Required Reports.

PNM 530 Schedules
Q Series

Schedule Q-1: Load research program and conservation plan.

Schedule Q-2: Description of company.

Schedule Q-3: Annual Report to stockholders.

Schedule Q-4: Reports to the Securities and Exchange Commission.

Schedule Q-5: Form 1 reports.

Schedule Q-6: Opinion of independent public accountants.

PNM Schedule Q -1

Load research program and conservation plan.

Public Service Company of New Mexico
Schedule Q-1
Load Research Program
Base Period Ending 6/30/2014
Test Period Ending 12/31/2016

PNM's Load Analysis Department maintains load samples on the Residential, Small Power, General Power and Irrigation rate classes and monitors loads on all customer accounts with demand greater than 250 kW. PNM collects load data at five and fifteen-minute interval levels. The energy usage for these customer accounts is monitored with electronic interval data recorders. Data from these recorders are collected and analyzed to provide class-peak, system-coincident peak, energy-split and other data by rate class. These data, modified for known and measurable changes, are incorporated into this filing in Schedule P-1, Schedule P-5 and Schedule K.

Load Research Program: Load Research selects stratified random samples for certain rate classes in PNM's service territory. Load Research stratifies the samples based upon annual average energy usage, average annual demand, or seasonal determinate energy usage profiles. PNM currently has the following load studies in progress:

- Residential – 224 sample points (stratified by seasonal determinate energy usage profiles)
- Small Power – 200 sample points (stratified by annual average energy)
- General Power – 303 sample points (stratified by annual average demand)
- Large Power – 100 % sampled (census)
- Water & Sewage – 100% sampled (census)
- Irrigation – Judgment sample design
- Large Service for Manufacturing: Primary Distribution – 100 % sampled (census)
- Large Service for Mining: Transmission – 100% sampled (census)
- Universities: Transmission – 100% sampled (census)
- Large Service for Manufacturing: 30 Mw or higher – 100% sampled (census)

The main responsibilities of Load Research are to develop jurisdictional and rate class demand allocation factors used in developing cost of service by rate class. Load Research also provides data for rate design, marginal cost, and other pricing studies. Also, given the type of data it collects and analyzes, Load Research provides support to load forecasting, distribution planning, transmission planning, and provides load profile data to retail customers and other internal groups.

This schedule is sponsored by PNM Witness Chan

PNM Schedule Q-2

Description of company.

Description of the Company

530 Schedule Q-2

Is contained in the following 63 pages.

PUBLIC SERVICE COMPANY OF NEW MEXICO

Description of the Company

Public Service Company of New Mexico ("PNM" or "Company") is a public utility within the State of New Mexico. PNM was founded in 1917 as the Albuquerque Gas and Electric Co. The Company sold its natural gas utility to New Mexico Gas Company in 2009. PNM is one of two subsidiaries of PNM Resources, an investor-owned energy holding company also based in Albuquerque. PNM Electric's business activity includes the generation, transmission and sale of electricity in the wholesale market.

PNM provides electricity to more than 500,000 residential and business customers in Greater Albuquerque, Rio Rancho, Los Lunas, Belen, Santa Fe, Las Vegas, Alamogordo, Ruidoso, Silver City, Deming, Bayard, Lordsburg and Clayton. The company also serves the New Mexico tribal communities of the Tesuque, Cochiti, Santo Domingo, San Felipe, Santa Ana, Sandia, Isleta and Laguna Pueblos.

PNM Electric furnished firm wholesale power in New Mexico to the City of Gallup, Navopache Electric Cooperative, the City of Aztec, and the Western Area Power Administration for delivery to Kirtland Air Force Base during the twelve months of the base period and began furnishing wholesale power to Jicarilla in May of 2014.

President & CEO

President & CEO

CHIEF EXECUTIVE OFFICER

PATRICIA K COLLAWN

Company	RES
Department	7011
Business Unit	00007
Location	ALHQ
Mail Stop	MS1225
Position Number	00001001
Original Hire Date	06/25/2007
Employee Count	1,879
Empl ID:	101343

Chief Fin Officer

EVP, CFO

CHARLES N ELDRED

Company	RES
Department	7020
Business Unit	00007
Location	ALHQ
Mail Stop	MS1235
Position Number	00001002
Original Hire Date	01/16/2006
Employee Count	414
Empl ID:	100723

Public Policy

SVP, PUBLIC POLICY

RONALD N. DARNELL

Company	RES
Department	7070
Business Unit	00007
Location	ALHQ
Mail Stop	MS1215
Position Number	00001003
Original Hire Date	04/28/2008
Employee Count	71
Empl ID:	101601

General Counsel & Secretary

SVP, GENERAL COUNSEL

PATRICK APODACA

Company	RES
Department	7022
Business Unit	00007
Location	ALHQ
Mail Stop	MS1245
Position Number	00001004
Original Hire Date	01/04/2010
Employee Count	73
Empl ID:	101909

Chief Operating Officer

SVP, CHIEF OPERATING OFFICER

RONALD TALBOT

Company	RES
Department	7099
Business Unit	00007
Location	ALHQ
Mail Stop	MS1255
Position Number	00001005
Original Hire Date	01/23/2012
Employee Count	1,316
Empl ID:	102296

Strategic Planning

DIR, ENTERPRISE STRATEGY&RISK

JANET LENTZ

Company	RES
Department	7006
Business Unit	00007
Location	ALHQ
Mail Stop	MS1265
Position Number	00001052
Original Hire Date	09/18/1995
Employee Count	3
Empl ID:	050457

President & CEO

SPEC, STAFF SR

CYNTHIA J EDWARDS

Company	RES
Department	7011
Business Unit	00007
Location	ALHQ
Mail Stop	MS1225
Position Number	00002548
Original Hire Date	12/27/1993
Empl ID:	050275

Chief Fin Officer

Chief Fin Officer

EVP, CFO

CHARLES N ELDRED

Company	RES
Department	7020
Business Unit	00007
Location	ALHQ
Mail Stop	MS1235
Position Number	00001002
Original Hire Date	01/16/2006
Employee Count	414
Empl ID:	100723

Business Technology Services

VP, Customer Service & CIO

JOSEPH D TARRY

Company	RES
Department	7123
Business Unit	00007
Location	ALHQ
Mail Stop	MS1205
Position Number	00001009
Original Hire Date	06/03/1996
Employee Count	300
Empl ID:	050546

Treasury & Risk Management

VP, TREASURER

TERRY R HORN

Company	RES
Department	7067
Business Unit	00007
Location	ALHQ
Mail Stop	MS0905
Position Number	00001010
Original Hire Date	11/04/1985
Employee Count	15
Empl ID:	037075

Corporate Controller

VP, CORPORATE CONTROLLER

THOMAS G SATEGNA

Company	RES
Department	7206
Business Unit	00007
Location	ALHQ
Mail Stop	MS1015
Position Number	00001011
Original Hire Date	01/03/1977
Employee Count	63
Empl ID:	024990

Financial Plng & Bsns Analysis

EXEC DIR, FIN PLNG & BUS ANLY

ELISABETH A EDEN

Company	RES
Department	7280
Business Unit	00007
Location	ALHQ
Mail Stop	MS0915
Position Number	00001013
Original Hire Date	08/20/2001
Employee Count	23
Empl ID:	051673

Audit Services

DIR, AUDIT AND COST OF SERVICE

HENRY E MONROY

Company	RES
Department	7023
Business Unit	00007
Location	ALHQ
Mail Stop	MS0915
Position Number	00001044
Original Hire Date	06/30/2003
Employee Count	12
Empl ID:	100148

Business Technology Services

Business Technology Services

VP, Customer Service & CIO

JOSEPH D TARRY

Company	RES
Department	7123
Business Unit	00007
Location	ALHQ
Mail Stop	MS1205
Position Number	00001009
Original Hire Date	06/03/1996
Employee Count	300
Empl ID:	050546

Business Technology Services

ASST, EXEC STAFF II

TERESA A TEWAHEFTEWA

Company	RES
Department	7123
Business Unit	00007
Location	ALHQ
Mail Stop	MS0505
Position Number	00002699
Original Hire Date	12/24/1990
Empl ID:	028950

BTS Account Management

DIR, IT PGM/PORTFO MGMT & QUAL

SHEILA M MENDEZ

Company	RES
Department	7139
Business Unit	00007
Location	AZTC
Mail Stop	MSZ310
Position Number	00001030
Original Hire Date	05/17/1999
Employee Count	15
Empl ID:	051116

Director Customer Service

DIR, CUSTOMER EXPERIENCE

REBECCA R TEAGUE

Company	RES
Department	7301
Business Unit	00007
Location	ALHQ
Mail Stop	MS1015
Position Number	00001034
Original Hire Date	10/10/1988
Employee Count	187
Empl ID:	000651

IT Market Operations Texas

DIR, IT APPLICATIONS MGT

BARRY F SULLIVAN

Company	RES
Department	7188
Business Unit	00007
Location	LASC
Mail Stop	TX0250
Position Number	00001036
Original Hire Date	02/23/2004
Employee Count	43
Empl ID:	096100

NERC Compliance

DIR, NERC COMPL & OPS TECHNLGY

MICHAEL MERTZ

Company	RES
Department	7189
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00001042
Original Hire Date	06/01/2010
Employee Count	14
Empl ID:	102006

Architecture

DIR, ARCHITECTURE

KIMBERLY K MORRIS

Company	RES
Department	7131
Business Unit	00007
Location	LASC
Mail Stop	TX0250
Position Number	00001043
Original Hire Date	04/09/2007
Employee Count	38
Empl ID:	101216

Business Technology Services

PROJ MGR,FINANCIAL MODELING SR

ELIZABETH SKERRY

Company	RES
Department	7123
Business Unit	00007
Location	ALHQ
Mail Stop	MS0505
Position Number	00001110
Original Hire Date	09/02/2008
Empl ID:	101653

BTS Account Management

BTS Account Management

DIR, IT PGM/PORTFO MGMT & QUAL

SHEILA M MENDEZ

Company	RES
Department	7139
Business Unit	00007
Location	AZTC
Mail Stop	MSZ310
Position Number	00001030
Original Hire Date	05/17/1999
Employee Count	15
Empl ID:	051116

IT Project Mgmt & Quality

MGR, PRJ MGT/BUS INOV

MARK BOONE

Company	RES
Department	7132
Business Unit	00007
Location	AZTC
Mail Stop	MSZ310
Position Number	00001130
Original Hire Date	08/16/2004
Employee Count	7
Empl ID:	100386

Quality Compliance Management

MGR, IT QUALITY ASSURANCE

CHARLES GRIFFIN NEWCOMB

Company	RES
Department	7130
Business Unit	00007
Location	AZTC
Mail Stop	MSZ310
Position Number	00001143
Original Hire Date	07/30/2001
Employee Count	5
Empl ID:	051648

BTS Account Management

PROGRAM MGR, IT

Open position

Company	RES
Department	7139
Business Unit	00007
Location	AZTC
Mail Stop	
Position Number	00001941
Original Hire Date	

BTS Account Management

PROGRAM MGR, IT

KATHERINE M LEARY

Company	RES
Department	7139
Business Unit	00007
Location	AZTC
Mail Stop	MSZ310
Position Number	00001962
Original Hire Date	02/25/2008
Empl ID:	101559

BTS Account Management

ADMIN, III

SARAH L LOPEZ

Company	RES
Department	7139
Business Unit	00007
Location	AZTC
Mail Stop	MSZ310
Position Number	00002668
Original Hire Date	10/16/2001
Empl ID:	051725

Director Customer Service

Director Customer Service

DIR, CUSTOMER EXPERIENCE

REBECCA R TEAGUE

Company	RES
Department	7301
Business Unit	00007
Location	ALHQ
Mail Stop	MS1015
Position Number	00001034
Original Hire Date	10/10/1988
Employee Count	187
Empl ID:	000651

Director Customer Service

Dir, Customer Service Revenue

MICHAEL W RICO

Company	RES
Department	7301
Business Unit	00007
Location	ALHQ
Mail Stop	MS0505
Position Number	00001054
Original Hire Date	09/12/1977
Employee Count	117
Empl ID:	023320

Customer Care Call Center

MGR, CALL CENTER

MARIO A CERVANTES

Company	PNM
Department	6157
Business Unit	00006
Location	ALHQ
Mail Stop	MS0515
Position Number	00001101
Original Hire Date	06/04/2012
Employee Count	64
Empl ID:	102365

Director Customer Service

ANLY,CUSTOMER SERVICE RESOLUTI

ANNE E HASKINS

Company	RES
Department	7301
Business Unit	00007
Location	ALHQ
Mail Stop	MS0515
Position Number	00002951
Original Hire Date	09/28/2009
Empl ID:	101856

Customer Service Performance

MGR, CUST SERVICE PERFORMANCE

JOHN MUSCARI

Company	PNM
Department	6360
Business Unit	00006
Location	ALHQ
Mail Stop	MS0505
Position Number	00004501
Original Hire Date	08/03/1978
Employee Count	4
Empl ID:	020720

IT Market Operations Texas

IT Market Operations Texas

DIR, IT APPLICATIONS MGT

BARRY F SULLIVAN

Company	RES
Department	7188
Business Unit	00007
Location	LASC
Mail Stop	TX0250
Position Number	00001036
Original Hire Date	02/23/2004
Employee Count	43
Empl ID:	096100

