that recently enacted reliability standards regarding available transmission capacity and other Federal Energy Regulatory Commission rulemakings may negatively impact the operation of PNM's transmission system; the performance of generating units, transmission systems, and distribution systems, which could be negatively affected by operational issues, extreme weather conditions, terrorism, and cybersecurity breaches; uncertainties surrounding the negotiation of PNM's collective bargaining agreement; variability of prices and volatility and liquidity in the wholesale power and natural gas markets; changes in price and availability of fuel and water supplies; uncertainties surrounding the mine fire incident at the mine supplying coal to San Juan Generating Station; uncertainty surrounding the status of PNM's participation in jointly-owned generation projects resulting from the scheduled expiration of the operational documents for the projects; the risks associated with completion of generation, transmission, distribution, and other projects; regulatory, financial, and operational risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainties; uncertainty regarding the requirements and related costs of decommissioning power plants and coal mines supplying certain power plants, as well as the ability to recover decommissioning costs from customers; the impacts on the electricity usage of the Company's customers due to performance of state, regional, and national economies and mandatory energy efficiency measures, weather, seasonality, and other changes in supply and demand; the Company's ability to access the financial markets, including disruptions in the credit markets, actions by ratings agencies, and

fluctuations in interest rates; the potential unavailability of cash from PNMR's subsidiaries due to regulatory, statutory, or contractual restrictions; the impacts of decreases in the values of marketable equity securities maintained to provide for nuclear decommissioning and pension and other postretirement benefits; commodity and counterparty credit risk transactions and the effectiveness of risk management; the outcome of legal proceedings, including the extent of insurance coverage; and changes in applicable accounting principles.

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