Customer Service Applications

SR MGR, IT

SCOTT F HARBAUGH

Company	RES
Department	7140
Business Unit	00007
Location	AZTC
Mail Stop	MSZ300
Position Number	00001162
Original Hire Date	08/06/1979
Employee Count	11
Empl ID:	012630

Corporate Systems

SR MGR, IT

DEBRA L TAYLOR

Company	RES
Department	7560
Business Unit	00007
Location	LASC
Mail Stop	TX0250
Position Number	00001164
Original Hire Date	07/17/2006
Employee Count	2
Empl ID:	100943

Customer Service Applications

SR MGR, IT

FRANCIS S HOUCK

Company	RES
Department	7140
Business Unit	00007
Location	AZTC
Mail Stop	MSZ300
Position Number	00001199
Original Hire Date	04/29/2002
Employee Count	10
Empl ID:	051874

IT Market Operations Texas

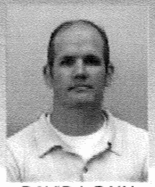
MGR, IT

LORI A SMITH

Company	RES
Department	7188
Business Unit	00007
Location	LASC
Mail Stop	TX0250
Position Number	00001200
Original Hire Date	12/05/1988
Employee Count	4
Empl ID:	095962

Corporate Systems

SR MGR, IT



DAVID L BAIN

Company	RES
Department	7560
Business Unit	00007
Location	LASC
Mail Stop	TX0250
Position Number	00001955
Original Hire Date	07/11/2005
Employee Count	6
Empl ID:	096345

Corporate Systems

ANLY, DATA SYSTEMS III

Open position

Company	RES
Department	7560
Business Unit	00007
Location	AZTC
Mail Stop	
Position Number	00002224
Original Hire Date	

Corporate Systems

ANLY, PROG LEAD

Open position

Company	RES
Department	7560
Business Unit	00007
Location	LASC
Mail Stop	
Position Number	00004906
Original Hire Date	

IT Market Operations Texas

SR MGR, IT

DIVA P VASQUEZ

Company	RES
Department	7188
Business Unit	00007
Location	AZTC
Mail Stop	MSZ310
Position Number	00005050
Original Hire Date	06/19/2000
Employee Count	9
Empl ID:	051345

NERC Compliance

NERC Compliance

DIR, NERC COMPL & OPS TECHNLGY

MICHAEL MERTZ

Company	RES
Department	7189
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00001042
Original Hire Date	06/01/2010
Employee Count	14
Empl ID:	102006

Operations Technology

MGR, ADV ENERGY TECH & STRATEG

JONATHAN C HAWKINS

Company	RES
Department	7191
Business Unit	00007
Location	AZTC
Mail Stop	MSZ120
Position Number	00001096
Original Hire Date	03/18/2002
Employee Count	3
Empl ID:	051841

Operations Technology

MGR, IT OPERATIONS

DAVID THOMAS

Company	RES
Department	7191
Business Unit	00007
Location	PWOP
Mail Stop	MSEP11
Position Number	00001117
Original Hire Date	06/18/2012
Employee Count	7
Empl ID:	102370

NERC Compliance

PROJ MGR, REGULATORY COMPL SR

LAURIE A WILLIAMS

Company	RES
Department	7189
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00001919
Original Hire Date	05/26/1992
Empl ID:	037513

NERC Compliance

PROJ MGR, REGULATORY COMPL SR

HEATHER M LAWS

Company	RES
Department	7189
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00001921
Original Hire Date	07/15/2013
Empl ID:	102765

NERC Compliance

COORD, NERC COMPLIANCE

TRACY D LOPEZ

Company	RES
Department	7189
Business Unit	00007
Location	SANJ
Mail Stop	MS96B1
Position Number	00002091
Original Hire Date	10/17/2011
Empl ID:	102267

Architecture

Architecture

DIR, ARCHITECTURE

KIMBERLY K MORRIS

Company	RES
Department	7131
Business Unit	00007
Location	LASC
Mail Stop	TX0250
Position Number	00001043
Original Hire Date	04/09/2007
Employee Count	38
Empl ID:	101216

Information Security

SR MGR, CYBER SECURITY & COMPL

GARY TODD

Company	RES
Department	7118
Business Unit	00007
Location	LASC
Mail Stop	TX0250
Position Number	00001151
Original Hire Date	05/12/2008
Employee Count	7
Empl ID:	101609

Architecture

ARCHITECT, ENTERPRISE

MARK LANE

Company	RES
Department	7131
Business Unit	00007
Location	LASC
Mail Stop	TX0250
Position Number	00001169
Original Hire Date	03/09/2009
Employee Count	12
Empl ID:	101755

Architecture

MGR, INFRASTRUCTURE SERVICES

RICHARD BUCKLEY

Company	RES
Department	7131
Business Unit	00007
Location	AZTC
Mail Stop	MSZ300
Position Number	00001201
Original Hire Date	02/13/2012
Employee Count	12
Empl ID:	102306

Architecture

ADMIN, II

BRENDA H DUNN

Company	RES
Department	7131
Business Unit	00007
Location	LASC
Mail Stop	TX0250
Position Number	00002643
Original Hire Date	02/01/1989
Empl ID:	095903

San Juan IT Services

MGR, IT

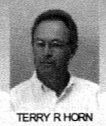
ARTHUR COX

Company	RES
Department	7116
Business Unit	00007
Location	SANJ
Mail Stop	MS96E2
Position Number	00004731
Original Hire Date	05/13/2013
Employee Count	5
Empl ID:	102683

Business Technology Services

Treasury & Risk Management

Treasury & Risk Management
VP, TREASURER



TERRY R HORN

Company	RES
Department	7067
Business Unit	00007
Location	ALHQ
Mail Stop	MS0905
Position Number	00001010
Original Hire Date	11/04/1985
Employee Count	15
Empl ID:	037075

Treasury & Risk Management
ASST, EXEC STAFF III
CORRINE D BRAZFIELD

Company	RES
Department	7067
Business Unit	00007
Location	ALHQ
Mail Stop	MS0905
Position Number	00002720
Original Hire Date	10/30/2001
Empl ID:	051736

Corp Financial Risk Management
DIR, FINANCIAL RISK MANAGEMENT

GAIL L CHAMBLISS

Company	RES
Department	7061
Business Unit	00007
Location	ALHQ
Mail Stop	MS0905
Position Number	00001031
Original Hire Date	07/08/2002
Employee Count	6
Empl ID:	051965

Investor Relations
DIR, INV REL & SHAREHOLDER SER

JIMMIE L BLOTTER

Company	RES
Department	7008
Business Unit	00007
Location	ALHQ
Mail Stop	MS0905
Position Number	00001092
Original Hire Date	04/27/2009
Employee Count	3
Empl ID:	101774

Financial Management
ASST TREASURER

LEO GONZALEZ

Company	RES
Department	7069
Business Unit	00007
Location	ALHQ
Mail Stop	MS0905
Position Number	00002917
Original Hire Date	10/08/2012
Employee Count	4
Empl ID:	102506

Corp Financial Risk Management
MGR, RISK CNTRL & COMPLIANCE

MARY ROSE ABOUSLEMAN

Company	RES
Department	7061
Business Unit	00007
Location	ALHQ
Mail Stop	MS0905
Position Number	00001094
Original Hire Date	09/27/1982
Employee Count	3
Empl ID:	000296

Corp Financial Risk Management
ANLY, RISK SR
LORISSA GARCIA URBAN

Company	RES
Department	7061
Business Unit	00007
Location	ALHQ
Mail Stop	MS0905
Position Number	00002082
Original Hire Date	11/01/2010
Empl ID:	102076

Corp Financial Risk Management
ANLY, RISK II
Open position

Company	RES
Department	7061
Business Unit	00007
Location	ALHQ
Mail Stop	
Position Number	00002089
Original Hire Date	

Corp Financial Risk Management
REP, CLAIMS SR
JEFFREY D ROBINSON

Company	RES
Department	7061
Business Unit	00007
Location	ALHQ
Mail Stop	MS0905
Position Number	00002187
Original Hire Date	11/21/2000
Empl ID:	051463

Investor Relations
Proj Mgr, Treasury Operations
LISA M GOODMAN

Company	RES
Department	7008
Business Unit	00007
Location	ALHQ
Mail Stop	MS0915
Position Number	00001149
Original Hire Date	08/18/2003
Empl ID:	100180

Investor Relations
PROJ MGR, CFO
Open position

Company	RES
Department	7008
Business Unit	00007
Location	ALHQ
Mail Stop	
Position Number	00004499
Original Hire Date	

Investor Relations
ANLY, FINANCIAL PLANNING II
CATHLEEN M MARTINEZ

Company	RES
Department	7008
Business Unit	00007
Location	ALHQ
Mail Stop	MS0905
Position Number	00002179
Original Hire Date	09/13/1993
Empl ID:	050245

Trust & Corp Investments
PORTFOLIO MGR, TRUST&INVEST SR
EDMOND J JEUNG

Company	RES
Department	7068
Business Unit	00007
Location	ALHQ
Mail Stop	MS0905
Position Number	00001926
Original Hire Date	01/15/1973
Empl ID:	014820

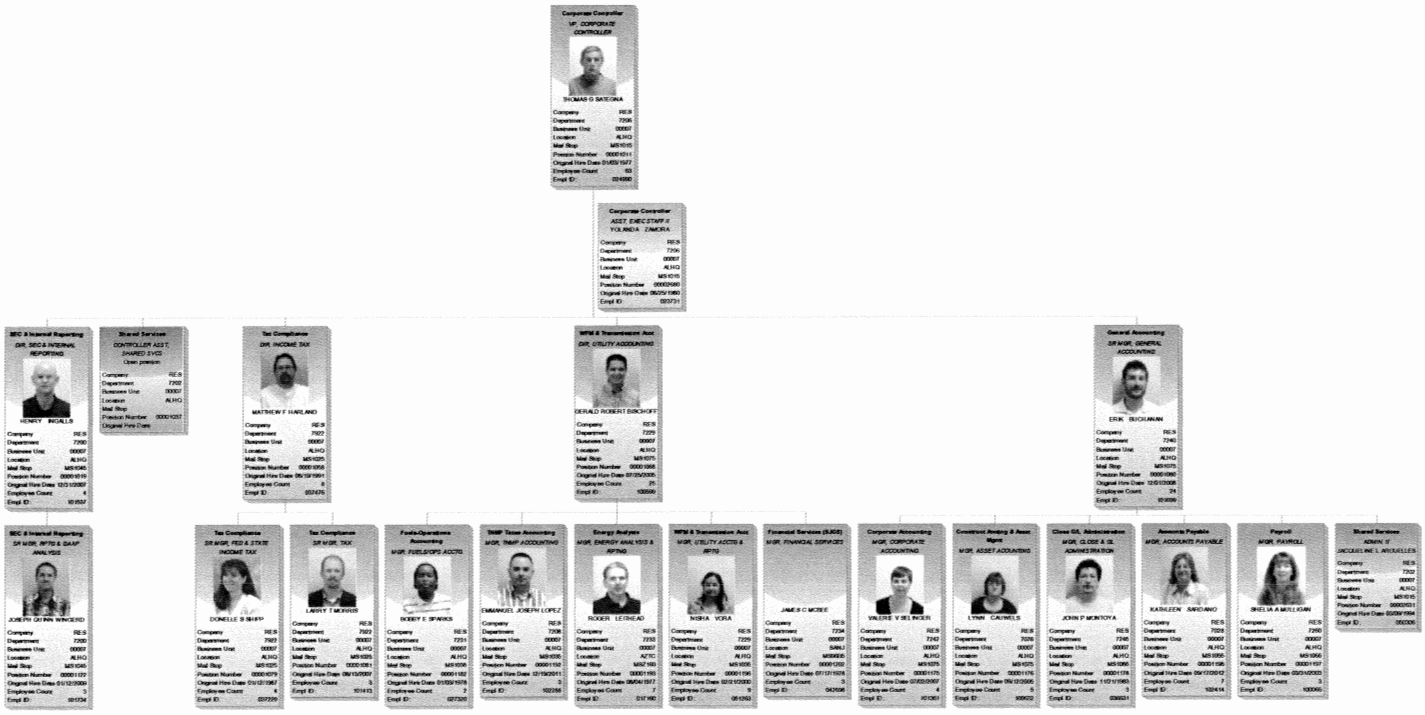
Trust & Corp Investments
PROJECT LEADER, TREASURY
MANIDIPA MAJI

Company	RES
Department	7068
Business Unit	00007
Location	ALHQ
Mail Stop	MS0905
Position Number	00002023
Original Hire Date	04/26/1999
Empl ID:	051106

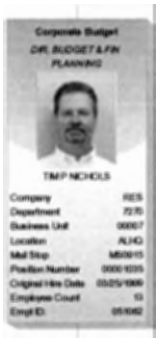
Treasury Services
ANLY, CASH MGT SR
YVETTE GRIEGO

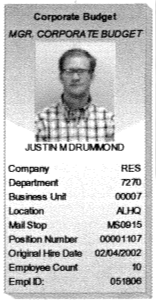
Company	RES
Department	7066
Business Unit	00007
Location	ALHQ
Mail Stop	MS0905
Position Number	00002667
Original Hire Date	01/14/2008
Empl ID:	101542

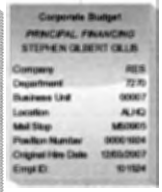
Corporate Controller

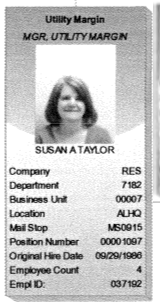


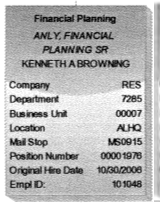
Financial Plng & Bsns Analysis











Audit Services

Audit Services

DIR, AUDIT AND COST OF SERVICE

HENRY E MONROY

Company	RES
Department	7023
Business Unit	00007
Location	ALHQ
Mail Stop	MS0915
Position Number	00001044
Original Hire Date	06/30/2003
Employee Count	12
Empl ID:	100148

Cost of Service

MGR, COST OF SERVICE

JASON A PETERS

Company	RES
Department	7077
Business Unit	00007
Location	ALHQ
Mail Stop	MS0915
Position Number	00001103
Original Hire Date	04/30/2007
Employee Count	3
Empl ID:	101239

Audit Services

MGR, INTEGRATED AUD

LISA CONTRERAS

Company	RES
Department	7023
Business Unit	00007
Location	ALHQ
Mail Stop	MS0925
Position Number	00001114
Original Hire Date	02/14/2005
Employee Count	6
Empl ID:	100481

Audit Services

PROJ LEADER, SOX COMPLIANCE

FRANCES GABALDON

Company	RES
Department	7023
Business Unit	00007
Location	ALHQ
Mail Stop	MS0925
Position Number	00002046
Original Hire Date	11/29/2004
Empl ID:	100438

Audit Services

ADMIN, I

VICTORIA J QUINTANA

Company	RES
Department	7023
Business Unit	00007
Location	ALHQ
Mail Stop	MS0925
Position Number	00002714
Original Hire Date	11/13/2006
Empl ID:	101063

Cost of Service

ANLY, REVENUE REQUIREMENTS SR

KYLE THOMAS SANDERS

Company	RES
Department	7077
Business Unit	00007
Location	ALHQ
Mail Stop	MS0915
Position Number	00002117
Original Hire Date	11/05/2012
Empl ID:	102526

Cost of Service

ANLY, REVENUE REQUIREMENTS SR

MELISSA RENEE CASIAS

Company	RES
Department	7077
Business Unit	00007
Location	ALHQ
Mail Stop	MS0915
Position Number	00002277
Original Hire Date	11/13/2006
Empl ID:	101060

Audit Services

AUDITOR, SENIOR

RENEE ANNETTE MARTINEZ

Company	RES
Department	7023
Business Unit	00007
Location	ALHQ
Mail Stop	MS0925
Position Number	00002101
Original Hire Date	05/08/2006
Empl ID:	100837

Audit Services

AUDITOR, SENIOR

KURT S. READ

Company	RES
Department	7023
Business Unit	00007
Location	ALHQ
Mail Stop	MS0925
Position Number	00002143
Original Hire Date	05/14/2012
Empl ID:	102352

Audit Services

AUDITOR, SENIOR

ROBERT RIMBERT

Company	RES
Department	7023
Business Unit	00007
Location	ALHQ
Mail Stop	MS0925
Position Number	00002151
Original Hire Date	01/09/2006
Empl ID:	100718

Audit Services

AUDITOR, SENIOR

STACEY L CAPARAS

Company	RES
Department	7023
Business Unit	00007
Location	ALHQ
Mail Stop	MS0925
Position Number	00002171
Original Hire Date	04/23/2012
Empl ID:	102333

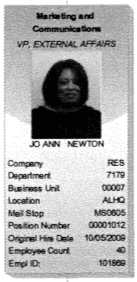
Audit Services

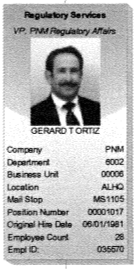
AUDITOR, SENIOR

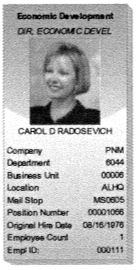
DEANNA V ARMIJO

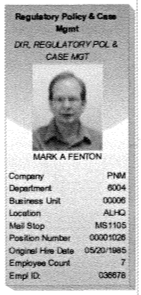
Company	RES
Department	7023
Business Unit	00007
Location	ALHQ
Mail Stop	MS0925
Position Number	00002976
Original Hire Date	06/18/2007
Empl ID:	101333

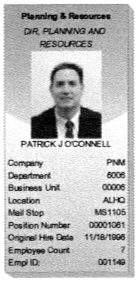
Public Policy

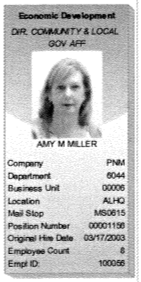


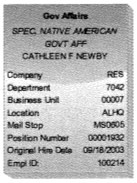


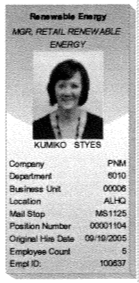


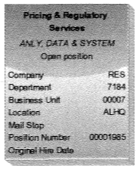


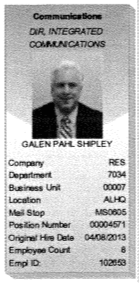


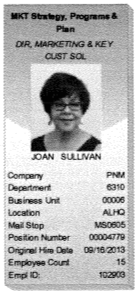


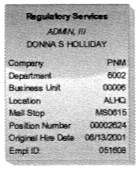


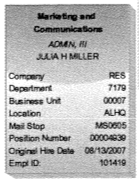


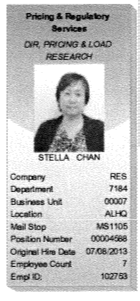












Gov Affairs

Gov Affairs

DIR, GOVERNMENTAL AFFAIRS

SAYURI YAMADA MATTHEWS

Company	RES
Department	7042
Business Unit	00007
Location	SFEL
Mail Stop	MSSF30
Position Number	00001063
Original Hire Date	10/30/2006
Employee Count	5
Empl ID:	101044

Gov Affairs

ADMIN, GOVERNMENT AFFIRS SR

MICHAEL A D'ANTONIO

Company	RES
Department	7042
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00001959
Original Hire Date	08/06/1980
Empl ID:	006261

Gov Affairs

ANLY, GOVERNMENT AFFAIRS

SHERRICK SCOTT ROANHORSE

Company	RES
Department	7042
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00001988
Original Hire Date	12/17/2012
Empl ID:	102550

Gov Affairs

ADMIN, II

BRIDGETT S ALVAREZ

Company	RES
Department	7042
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00002718
Original Hire Date	08/28/1978
Empl ID:	000888

Gov Affairs

ADMIN, GOVERNMENT AFFIRS SR

MATTHEW JARAMILLO

Company	RES
Department	7042
Business Unit	00007
Location	SFEL
Mail Stop	MSSF30
Position Number	00002923
Original Hire Date	10/01/2012
Empl ID:	051916

Economic Development

Economic Development

DIR, COMMUNITY & LOCAL GOV AFF

AMY M MILLER

Company	PNM
Department	6044
Business Unit	00006
Location	ALHQ
Mail Stop	MS0615
Position Number	00001156
Original Hire Date	03/17/2003
Employee Count	8
Empl ID:	100056

Community Rel Stakehldr Engage

DIR, COMM RELATIONS

DIANE J OGAWA

Company	RES
Department	7100
Business Unit	00007
Location	ALHQ
Mail Stop	MS0615
Position Number	00001067
Original Hire Date	07/07/2001
Employee Count	3
Empl ID:	051312

Economic Development

Coord,Regional Stakehlder Lead

DANIELLE DURAN

Company	PNM
Department	6044
Business Unit	00006
Location	ALHQ
Mail Stop	MS0605
Position Number	00004607
Original Hire Date	01/07/2013
Empl ID:	102564

Economic Development

Coord, Regional Stakeholder

BRUCE KEITH ASHBURN

Company	PNM
Department	6044
Business Unit	00006
Location	SLVM
Mail Stop	MSSLVM
Position Number	00004649
Original Hire Date	04/15/2013
Empl ID:	102664

Economic Development

Coord, Regional Stakeholder

MARIA E PARRA

Company	PNM
Department	6044
Business Unit	00006
Location	ALAC
Mail Stop	MSALAC
Position Number	00004650
Original Hire Date	12/01/1973
Empl ID:	095804

Gov Affairs

Coord,Regional Stakehlder Lead

RAYMOND G. SANDOVAL

Company	RES
Department	7042
Business Unit	00007
Location	SFEL
Mail Stop	MSSF30
Position Number	00004726
Original Hire Date	01/13/2014
Empl ID:	103014

Communications

Communications

DIR, INTEGRATED COMMUNICATIONS

GALEN PAHL SHIPLEY

Company	RES
Department	7034
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00004571
Original Hire Date	04/08/2013
Employee Count	8
Empl ID:	102653

Communications

REP, CORP COMMUNICATIONS SR

DIONNE MARIE GERETY

Company	RES
Department	7034
Business Unit	00007
Location	LCSC
Mail Stop	MSLCSC
Position Number	00002081
Original Hire Date	01/31/2005
Empl ID:	100476

Communications

REP, CORP COMMUNICATIONS LEAD

SUSAN SNYDER SPONAR

Company	RES
Department	7034
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00002165
Original Hire Date	04/17/2006
Empl ID:	100808

Communications

ANLY, WEB BUSINESS

ERIC PAUL

Company	RES
Department	7034
Business Unit	00007
Location	LWSR
Mail Stop	MSLWSR
Position Number	00002180
Original Hire Date	01/21/2002
Empl ID:	051794

Communications

REP, CORP COMMUNICATIONS II

BRITNY FUDGE

Company	RES
Department	7034
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00002408
Original Hire Date	08/27/2012
Empl ID:	102411

Communications

REP, CORP COMMUNICATIONS SR

RYAN BACA

Company	RES
Department	7034
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00002410
Original Hire Date	04/26/2004
Empl ID:	100318

Communications

REP, CORP COMMUNICATIONS LEAD

JEFFREY M BUELL

Company	RES
Department	7034
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00002977
Original Hire Date	07/28/2003
Empl ID:	100162

Communications

REP, CORP COMMUNICATIONS LEAD

JODI MCGINNIS PORTER

Company	RES
Department	7034
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00005128
Original Hire Date	07/28/2014
Empl ID:	103164

MKT Strategy, Programs & Plan

MKT Strategy, Programs & Plan

DIR, MARKETING & KEY CUST SOL

JOAN SULLIVAN

Company	PNM
Department	6310
Business Unit	00006
Location	ALHQ
Mail Stop	MS0605
Position Number	00004779
Original Hire Date	09/16/2013
Employee Count	15
Empl ID:	102903

MKT Strategy, Programs & Plan

MGR, MARKETING PROGRAM

MELISSA WALTERS LEYMON

Company	PNM
Department	6310
Business Unit	00006
Location	ALHQ
Mail Stop	MS0605
Position Number	00001105
Original Hire Date	07/06/2009
Employee Count	2
Empl ID:	101820

MKT Strategy, Programs & Plan

PROJ MGR, PRODUCT DEVELOPMENT

Open position

Company	PNM
Department	6310
Business Unit	00006
Location	ALHQ
Mail Stop	
Position Number	00001922
Original Hire Date	

Cust Communications & Research

MGR, MARKETING & ENERGY EFF

ROGER E LARSEN

Company	RES
Department	7185
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00002047
Original Hire Date	01/12/1999
Employee Count	4
Empl ID:	051056

Account Management

MGR, KEY CUSTOMER SOLUTIONS

PATRICK V HALL

Company	PNM
Department	1082
Business Unit	00001
Location	ALHQ
Mail Stop	MS0615
Position Number	00002202
Original Hire Date	06/19/2006
Employee Count	8
Empl ID:	100910

Regulatory Policy & Case Mgmt

Regulatory Policy & Case Mgmt

DIR, REGULATORY POL & CASE MGT

MARK A FENTON

Company	PNM
Department	6004
Business Unit	00006
Location	ALHQ
Mail Stop	MS1105
Position Number	00001026
Original Hire Date	05/20/1985
Employee Count	7
Empl ID:	036678

FERC Compliance

DIR, FEDERAL REGULATORY POLICY

Open position

Company	PNM
Department	6005
Business Unit	00006
Location	ALHQ
Mail Stop	
Position Number	00001060
Original Hire Date	

Regulatory Policy & Case Mgmt

PROJ MGR, REGULATORY SR

THOMAS J WANDER

Company	PNM
Department	6004
Business Unit	00006
Location	ALHQ
Mail Stop	MS1105
Position Number	00001934
Original Hire Date	01/09/1995
Empl ID:	001047

Regulatory Policy & Case Mgmt

ANLY, REGULATORY RESCH & FILE

CAREY JOY SALAZ

Company	PNM
Department	6004
Business Unit	00006
Location	ALHQ
Mail Stop	MS1105
Position Number	00002305
Original Hire Date	09/08/2008
Empl ID:	101654

FERC Compliance

ANLY, FERC DOCUMENTS

REBECCA WENK

Company	PNM
Department	6005
Business Unit	00006
Location	ALHQ
Mail Stop	MS1105
Position Number	00002467
Original Hire Date	01/07/2013
Empl ID:	102565

Regulatory Policy & Case Mgmt

ADMIN, REGULATORY

Open position

Company	RES
Department	7095
Business Unit	00007
Location	ALHQ
Mail Stop	
Position Number	00002658
Original Hire Date	

Regulatory Policy & Case Mgmt

ADMIN, REGULATORY

RONDA S MOREHEAD

Company	PNM
Department	6004
Business Unit	00006
Location	ALHQ
Mail Stop	MS1105
Position Number	00002949
Original Hire Date	02/18/2013
Empl ID:	102604

FERC Compliance

PROJ MGR, REG PLAN & POLICY

RYAN E. ANDERSON

Company	PNM
Department	6005
Business Unit	00006
Location	ALHQ
Mail Stop	MS1105
Position Number	00004584
Original Hire Date	01/22/2013
Empl ID:	102579

Regulatory Policy & Case Mgmt

PROJ MGR, REGULATORY SR

STEVEN DELAINE SCHWEBKE

Company	PNM
Department	6004
Business Unit	00006
Location	ALHQ
Mail Stop	MS1105
Position Number	00004736
Original Hire Date	08/19/2013
Empl ID:	102788

Planning & Resources

Planning & Resources

DIR, PLANNING AND RESOURCES

PATRICK J O'CONNELL

Company	PNM
Department	6006
Business Unit	00006
Location	ALHQ
Mail Stop	MS1105
Position Number	00001061
Original Hire Date	11/18/1996
Employee Count	7
Empl ID:	001149

Energy Efficiency Design

MGR, ENERGY ANALYTICS

STEVEN M BEAN

Company	PNM
Department	6371
Business Unit	00006
Location	ALHQ
Mail Stop	MS1135
Position Number	00001123
Original Hire Date	05/09/1984
Employee Count	3
Empl ID:	036705

Planning & Resources

PROJ MGR,FINANCIAL MODELING SR

MONIQUE I REIMAN

Company	PNM
Department	6006
Business Unit	00006
Location	ALHQ
Mail Stop	MS1115
Position Number	00001930
Original Hire Date	07/01/1991
Empl ID:	037468

Planning & Resources

PROJ MGR,FINANCIAL MODELING SR

DORIAN D BRUNTON

Company	PNM
Department	6006
Business Unit	00006
Location	ALHQ
Mail Stop	MS1115
Position Number	00001949
Original Hire Date	10/05/1981
Empl ID:	035882

Planning & Resources

ENGINEER IV

SHANE GUTIERREZ

Company	PNM
Department	6006
Business Unit	00006
Location	ALHQ
Mail Stop	MS1115
Position Number	00002031
Original Hire Date	01/12/2009
Empl ID:	101733

Renewable Energy

Renewable Energy

MGR, RETAIL RENEWABLE ENERGY

KUMIKO STYES

Company	PNM
Department	6010
Business Unit	00006
Location	ALHQ
Mail Stop	MS1125
Position Number	00001104
Original Hire Date	09/19/2005
Employee Count	5
Empl ID:	100637

Renewable Energy

ENGINEER IV

FRANK ANDAZOLA

Company	PNM
Department	6010
Business Unit	00006
Location	ALHQ
Mail Stop	MS1135
Position Number	00002167
Original Hire Date	11/22/2004
Empl ID:	100437

Renewable Energy

ENGINEER I

ADRIAN XAVIER ONTIVEROS

Company	PNM
Department	6010
Business Unit	00006
Location	ALHQ
Mail Stop	MS1135
Position Number	00002186
Original Hire Date	06/09/2014
Empl ID:	103127

Renewable Energy

PGM MGR, RENEWABLES

JOANNE KARP

Company	PNM
Department	6010
Business Unit	00006
Location	ALHQ
Mail Stop	MS1135
Position Number	00002351
Original Hire Date	09/28/1981
Empl ID:	035886

Renewable Energy

SPEC, RENEWABLES

JACQUELYN SALCIDO

Company	PNM
Department	6010
Business Unit	00006
Location	ALHQ
Mail Stop	MS1135
Position Number	00002791
Original Hire Date	05/26/2009
Empl ID:	101796

Pricing & Regulatory Services

Pricing & Regulatory Services

DIR, PRICING & LOAD RESEARCH

STELLA CHAN

Company	RES
Department	7184
Business Unit	00007
Location	ALHQ
Mail Stop	MS1105
Position Number	00004588
Original Hire Date	07/08/2013
Employee Count	7
Empl ID:	102753

Pricing & Regulatory Services

ECONOMIST

Open position

Company	RES
Department	7184
Business Unit	00007
Location	ALHQ
Mail Stop	
Position Number	00002052
Original Hire Date	

Pricing & Regulatory Services

PROJ MGR, PRICING &COST OF SVC

JOHN D OLMSTED

Company	RES
Department	7184
Business Unit	00007
Location	ALHQ
Mail Stop	MS1105
Position Number	00002066
Original Hire Date	05/07/1984
Empl ID:	023380

Pricing & Regulatory Services

ANLY, PRICING SR

JULIO CESAR AGUIRRE-CARMONA

Company	RES
Department	7184
Business Unit	00007
Location	ALHQ
Mail Stop	MS1115
Position Number	00002107
Original Hire Date	11/29/2010
Empl ID:	102099

Pricing & Regulatory Services

ECONOMIST, SR

JOHN C SHAW

Company	RES
Department	7184
Business Unit	00007
Location	ALHQ
Mail Stop	MS1115
Position Number	00002137
Original Hire Date	09/22/2014
Empl ID:	103578

Pricing & Regulatory Services

ANLY, PRICING LEAD

SCOTT A VOGT

Company	RES
Department	7184
Business Unit	00007
Location	ALHQ
Mail Stop	MS1115
Position Number	00002274
Original Hire Date	08/04/2014
Empl ID:	103174

Pricing & Regulatory Services

ANLY, LOAD RESEARCH DATA & SYS

PAM CHANG MILLIGAN

Company	RES
Department	7184
Business Unit	00007
Location	ALHQ
Mail Stop	MS1115
Position Number	00002409
Original Hire Date	09/07/1993
Empl ID:	000892

Pricing & Regulatory Services

ANLY, LOAD RESEARCH DTA&SYS SR

JESSICA J SUNDERLAND

Company	RES
Department	7184
Business Unit	00007
Location	ALHQ
Mail Stop	MS1115
Position Number	00004597
Original Hire Date	09/30/2013
Empl ID:	102938

General Counsel & Secretary

General Counsel & Secretary

SVP, GENERAL COUNSEL

PATRICK APODACA

Company	RES
Department	7022
Business Unit	00007
Location	ALHQ
Mail Stop	MS1245
Position Number	00001004
Original Hire Date	01/04/2010
Employee Count	73
Empl ID:	101909

Human Resources Department

VP, HUMAN RESOURCES

LAURIE S MONFILETTO

Company	RES
Department	7557
Business Unit	00007
Location	ALHQ
Mail Stop	MS0705
Position Number	00001007
Original Hire Date	02/26/2007
Employee Count	32
Empl ID:	101161

Law Department

ASSOC GENERAL COUNSEL

BENJAMIN J PHILLIPS

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00001016
Original Hire Date	12/04/2006
Employee Count	3
Empl ID:	101090

Law Department

ASSOC GENERAL COUNSEL

LEONARD D SANCHEZ

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00001021
Original Hire Date	10/01/1997
Employee Count	7
Empl ID:	050833

Law Department

ASSOC GENERAL COUNSEL

CHARLES MOORE

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00001022
Original Hire Date	05/16/2005
Employee Count	5
Empl ID:	100532

Corporate Govern

DIR, ETHICS & GOVERNANCE

JIM S ACOSTA

Company	RES
Department	7060
Business Unit	00007
Location	ALHQ
Mail Stop	MS1275
Position Number	00001029
Original Hire Date	09/08/1987
Employee Count	4
Empl ID:	000596

Environmental Services

EXEC DIR, ENVIRONMENTAL SVCS

MAUREEN D GANNON

Company	RES
Department	7045
Business Unit	00007
Location	AZTC
Mail Stop	MSZ100
Position Number	00001033
Original Hire Date	05/01/1996
Employee Count	15
Empl ID:	050515

Law Department

MGR, GCG ANLY & ADMIN

PATRICIA P MERVILLE

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0806
Position Number	00002058
Original Hire Date	03/30/1987
Employee Count	5
Empl ID:	000548

General Counsel & Secretary

SPEC, STAFF SR

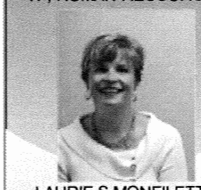
SUSAN GAIL GORDON

Company	RES
Department	7022
Business Unit	00007
Location	ALHQ
Mail Stop	MS1245
Position Number	00002457
Original Hire Date	02/15/2010
Empl ID:	101932

Human Resources Department

Human Resources Department

VP, HUMAN RESOURCES



LAURIE S MONFILETTO

Company	RES
Department	7557
Business Unit	00007
Location	ALHQ
Mail Stop	MS0705
Position Number	00001007
Original Hire Date	02/26/2007
Employee Count	32
Empl ID:	101161

HR Compliance

DIR, HUMAN RESOURCES

ANNA M ORTIZ

Company	RES
Department	7554
Business Unit	00007
Location	ALHQ
Mail Stop	MS0705
Position Number	00001041
Original Hire Date	01/16/1984
Employee Count	14
Empl ID:	061500

Compensation

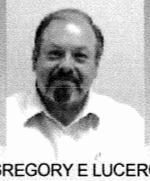
DIR, COMPENSATION

GAIL A VAVRUSKA-MARCUM

Company	RES
Department	7555
Business Unit	00007
Location	ALHQ
Mail Stop	MS0755
Position Number	00001047
Original Hire Date	12/27/2000
Employee Count	2
Empl ID:	051490

Benefits Admin

MGR, BENEFITS & HRIS



GREGORY E LUCERO

Company	RES
Department	7548
Business Unit	00007
Location	ALHQ
Mail Stop	MS0735
Position Number	00001161
Original Hire Date	03/04/1985
Employee Count	5
Empl ID:	036910

Compensation

SUPV, COMPENSATION

ANGELA PINO

Company	RES
Department	7555
Business Unit	00007
Location	ALHQ
Mail Stop	MS0755
Position Number	00001265
Original Hire Date	09/22/2003
Employee Count	3
Empl ID:	100212

Human Resources Department

ADMIN, III

DONNA L BRIGGS

Company	RES
Department	7557
Business Unit	00007
Location	ALHQ
Mail Stop	MS0705
Position Number	00002452
Original Hire Date	03/20/2000
Empl ID:	051280

Labor Relations

DIR, LABOR &EMPLOYEE RELATIONS

RALPH L. DICK

Company	RES
Department	7549
Business Unit	00007
Location	LWSR
Mail Stop	MSLWSR
Position Number	00004747
Original Hire Date	02/17/2014
Employee Count	6
Empl ID:	102714

HR Compliance

HR Compliance
DIR, HUMAN RESOURCES

ANNA M ORTIZ

Company	RES
Department	7554
Business Unit	00007
Location	ALHQ
Mail Stop	MS0705
Position Number	00001041
Original Hire Date	01/16/1984
Employee Count	14
Empl ID:	061500

Staffing Workforce
MGR, EMPLOYMENT & RECRUITMENT

JOAN SCHUELLER

Company	RES
Department	7558
Business Unit	00007
Location	ALHQ
Mail Stop	MS0705
Position Number	00001125
Original Hire Date	08/08/2005
Employee Count	4
Empl ID:	100608

Enterprise Capability
Cons, Learning&Development SR
ANDREA F YOST

Company	RES
Department	7304
Business Unit	00007
Location	ALHQ
Mail Stop	MS0735
Position Number	00001310
Original Hire Date	11/30/1999
Empl ID:	051222

Enterprise Capability
PROJ MGR, LEARNING CONSULTANT
JULIE MCCABE

Company	RES
Department	7304
Business Unit	00007
Location	ALHQ
Mail Stop	MS0705
Position Number	00001999
Original Hire Date	11/15/1999
Empl ID:	051221

HR Compliance
ANLY, HR COMPLIANCE LEAD
BECKY W CHISMAN

Company	RES
Department	7554
Business Unit	00007
Location	ALHQ
Mail Stop	MS0705
Position Number	00002006
Original Hire Date	03/24/1997
Empl ID:	050691

HR Compliance
LEAD, HR CONSULTANT
JOANN E. GARCIA

Company	RES
Department	7554
Business Unit	00007
Location	ALHQ
Mail Stop	MS0705
Position Number	00002059
Original Hire Date	07/07/2008
Empl ID:	101639

HR Compliance
PROJ MGR, HR COMPLIANCE
DANIEL E PACHECO

Company	RES
Department	7554
Business Unit	00007
Location	ALHQ
Mail Stop	MS0705
Position Number	00002075
Original Hire Date	08/16/1982
Empl ID:	036418

HR Compliance
ANLY, HR COMPLIANCE
KELLY M OVERHOLT

Company	RES
Department	7554
Business Unit	00007
Location	ALHQ
Mail Stop	MS0705
Position Number	00002183
Original Hire Date	05/18/1981
Empl ID:	000091

HRIS
ANLY, HRIS SR
BARBARA J HASENSTAB

Company	RES
Department	7556
Business Unit	00007
Location	ALHQ
Mail Stop	MS0735
Position Number	00002306
Original Hire Date	12/01/2003
Empl ID:	100263

HRIS
ANLY, HRIS LEAD
RAMON G TRUJILLO

Company	RES
Department	7556
Business Unit	00007
Location	ALHQ
Mail Stop	MS0735
Position Number	00002381
Original Hire Date	09/05/2006
Empl ID:	100982

HR Compliance
ADMIN, I
MELANIE N BRISENO

Company	RES
Department	7554
Business Unit	00007
Location	ALHQ
Mail Stop	MS0735
Position Number	00002723
Original Hire Date	04/29/2002
Empl ID:	051872

Compensation

Compensation

DIR, COMPENSATION

GAIL A VAVRUSKA-MARCUM

Company	RES
Department	7555
Business Unit	00007
Location	ALHQ
Mail Stop	MS0755
Position Number	00001047
Original Hire Date	12/27/2000
Employee Count	2
Empl ID:	051490

Compensation

ADMIN, II

KASSANDRA N GRIFFIN

Company	RES
Department	7555
Business Unit	00007
Location	ALHQ
Mail Stop	MS0705
Position Number	00002622
Original Hire Date	10/01/1979
Empl ID:	012130

Benefits Admin

Benefits Admin

MGR, BENEFITS & HRIS

GREGORY E LUCERO

Company	RES
Department	7548
Business Unit	00007
Location	ALHQ
Mail Stop	MS0735
Position Number	00001161
Original Hire Date	03/04/1985
Employee Count	5
Empl ID:	036910

Benefits Admin

ADMIN, BENEFITS

MARIE G STANDEFER

Company	RES
Department	7548
Business Unit	00007
Location	ALHQ
Mail Stop	MS0745
Position Number	00002350
Original Hire Date	11/20/1985
Empl ID:	000186

Benefits Admin

ADMIN, BENEFITS

TERRY LEVOIS

Company	RES
Department	7548
Business Unit	00007
Location	ALHQ
Mail Stop	MS0745
Position Number	00002358
Original Hire Date	09/30/2005
Empl ID:	100646

Benefits Admin

ANLY, BENEFITS

ANDREA M CASAUS

Company	RES
Department	7548
Business Unit	00007
Location	ALHQ
Mail Stop	MS0745
Position Number	00002653
Original Hire Date	04/06/1998
Empl ID:	050923

Benefits Admin

ANLY, BENEFITS

CRISTA L BELT

Company	RES
Department	7548
Business Unit	00007
Location	ALHQ
Mail Stop	MS0745
Position Number	00002655
Original Hire Date	03/06/2000
Empl ID:	051269

Compensation

Compensation

SUPV, COMPENSATION

ANGELA PINO

Company	RES
Department	7555
Business Unit	00007
Location	ALHQ
Mail Stop	MS0755
Position Number	00001265
Original Hire Date	09/22/2003
Employee Count	3
Empl ID:	100212

Compensation

ANLY, COMPENSATION SR

MARK LOUIS YOUNG

Company	RES
Department	7555
Business Unit	00007
Location	ALHQ
Mail Stop	MS0755
Position Number	00002424
Original Hire Date	08/24/2009
Empl ID:	101841

Compensation

ANLY, COMPENSATION

YOLANDA D RODRIGUEZ

Company	RES
Department	7555
Business Unit	00007
Location	ALHQ
Mail Stop	MS0755
Position Number	00002947
Original Hire Date	02/09/1984
Empl ID:	036669

Labor Relations

Labor Relations

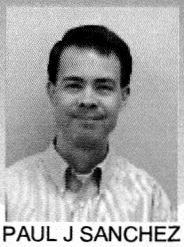
DIR, LABOR &EMPLOYEE RELATIONS

RALPH L. DICK

Company	RES
Department	7549
Business Unit	00007
Location	LWSR
Mail Stop	MSLWSR
Position Number	00004747
Original Hire Date	02/17/2014
Employee Count	6
Empl ID:	102714

Employee Relations

MGR, HR BUS PARTNER



PAUL J SANCHEZ

Company	RES
Department	7547
Business Unit	00007
Location	ALHQ
Mail Stop	MS0705
Position Number	00001148
Original Hire Date	10/29/2007
Employee Count	3
Empl ID:	101481

Labor Relations

LEAD, HR CONSULTANT

ALEX J HERNANDEZ

Company	RES
Department	7549
Business Unit	00007
Location	LWSR
Mail Stop	MSLWSR
Position Number	00002053
Original Hire Date	04/09/2007
Empl ID:	101214

Labor Relations

CONS, LABOR RELATIONS LEAD

SHERRY D LEESON

Company	RES
Department	7549
Business Unit	00007
Location	ALHQ
Mail Stop	MS0705
Position Number	00004804
Original Hire Date	02/28/1978
Empl ID:	017120

Law Department

Law Department

ASSOC GENERAL COUNSEL

BENJAMIN J PHILLIPS

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00001016
Original Hire Date	12/04/2006
Employee Count	3
Empl ID:	101090

Law Department

ATTORNEY IV

BRADFORD BORMAN

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00001024
Original Hire Date	05/06/2013
Employee Count	1
Empl ID:	102678

Law Department

DEPUTY ASSOC GEN COUNSEL

Open position

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	
Position Number	00001087
Original Hire Date	

Law Department

PARALEGAL

HEATHER L. LAWRIE

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00002629
Original Hire Date	08/26/2013
Empl ID:	102794

Law Department

Law Department
ASSOC GENERAL COUNSEL

LEONARD D SANCHEZ

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00001021
Original Hire Date	10/01/1997
Employee Count	7
Empl ID:	050833

Law Department
ATTORNEY IV

MICHAEL S SEAMSTER

Company	RES
Department	7021
Business Unit	00007
Location	LWSR
Mail Stop	MSLWSR
Position Number	00001025
Original Hire Date	11/07/2005
Employee Count	2
Empl ID:	100681

Law Department
PARALEGAL
LISA RICKMAN

Company	RES
Department	7021
Business Unit	00007
Location	LWSR
Mail Stop	MSLWSR
Position Number	00002619
Original Hire Date	05/28/2013
Empl ID:	102702

Law Department
ATTORNEY III

KALLIE KUEHL

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00001085
Original Hire Date	05/14/2012
Employee Count	1
Empl ID:	102353

Law Department
ATTORNEY III

KARLA JANELLE HAUGHT

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00001088
Original Hire Date	09/13/2010
Employee Count	1
Empl ID:	102054

Law Department
ATTORNEY IV

MADONNA BIXBY

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00001089
Original Hire Date	10/01/2003
Employee Count	1
Empl ID:	100225

Law Department
PARALEGAL
JOHNDA MASHELL JENKINS

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00002640
Original Hire Date	04/21/2014
Empl ID:	103086

Law Department

Law Department

ASSOC GENERAL COUNSEL

CHARLES MOORE

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00001022
Original Hire Date	05/16/2005
Employee Count	5
Empl ID:	100532

Law Department

ATTORNEY III

MIKAL MELISSA ALTOMARE

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00001086
Original Hire Date	03/07/2011
Employee Count	1
Empl ID:	102137

Law Department

PARALEGAL

JULI MARCINELLI

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00002612
Original Hire Date	05/31/2011
Empl ID:	102204

Law Department

PARALEGAL

YVONNE C ULIBARRI

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00002651
Original Hire Date	07/24/1995
Empl ID:	050448

Law Department

PARALEGAL

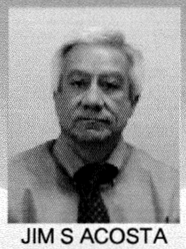
MARCIE G KERCHER

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00002652
Original Hire Date	03/14/1994
Empl ID:	050307

Corporate Govern

Corporate Govern

DIR, ETHICS & GOVERNANCE



JIM S ACOSTA

Company	RES
Department	7060
Business Unit	00007
Location	ALHQ
Mail Stop	MS1275
Position Number	00001029
Original Hire Date	09/08/1987
Employee Count	4
Empl ID:	000596

Corporate Govern

SPEC, ETHICS & COMPLIANCE

KAREN K RUTLEDGE

Company	RES
Department	7060
Business Unit	00007
Location	ALHQ
Mail Stop	MS1285
Position Number	00002128
Original Hire Date	12/17/2001
Empl ID:	051770

Corporate Govern

ANLY, CORPORATE GOVERNANCE SR

LISA Y TILLERY

Company	RES
Department	7060
Business Unit	00007
Location	ALHQ
Mail Stop	MS1275
Position Number	00002336
Original Hire Date	07/30/1982
Empl ID:	036391

Corporate Govern

ANLY, CORPORATE GOVERNANCE SR

KATHLEEN F CAMPBELL

Company	RES
Department	7060
Business Unit	00007
Location	ALHQ
Mail Stop	MS1275
Position Number	00002349
Original Hire Date	09/06/1994
Empl ID:	050376

Environmental Services

Environmental Services
EXEC DIR, ENVIRONMENTAL SVCS

MAUREEN D GANNON

Company	RES
Department	7045
Business Unit	00007
Location	AZTC
Mail Stop	MSZ100
Position Number	00001033
Original Hire Date	05/01/1996
Employee Count	15
Empl ID:	050515

Environmental Services
MGR, ENVIRONMENTAL

CLAUDETTE B HORN

Company	RES
Department	7045
Business Unit	00007
Location	AZTC
Mail Stop	MSZ100
Position Number	00001127
Original Hire Date	09/09/1996
Employee Count	6
Empl ID:	050597

Environmental Services
MGR, ENVIRONMENTAL

MICHAEL D GOEN

Company	RES
Department	7045
Business Unit	00007
Location	SANJ
Mail Stop	MS96B5
Position Number	00001129
Original Hire Date	09/21/1983
Employee Count	4
Empl ID:	039607

Environmental Services
ENGINEER, POWER PRODUCTION 5
MARK WILLIAMS

Company	RES
Department	7045
Business Unit	00007
Location	AZTC
Mail Stop	MSZ100
Position Number	00001953
Original Hire Date	11/15/2010
Empl ID:	102091

Environmental Services
ENGINEER, POWER PRODUCTION 4
JOHN E HALE

Company	RES
Department	7045
Business Unit	00007
Location	AZTC
Mail Stop	MSZ100
Position Number	00002057
Original Hire Date	01/31/1994
Empl ID:	050291

Environmental Services
PROJ MGR, ENV PLAN & PERMIT
DOUGLAS G CAMPBELL

Company	RES
Department	7045
Business Unit	00007
Location	AZTC
Mail Stop	MSZ100
Position Number	00002064
Original Hire Date	06/29/1981
Empl ID:	035647

Environmental Services
ADMIN, I
CHANDRA W COOK

Company	RES
Department	7045
Business Unit	00007
Location	AZTC
Mail Stop	MSZ100
Position Number	00002674
Original Hire Date	11/28/2011
Empl ID:	102278

Environmental Services
PROJ MGR, TECH II
ROBIN K DELAPP

Company	RES
Department	7045
Business Unit	00007
Location	AZTC
Mail Stop	MSZ100
Position Number	00001179
Original Hire Date	08/27/2001
Empl ID:	051682

Environmental Services
PROJ MGR, RESOURCE EFFICIENCY
Open position

Company	RES
Department	7045
Business Unit	00007
Location	AZTC
Mail Stop	
Position Number	00001991
Original Hire Date	

Environmental Services
PROJ MGR, TECH II
DANNY K KIMBALL

Company	RES
Department	7045
Business Unit	00007
Location	SANJ
Mail Stop	MS96B5
Position Number	00001177
Original Hire Date	10/26/1981
Empl ID:	035902

Environmental Services
SCIENTIST, ENVRNMENTAL II
JUSTIN BROWN

Company	RES
Department	7045
Business Unit	00007
Location	SANJ
Mail Stop	MS96B1
Position Number	00002321
Original Hire Date	09/27/2010
Empl ID:	102064

Environmental Services
SCIENTIST, ENVRNMENTAL SR
SHARON BROWN

Company	RES
Department	7045
Business Unit	00007
Location	AZTC
Mail Stop	MSZ100
Position Number	00002104
Original Hire Date	06/24/2013
Empl ID:	102730

Environmental Services
SCIENTIST, ENVRNMENTAL I
SCOTT DICKSON

Company	RES
Department	7045
Business Unit	00007
Location	AZTC
Mail Stop	MSZ100
Position Number	00002278
Original Hire Date	10/14/2013
Empl ID:	102959

Environmental Services
SCIENTIST, ENVRNMENTAL II
CYNTHIA HURTADO

Company	RES
Department	7045
Business Unit	00007
Location	SANJ
Mail Stop	MS96B1
Position Number	00002324
Original Hire Date	04/04/2011
Empl ID:	102167

Environmental Services
SCIENTIST, ENVRNMENTAL I
STEPHEN ROSS SALETTA

Company	RES
Department	7045
Business Unit	00007
Location	AZTC
Mail Stop	MSZ100
Position Number	00002417
Original Hire Date	06/14/2010
Empl ID:	102021

Environmental Services
SCIENTIST, ENVRNMENTAL SR
DAVID REYNOLDS

Company	RES
Department	7045
Business Unit	00007
Location	AZTC
Mail Stop	MSZ100
Position Number	00005101
Original Hire Date	07/07/2014
Empl ID:	103149

Law Department

Law Department

MGR, GCG ANLY & ADMIN

PATRICIA P MERVILLE

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0806
Position Number	00002058
Original Hire Date	03/30/1987
Employee Count	5
Empl ID:	000548

Law Department

ASST, STAFF III

ASHLEY BARNETT

Company	RES
Department	7021
Business Unit	00007
Location	LWSR
Mail Stop	MSLWSR
Position Number	00002831
Original Hire Date	09/16/2013
Empl ID:	102905

Law Department

ASST, LEGAL

JOSHUA D BLANCK

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00002672
Original Hire Date	12/26/2001
Empl ID:	051774

Law Department

ADMIN, III

HELEN H LECHNER

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00002525
Original Hire Date	12/05/1983
Empl ID:	036935

Law Department

ADMIN, II

ROSEMARIE LIBRETTO

Company	RES
Department	7021
Business Unit	00007
Location	ALHQ
Mail Stop	MS0805
Position Number	00002637
Original Hire Date	05/26/2004
Empl ID:	100344

Chief Operating Officer

Chief Operating Officer

SVP, CHIEF OPERATING OFFICER

RONALD TALBOT

Company	RES
Department	7099
Business Unit	00007
Location	ALHQ
Mail Stop	MS1255
Position Number	00001005
Original Hire Date	01/23/2012
Employee Count	1,316
Empl ID:	102296

Transmission Policy & Developm

Exec Dir, Trans Policy & Devel

GREGORY C MILLER

Company	RES
Department	7088
Business Unit	00007
Location	AZTC
Mail Stop	MSZ200
Position Number	00001018
Original Hire Date	01/19/1976
Employee Count	1
Empl ID:	019960

TNMP TX Operations Admin

PRESIDENT, TNMP

JAMES N WALKER

Company	TNP
Department	45509
Business Unit	00012
Location	LWSR
Mail Stop	MSLWSR
Position Number	00001020
Original Hire Date	04/23/1990
Employee Count	354
Empl ID:	095897

Supply Chain

DIR, SUPPLY CHAIN

CARTER CHERRY

Company	RES
Department	7078
Business Unit	00007
Location	ALHQ
Mail Stop	MS0415
Position Number	00001046
Original Hire Date	12/12/2005
Employee Count	67
Empl ID:	100701

Management Systems

DIR, MANAGEMENT SYSTEMS

DAVID RANDALL ORTEGA

Company	RES
Department	7306
Business Unit	00007
Location	ALHQ
Mail Stop	MS0400
Position Number	00001056
Original Hire Date	04/27/2009
Employee Count	6
Empl ID:	101776

Safety

DIR, SAFETY

THOMAS MICHAEL RUTH

Company	RES
Department	7553
Business Unit	00007
Location	AESC
Mail Stop	MSES62
Position Number	00001074
Original Hire Date	12/28/2010
Employee Count	10
Empl ID:	102104

GENERATION PLAN & DEVELOPMENT

DIR, RENEWABLE GENERATION DEV

GARY B BARNARD

Company	RES
Department	7601
Business Unit	00007
Location	AZTC
Mail Stop	MSZ120
Position Number	00001076
Original Hire Date	01/10/1994
Employee Count	4
Empl ID:	000924

VP PNM Generation

VP, PNM GENERATION

CHRIS M. OLSON

Company	PNM
Department	3600
Business Unit	00003
Location	AZTC
Mail Stop	MSZ120
Position Number	00004573
Original Hire Date	11/27/2012
Employee Count	389
Empl ID:	102535

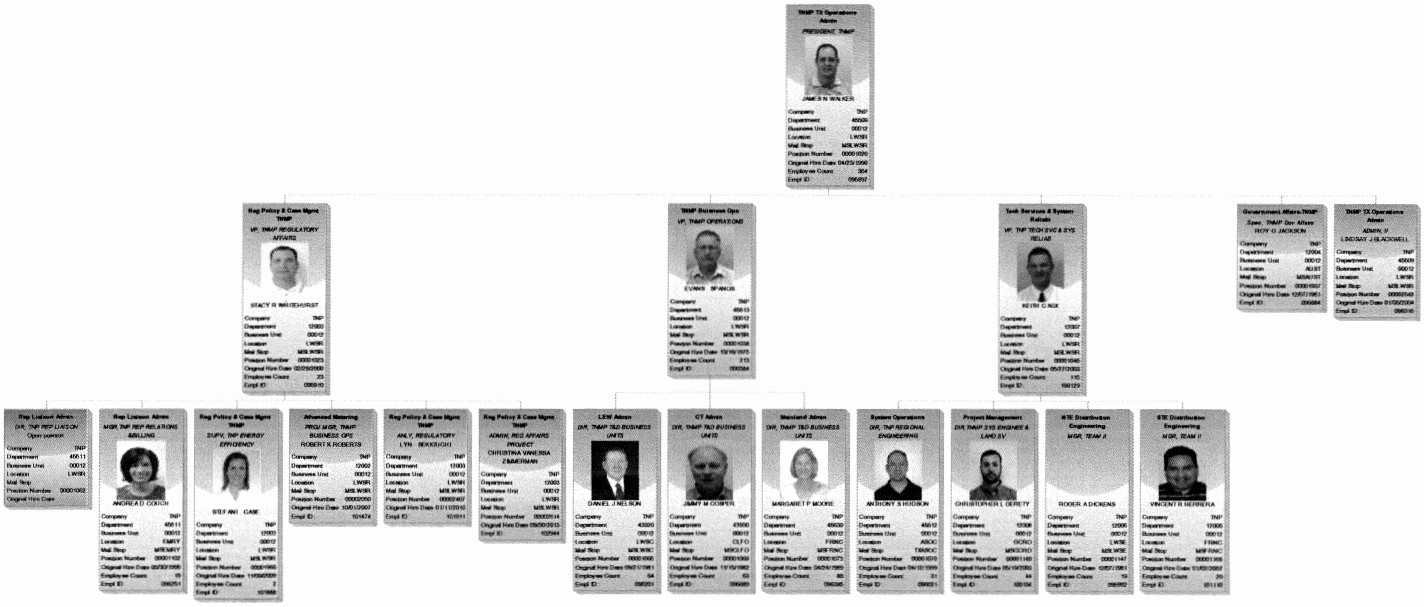
PNM Electric Operations

VP, PNM NM OPERATIONS

AUBREY JOHNSON

Company	PNM
Department	6008
Business Unit	00006
Location	AESC
Mail Stop	MSES24
Position Number	00004590
Original Hire Date	11/26/2012
Employee Count	484
Empl ID:	102534

TNMP TX Operations Admin



Supply Chain

Supply Chain
DIR, SUPPLY CHAIN

CARTER CHERRY

Company	RES
Department	7078
Business Unit	00007
Location	ALHQ
Mail Stop	MS0415
Position Number	00001046
Original Hire Date	12/12/2005
Employee Count	67
Empl ID:	100701

Supply Chain Warehouse
MGR, WAREHOUSE

DAVID HEBERT

Company	RES
Department	7094
Business Unit	00007
Location	AESC
Mail Stop	MSES30
Position Number	00001099
Original Hire Date	04/24/2006
Employee Count	26
Empl ID:	100815

Sourcing
GROUP MGR, SUPPLY CHAIN SRCNG

LYNETTE R SINGLETON

Company	RES
Department	7092
Business Unit	00007
Location	SANJ
Mail Stop	MS96E4
Position Number	00001112
Original Hire Date	06/12/2006
Employee Count	7
Empl ID:	100900

Chain Fleet
MGR, FLEET

DAVID D FISHER

Company	RES
Department	7093
Business Unit	00007
Location	AESC
Mail Stop	MSES50
Position Number	00001115
Original Hire Date	09/29/1986
Employee Count	7
Empl ID:	037193

General Services
MGR, GENERAL SERVICES

FRANK A HENNIE

Company	RES
Department	7065
Business Unit	00007
Location	ALHQ
Mail Stop	MS0415
Position Number	00001119
Original Hire Date	04/20/1981
Employee Count	16
Empl ID:	035446

Sourcing
GROUP MGR, SUPPLY CHAIN SRCNG

HORACE WILLIAMSON

Company	RES
Department	7092
Business Unit	00007
Location	AESC
Mail Stop	MSES30
Position Number	00001132
Original Hire Date	03/03/2008
Employee Count	7
Empl ID:	101565

Sourcing
DIR, SOURCING
Open position

Company	RES
Department	7092
Business Unit	00007
Location	AESC
Mail Stop	
Position Number	00001136
Original Hire Date	

Sourcing
GROUP MGR, SUPPLY CHAIN SRCNG

REGAN H HALLFORD

Company	RES
Department	7092
Business Unit	00007
Location	SANJ
Mail Stop	MS96E0
Position Number	00001139
Original Hire Date	05/17/1982
Employee Count	1
Empl ID:	036285

Supply Chain
ADMIN, II
DELFINA JAURIQUI-ROMERO

Company	RES
Department	7078
Business Unit	00007
Location	ALHQ
Mail Stop	MS0415
Position Number	00002693
Original Hire Date	11/22/1999
Empl ID:	051224

Sourcing
GROUP MGR, SUPPLY CHAIN SRCNG

CAMILLE LOVATO

Company	RES
Department	7092
Business Unit	00007
Location	AZTC
Mail Stop	MSZ120
Position Number	00004608
Original Hire Date	10/18/2004
Employee Count	1
Empl ID:	100426

Supply Chain Warehouse

Supply Chain Warehouse
MGR, WAREHOUSE

DAVID HEBERT

Company	RES
Department	7094
Business Unit	00007
Location	AESC
Mail Stop	MSES30
Position Number	00001099
Original Hire Date	04/24/2006
Employee Count	26
Empl ID:	100815

Supply Chain Warehouse
SUPV, CRAFT

CHRISTINA R. LAZENBY

Company	RES
Department	7094
Business Unit	00007
Location	SANJ
Mail Stop	MS96G3
Position Number	00001204
Original Hire Date	05/10/2010
Employee Count	12
Empl ID:	101984

Supply Chain Warehouse
SUPV, CRAFT

VERNON P SMITH

Company	RES
Department	7094
Business Unit	00007
Location	AESC
Mail Stop	MSES30
Position Number	00001205
Original Hire Date	12/27/1994
Employee Count	6
Empl ID:	050398

Capabilities Development
CONS, SUPPLY CHAIN
MARK BROCK

Company	RES
Department	7048
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00001964
Original Hire Date	05/08/2006
Empl ID:	100834

Supply Chain Warehouse
ANLY, SUPPLY CHAIN II
DAWN V DEGROFT

Company	RES
Department	7094
Business Unit	00007
Location	AESC
Mail Stop	MSES30
Position Number	00002416
Original Hire Date	08/11/1997
Empl ID:	050818

Supply Chain Warehouse
ANLY, SUPPLY CHAIN SR
LINDA S COOK

Company	RES
Department	7094
Business Unit	00007
Location	AESC
Mail Stop	MSES30
Position Number	00002439
Original Hire Date	04/30/2001
Empl ID:	051563

Capabilities Development
ANLY, SOURCING II
CECILIA R HERRERA

Company	RES
Department	7048
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00002443
Original Hire Date	09/29/1980
Empl ID:	035048

Supply Chain Warehouse
ANLY, SUPPLY CHAIN II
DENNIS P ARAGON

Company	RES
Department	7094
Business Unit	00007
Location	AESC
Mail Stop	MSES30
Position Number	00002689
Original Hire Date	10/29/2007
Empl ID:	101513

Supply Chain Warehouse
ANLY, SUPPLY CHAIN II
JONATHAN E BARNES

Company	RES
Department	7094
Business Unit	00007
Location	AESC
Mail Stop	MSES30
Position Number	00002702
Original Hire Date	11/25/2013
Empl ID:	102992

Supply Chain Warehouse
ANLY, SUPPLY CHAIN I
JULIAN LOPEZ

Company	RES
Department	7094
Business Unit	00007
Location	AESC
Mail Stop	MSES30
Position Number	00004618
Original Hire Date	06/03/2013
Empl ID:	102708

Sourcing

Sourcing

GROUP MGR, SUPPLY CHAIN SRCNG

LYNETTE R SINGLETON

Company	RES
Department	7092
Business Unit	00007
Location	SANJ
Mail Stop	MS96E4
Position Number	00001112
Original Hire Date	06/12/2006
Employee Count	7
Empl ID:	100900

Sourcing

ANLY, SOURCING II

BRENDA L WALLACE

Company	RES
Department	7092
Business Unit	00007
Location	SANJ
Mail Stop	MS96G3
Position Number	00002420
Original Hire Date	02/22/1999
Empl ID:	051069

Sourcing

ANLY, SOURCING SR

CARL PETTRY

Company	RES
Department	7092
Business Unit	00007
Location	SANJ
Mail Stop	MS96E4
Position Number	00002421
Original Hire Date	10/27/2014
Empl ID:	103620

Sourcing

ANLY, SOURCING I

YVETTE ESCOJEDA

Company	RES
Department	7092
Business Unit	00007
Location	SANJ
Mail Stop	MS96E4
Position Number	00002448
Original Hire Date	07/23/2012
Empl ID:	102401

Sourcing

ANLY, SOURCING SR

MICHAEL LEAHEY

Company	RES
Department	7092
Business Unit	00007
Location	SANJ
Mail Stop	MS96E4
Position Number	00002453
Original Hire Date	11/04/2013
Empl ID:	102966

Sourcing

CONS, SOURCING

TAMMY WAY

Company	RES
Department	7092
Business Unit	00007
Location	SANJ
Mail Stop	MS96E4
Position Number	00004507
Original Hire Date	03/26/2012
Empl ID:	102318

Sourcing

ANLY, SOURCING SR

Open position

Company	RES
Department	7092
Business Unit	00007
Location	SANJ
Mail Stop	
Position Number	00004594
Original Hire Date	

Sourcing

ANLY, SOURCING II

CHRISTINA L ATENCIO

Company	RES
Department	7092
Business Unit	00007
Location	SANJ
Mail Stop	MS96E4
Position Number	00005065
Original Hire Date	03/31/2014
Empl ID:	103076

Chain Fleet

Chain Fleet

MGR, FLEET

DAVID D FISHER

Company	RES
Department	7093
Business Unit	00007
Location	AESC
Mail Stop	MSES50
Position Number	00001115
Original Hire Date	09/29/1986
Employee Count	7
Empl ID:	037193

Alb Fleet Operations

CHIEF MECHANIC

GREGORY J TIPTON

Company	PNM
Department	6413
Business Unit	00006
Location	SFSC
Mail Stop	MSSF20
Position Number	00001495
Original Hire Date	11/07/1984
Empl ID:	036840

Alb Fleet Operations

CHIEF MECHANIC

PAT H PATTON

Company	PNM
Department	6413
Business Unit	00006
Location	AESC
Mail Stop	MSES50
Position Number	00001499
Original Hire Date	03/10/1980
Empl ID:	022580

Alb Fleet Operations

JOURNEYMAN AUTO MECHANIC

LAWRENCE D MONTOYA

Company	PNM
Department	6413
Business Unit	00006
Location	AESC
Mail Stop	MSES50
Position Number	00001616
Original Hire Date	07/28/1997
Empl ID:	050815

Alb Fleet Operations

JOURNEYMAN AUTO MECHANIC

DAVID A CORRIZ

Company	PNM
Department	6413
Business Unit	00006
Location	AESC
Mail Stop	MSES50
Position Number	00001644
Original Hire Date	01/04/1988
Empl ID:	037269

Chain Fleet

ANLY, SUPPLY CHAIN SR

TRAVIS J QUAMME

Company	RES
Department	7093
Business Unit	00007
Location	AESC
Mail Stop	MSES50
Position Number	00002155
Original Hire Date	06/04/2003
Empl ID:	100138

Chain Fleet

ANLY, SUPPLY CHAIN II

VINCENT E FELIX

Company	RES
Department	7093
Business Unit	00007
Location	AESC
Mail Stop	MSES50
Position Number	00002489
Original Hire Date	01/03/2000
Empl ID:	051236

General Services

General Services

MGR, GENERAL SERVICES

FRANK A HENNIE

Company	RES
Department	7065
Business Unit	00007
Location	ALHQ
Mail Stop	MS0415
Position Number	00001119
Original Hire Date	04/20/1981
Employee Count	16
Empl ID:	035446

Graphics and Office Services

SUPV, GRAPHICS

DEAN P SCHACHTNER

Company	RES
Department	7089
Business Unit	00007
Location	ALHQ
Mail Stop	MS0100
Position Number	00001297
Original Hire Date	02/11/1980
Employee Count	6
Empl ID:	026010

General Services

SPEC, FACILITIES LEAD

JEFFREY C GOODRICH

Company	RES
Department	7065
Business Unit	00007
Location	ALHQ
Mail Stop	MS0415
Position Number	00002376
Original Hire Date	07/06/1980
Empl ID:	011561

Building Maintenance

SUPV, BLDG MAINT

PATRICK E SANCHEZ

Company	RES
Department	7054
Business Unit	00007
Location	ALHQ
Mail Stop	MS0415
Position Number	00002546
Original Hire Date	02/19/2001
Employee Count	5
Empl ID:	051541

General Services

ADMIN, II

MELISSA K LOPEZ-BARELA

Company	RES
Department	7065
Business Unit	00007
Location	ALHQ
Mail Stop	MS0415
Position Number	00002677
Original Hire Date	07/19/1999
Empl ID:	051164

General Services - Security

SUPV, CORPORATE SECURITY

DAVID T ALLAN

Company	RES
Department	7087
Business Unit	00007
Location	ALHQ
Mail Stop	MS0415
Position Number	00004914
Original Hire Date	07/23/2007
Employee Count	2
Empl ID:	101389

Sourcing

Sourcing

GROUP MGR, SUPPLY CHAIN SRCNG

HORACE WILLIAMSON

Company	RES
Department	7092
Business Unit	00007
Location	AESC
Mail Stop	MSES30
Position Number	00001132
Original Hire Date	03/03/2008
Employee Count	7
Empl ID:	101565

Sourcing

ANLY, SOURCING SR

SEAN P L'ECLUSE

Company	RES
Department	7092
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00002083
Original Hire Date	06/29/2000
Empl ID:	051352

Sourcing

ANLY, SOURCING SR

ANTHONY J LUCERO

Company	RES
Department	7092
Business Unit	00007
Location	AESC
Mail Stop	MSES30
Position Number	00002084
Original Hire Date	01/09/2006
Empl ID:	100720

Sourcing

ANLY, SOURCING SR

TERESITA R. MALDONADO

Company	RES
Department	7092
Business Unit	00007
Location	ALHQ
Mail Stop	MS0605
Position Number	00002118
Original Hire Date	09/07/2010
Empl ID:	102051

Sourcing

ANLY, SOURCING SR

FRANCISCO DE LA PENA

Company	RES
Department	7092
Business Unit	00007
Location	AESC
Mail Stop	MSES30
Position Number	00002212
Original Hire Date	08/02/2010
Empl ID:	102042

Sourcing

ANLY, SOURCING II

KIM SOUTH

Company	RES
Department	7092
Business Unit	00007
Location	AESC
Mail Stop	MSES30
Position Number	00002427
Original Hire Date	03/13/2006
Empl ID:	100770

Sourcing

ANLY, SOURCING II

DALINA AMADOR-BOUVET

Company	RES
Department	7092
Business Unit	00007
Location	AESC
Mail Stop	MSES30
Position Number	00002437
Original Hire Date	02/07/2011
Empl ID:	102119

Management Systems

Management Systems

DIR, MANAGEMENT SYSTEMS

DAVID RANDALL ORTEGA

Company	RES
Department	7306
Business Unit	00007
Location	ALHQ
Mail Stop	MS0400
Position Number	00001056
Original Hire Date	04/27/2009
Employee Count	6
Empl ID:	101776

Management Systems

PROJ MGR, ENTERPRISE TRAN II

PEGGY C TRENT

Company	RES
Department	7306
Business Unit	00007
Location	LWSR
Mail Stop	MSLWSR
Position Number	00001974
Original Hire Date	06/10/2013
Empl ID:	102724

Management Systems

PROJ MGR, ENTERPRISE TRAN I

AARON KRAFT

Company	RES
Department	7306
Business Unit	00007
Location	ALHQ
Mail Stop	MS0400
Position Number	00001978
Original Hire Date	03/22/2010
Empl ID:	101958

Management Systems

PRJ MGR, ENTERPRISE TRANS SR

AMY M BRATKOVIC

Company	RES
Department	7306
Business Unit	00007
Location	ALHQ
Mail Stop	MS0400
Position Number	00001980
Original Hire Date	02/28/2002
Empl ID:	051825

Management Systems

PRJ MGR, ENTERPRISE TRANS SR

ANTHONY LOVATO

Company	RES
Department	7306
Business Unit	00007
Location	ALHQ
Mail Stop	MSES24
Position Number	00002027
Original Hire Date	06/27/2011
Empl ID:	102215

Management Systems

PROJ MGR, ENTERPRISE TRAN I

JEFFREY E BICKEL

Company	RES
Department	7306
Business Unit	00007
Location	ALHQ
Mail Stop	MS0400
Position Number	00002051
Original Hire Date	07/23/2007
Empl ID:	101388

Management Systems

PROJ MGR, ENTERPRISE TRAN I

Open position

Company	RES
Department	7306
Business Unit	00007
Location	ALHQ
Mail Stop	
Position Number	00002924
Original Hire Date	

Management Systems

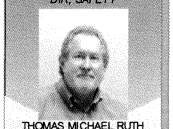
PROJ MGR, ENTERPRISE TRAN II

Open position

Company	RES
Department	7306
Business Unit	00007
Location	SANJ
Mail Stop	
Position Number	00002925
Original Hire Date	

Safety

Safety
DIR, SAFETY



THOMAS MICHAEL RUTH

Company	RES
Department	7553
Business Unit	00007
Location	AESC
Mail Stop	MSES62
Position Number	00001074
Original Hire Date	12/28/2010
Employee Count	10
Empl ID:	102104

Safety
SUPV, SAFETY

ARTURO M ANAYA

Company	RES
Department	7553
Business Unit	00007
Location	AESC
Mail Stop	MSES60
Position Number	00001262
Original Hire Date	11/20/1995
Employee Count	3
Empl ID:	001077

Safety
CONS, SAFETY SR
MICHAEL TROY WAY

Company	RES
Department	7553
Business Unit	00007
Location	SANJ
Mail Stop	MS96T2
Position Number	00002194
Original Hire Date	05/09/2011
Empl ID:	102192

Safety
CONS, SAFETY SR
STEVEN E ANDERSON

Company	RES
Department	7553
Business Unit	00007
Location	GCRO
Mail Stop	MSGCRO
Position Number	00002231
Original Hire Date	10/04/1982
Empl ID:	096167

Safety
CONS, SAFETY SR
JAMES P COSTULIS

Company	RES
Department	7553
Business Unit	00007
Location	LWSC
Mail Stop	MSLWSC
Position Number	00002232
Original Hire Date	01/16/1995
Empl ID:	096294

Safety
CONS, SAFETY SR
MICHAEL S. WALLS

Company	RES
Department	7553
Business Unit	00007
Location	SANJ
Mail Stop	MS96B5
Position Number	00002243
Original Hire Date	11/17/2008
Empl ID:	101693

Safety
CONS, SAFETY SR
WILLIAM KNIGHTEN

Company	RES
Department	7553
Business Unit	00007
Location	SANJ
Mail Stop	MS96T2
Position Number	00002506
Original Hire Date	11/04/2013
Empl ID:	102975

Safety
ANLY, SAFETY
DINA A ORTIZ

Company	RES
Department	7553
Business Unit	00007
Location	AESC
Mail Stop	MSES55
Position Number	00002646
Original Hire Date	02/23/1984
Empl ID:	000617

Safety
CONS, SAFETY SR
GUY O'DELL PAYNE

Company	RES
Department	7553
Business Unit	00007
Location	RDSC
Mail Stop	MSRDSC
Position Number	00002203
Original Hire Date	11/16/2008
Empl ID:	101688

Safety
CONS, SAFETY SR
MORGAN FRANK DEMARONEY

Company	RES
Department	7553
Business Unit	00007
Location	AESC
Mail Stop	MSES55
Position Number	00002922
Original Hire Date	12/17/2012
Empl ID:	102549

GENERATION PLAN & DEVELOPMENT

GENERATION PLAN & DEVELOPMENT

DIR, RENEWABLE GENERATION DEV

GARY B BARNARD

Company	RES
Department	7601
Business Unit	00007
Location	AZTC
Mail Stop	MSZ120
Position Number	00001076
Original Hire Date	01/10/1994
Employee Count	4
Empl ID:	000924

Palo Verde Staff Mgmt.

PROJ MGR, PLANT CONSTRUCTION

JAMES L RAY

Company	PNM
Department	3609
Business Unit	00003
Location	AZTC
Mail Stop	MSZ120
Position Number	00001189
Original Hire Date	08/25/1981
Empl ID:	035803

GENERATION PLAN & DEVELOPMENT

PROJ MGR, GENERATION DEV

REBECCA D NEWPORT

Company	RES
Department	7601
Business Unit	00007
Location	AZTC
Mail Stop	MSZ120
Position Number	00001928
Original Hire Date	03/10/1998
Empl ID:	050901

GENERATION PLAN & DEVELOPMENT

PROJ MGR, PLANT CONTRUCTION

THOMAS BRIAN KELLY

Company	RES
Department	7601
Business Unit	00007
Location	AZTC
Mail Stop	MSZ120
Position Number	00001945
Original Hire Date	01/31/2000
Empl ID:	051249

VP PNM Generation

VP PNM Generation
VP, PNM GENERATION

CHRIS M. OLSON

Company	PNM
Department	3600
Business Unit	00003
Location	AZTC
Mail Stop	MSZ120
Position Number	00004573
Original Hire Date	11/27/2012
Employee Count	389
Empl ID:	102535

VP PNM Generation
ASST, EXEC STAFF II
PATRICIA A SALLS

Company	PNM
Department	3600
Business Unit	00003
Location	AZTC
Mail Stop	MSZ120
Position Number	00002697
Original Hire Date	06/19/2006
Empl ID:	100907

Generation Asset Management
EXEC DIR, GENERATION ASSETS
Open position

Company	RES
Department	7602
Business Unit	00007
Location	AZTC
Mail Stop	
Position Number	00001014
Original Hire Date	

Production Staff
DIR, PLANT MANAGEMENT II

THOMAS G. FALLGREN

Company	PNM
Department	3604
Business Unit	00003
Location	SANJ
Mail Stop	MS96E0
Position Number	00001015
Original Hire Date	07/29/2013
Employee Count	308
Empl ID:	102774

Southern NM Gas & Oil Plants
DIR, PLANT MANAGEMENT I

THOMAS PRICE

Company	PNM
Department	3662
Business Unit	00003
Location	AFTO
Mail Stop	MSAFTO
Position Number	00001027
Original Hire Date	06/01/2010
Employee Count	18
Empl ID:	102009

Northern NM G&O Plant
DIR, PLANT MANAGEMENT I

RICHARD THREET

Company	PNM
Department	3665
Business Unit	00003
Location	REVS
Mail Stop	MSER16
Position Number	00001039
Original Hire Date	01/05/2009
Employee Count	22
Empl ID:	101727

GENERATION PLAN & DEVELOPMENT
EXEC DIR, PLAN,STRAT,ANLY &GEN
Open position

Company	RES
Department	7601
Business Unit	00007
Location	AZTC
Mail Stop	
Position Number	00001050
Original Hire Date	

Wholesale Marketing
DIR, WHOLESALE POWER MARKETING

DAVID E MILLER

Company	PNM
Department	3073
Business Unit	00003
Location	AZTC
Mail Stop	MSZ180
Position Number	00001059
Original Hire Date	07/11/1994
Employee Count	26
Empl ID:	050360

Fuel & Water Resources
DIR, FUEL SUPPLY DEV & MGT

ALBERT T PUTZIG

Company	PNM
Department	3660
Business Unit	00003
Location	AZTC
Mail Stop	MSZ120
Position Number	00001072
Original Hire Date	12/14/1981
Employee Count	5
Empl ID:	036023

GENERATION PLAN & DEVELOPMENT
DIR, GENERATION CONSTR PRJ MGT

DAVID K. MITCHELL

Company	RES
Department	7601
Business Unit	00007
Location	ALHQ
Mail Stop	MSZ120
Position Number	00002970
Original Hire Date	11/12/2012
Employee Count	7
Empl ID:	102529

San Juan Coal Supply
PROG MGR, SJGS FUTURE COAL SUP
RANDAL N. SIMONS

Company	RES
Department	7311
Business Unit	00007
Location	AZTC
Mail Stop	MS0400
Position Number	00005139
Original Hire Date	09/08/2008
Empl ID:	101655

Production Staff

Production Staff

DIR, PLANT MANAGEMENT II

THOMAS G. FALLGREN

Company	PNM
Department	3604
Business Unit	00003
Location	SANJ
Mail Stop	MS96E0
Position Number	00001015
Original Hire Date	07/29/2013
Employee Count	308
Empl ID:	102774

Production Staff

DIR, PLANT MAINT & COMPLIANCE

ERNIE A RODARTE

Company	PNM
Department	3604
Business Unit	00003
Location	SANJ
Mail Stop	MS96E0
Position Number	00001028
Original Hire Date	06/13/1978
Employee Count	166
Empl ID:	024070

Production Staff

DIR, SJGS PRODUCTION

Open position

Company	PNM
Department	3604
Business Unit	00003
Location	SANJ
Mail Stop	
Position Number	00001048
Original Hire Date	

Maintenance Service

MGR, PLANT MAINTENANCE

Open position

Company	PNM
Department	3603
Business Unit	00003
Location	SANJ
Mail Stop	
Position Number	00001090
Original Hire Date	

Generation Operation

MGR, PLANT OPERATIONS

CHRIS J. HOAGLUND

Company	PNM
Department	3612
Business Unit	00003
Location	SANJ
Mail Stop	MS96E0
Position Number	00001091
Original Hire Date	07/21/2014
Employee Count	114
Empl ID:	103161

Technical Services

MGR, SJGS ENGINEERING

HANK D ADAIR

Company	PNM
Department	3607
Business Unit	00003
Location	SANJ
Mail Stop	MS96E8
Position Number	00001093
Original Hire Date	09/08/1993
Employee Count	14
Empl ID:	050224

Controls & Automation

MGR, SJGS CNTRL SYS ENGINEERIN

NORMAN RICK SARVER

Company	PNM
Department	3605
Business Unit	00003
Location	SANJ
Mail Stop	MS96E0
Position Number	00001098
Original Hire Date	03/29/2010
Employee Count	12
Empl ID:	101965

Administrative Support

ADMIN, II

ARNALDA SOCE

Company	PNM
Department	3608
Business Unit	00003
Location	SANJ
Mail Stop	MS96E8
Position Number	00002599
Original Hire Date	11/27/2006
Empl ID:	101078

Southern NM Gas & Oil Plants

Southern NM Gas & Oil Plants

DIR, PLANT MANAGEMENT I

THOMAS PRICE

Company	PNM
Department	3662
Business Unit	00003
Location	AFTO
Mail Stop	MSAFTO
Position Number	00001027
Original Hire Date	06/01/2010
Employee Count	18
Empl ID:	102009

Southern NM Gas & Oil Plants

SUPV, CRAFT

KEVIN CONRAD HAZELBAKER

Company	PNM
Department	3662
Business Unit	00003
Location	AFTO
Mail Stop	MSAFTO
Position Number	00001287
Original Hire Date	03/15/2010
Employee Count	9
Empl ID:	101954

Southern NM Gas & Oil Plants

ENGINEER, POWER PRODUCTION 4

Open position

Company	PNM
Department	3662
Business Unit	00003
Location	AFTO
Mail Stop	
Position Number	00002070
Original Hire Date	

Southern NM Gas & Oil Plants

SUPV, CRAFT

CHARLES ARATER

Company	PNM
Department	3662
Business Unit	00003
Location	AFTO
Mail Stop	MSAFTO
Position Number	00002211
Original Hire Date	07/31/1978
Employee Count	7
Empl ID:	000610

Southern NM Gas & Oil Plants

ADMIN, I

GRACIELA V GABALDON

Company	PNM
Department	3662
Business Unit	00003
Location	AFTO
Mail Stop	MSAFTO
Position Number	00002676
Original Hire Date	06/03/2002
Empl ID:	051906

Northern NM G&O Plant

Northern NM G&O Plant

DIR, PLANT MANAGEMENT I

RICHARD THREET

Company	PNM
Department	3665
Business Unit	00003
Location	REVS
Mail Stop	MSER16
Position Number	00001039
Original Hire Date	01/05/2009
Employee Count	22
Empl ID:	101727

Northern NM G&O Plant

SUPV, CRAFT

RAY A ABBOTT

Company	PNM
Department	3665
Business Unit	00003
Location	REVS
Mail Stop	MSER16
Position Number	00001277
Original Hire Date	02/16/1981
Employee Count	12
Empl ID:	035297

Northern NM G&O Plant

ENGINEER, POWER PRODUCTION 5

BILLY M PAIZ

Company	PNM
Department	3665
Business Unit	00003
Location	REVS
Mail Stop	MSER16
Position Number	00001951
Original Hire Date	01/02/1973
Empl ID:	021920

Northern NM G&O Plant

SUPV, CRAFT

MALCOLM L LONG

Company	PNM
Department	3665
Business Unit	00003
Location	REVS
Mail Stop	MSER16
Position Number	00002251
Original Hire Date	05/21/1973
Employee Count	8
Empl ID:	017650

Northern NM G&O Plant

ADMIN, I

Open position

Company	PNM
Department	3665
Business Unit	00003
Location	REVS
Mail Stop	
Position Number	00002661
Original Hire Date	

Wholesale Marketing

Wholesale Marketing

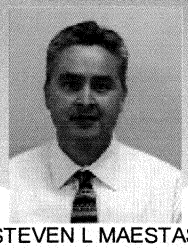
DIR, WHOLESALE POWER MARKETING

DAVID E MILLER

Company	PNM
Department	3073
Business Unit	00003
Location	AZTC
Mail Stop	MSZ180
Position Number	00001059
Original Hire Date	07/11/1994
Employee Count	26
Empl ID:	050360

Wholesale Marketing

MGR, FORWARD POWER TRADING



STEVEN L MAESTAS

Company	PNM
Department	3073
Business Unit	00003
Location	AZTC
Mail Stop	MSZ180
Position Number	00001082
Original Hire Date	05/29/2007
Employee Count	10
Empl ID:	101303

Wholesale Marketing

MGR, WPM PROJ &NERC COMPLIANCE

Open position

Company	PNM
Department	3073
Business Unit	00003
Location	AZTC
Mail Stop	
Position Number	00001083
Original Hire Date	

Wholesale Marketing

MGR, R-T PWR TRADING

PAUL E GORDY

Company	PNM
Department	3073
Business Unit	00003
Location	AZTC
Mail Stop	MSZ180
Position Number	00001095
Original Hire Date	02/14/1979
Employee Count	14
Empl ID:	011580

Wholesale Marketing

ADMIN, WPM APPS & CONTRACTS

JULIE L HERSCHLER

Company	PNM
Department	3073
Business Unit	00003
Location	AZTC
Mail Stop	MSZ180
Position Number	00002073
Original Hire Date	01/28/1974
Empl ID:	000321

Fuel & Water Resources

Fuel & Water Resources

DIR, FUEL SUPPLY DEV & MGT

ALBERT T PUTZIG

Company	PNM
Department	3660
Business Unit	00003
Location	AZTC
Mail Stop	MSZ120
Position Number	00001072
Original Hire Date	12/14/1981
Employee Count	5
Empl ID:	036023

Generation Asset Management

PROJ MGR, ENERGY RESOURCES

MICHAEL C GREENE

Company	RES
Department	7602
Business Unit	00007
Location	AZTC
Mail Stop	MSZ120
Position Number	00001957
Original Hire Date	09/22/1997
Empl ID:	050830

Generation Asset Management

ADMIN, WATER

CINDY MITCHELL-MARTINEZ

Company	RES
Department	7602
Business Unit	00007
Location	AZTC
Mail Stop	MSZ120
Position Number	00001969
Original Hire Date	07/19/2004
Empl ID:	100370

Fuel & Water Resources

ADMIN, FUEL

THOMAS A SHUMAKER

Company	PNM
Department	3660
Business Unit	00003
Location	AZTC
Mail Stop	MSZ120
Position Number	00001995
Original Hire Date	06/18/1990
Empl ID:	037385

Fuel & Water Resources

ENGINEER IV

LAWRENCE A RANDLETT

Company	PNM
Department	3660
Business Unit	00003
Location	SANJ
Mail Stop	MS96E8
Position Number	00002000
Original Hire Date	07/17/2000
Empl ID:	051361

GENERATION PLAN & DEVELOPMENT

GENERATION PLAN & DEVELOPMENT

DIR, GENERATION CONSTR PRJ MGT

DAVID K. MITCHELL

Company	RES
Department	7601
Business Unit	00007
Location	ALHQ
Mail Stop	MSZ120
Position Number	00002970
Original Hire Date	11/12/2012
Employee Count	7
Empl ID:	102529

GENERATION PLAN & DEVELOPMENT

PROJ MGR, TECH II

ROY A CARTER

Company	RES
Department	7601
Business Unit	00007
Location	SANJ
Mail Stop	MS96E8
Position Number	00001181
Original Hire Date	05/12/1983
Empl ID:	014355

GENERATION PLAN & DEVELOPMENT

PROJ MGR, TECH II

MARK W WILLIAMS

Company	RES
Department	7601
Business Unit	00007
Location	SANJ
Mail Stop	MS96B1
Position Number	00001186
Original Hire Date	03/03/1980
Empl ID:	032260

GENERATION PLAN & DEVELOPMENT

MGR, PROJECT CONTROLS

DAVID B CARTWRIGHT

Company	RES
Department	7601
Business Unit	00007
Location	AZTC
Mail Stop	MSZ120
Position Number	00001936
Original Hire Date	09/08/2009
Employee Count	2
Empl ID:	101846

GENERATION PLAN & DEVELOPMENT

PROJ MGR, TECH II

NICOLE A HITCHCOCK

Company	RES
Department	7601
Business Unit	00007
Location	SANJ
Mail Stop	MS96E8
Position Number	00001948
Original Hire Date	04/03/2002
Empl ID:	051835

GENERATION PLAN & DEVELOPMENT

ADMIN, I

Open position

Company	RES
Department	7601
Business Unit	00007
Location	AZTC
Mail Stop	
Position Number	00002639
Original Hire Date	

GENERATION PLAN & DEVELOPMENT

PROJ MGR, GENERATION CONST

MICHAEL PATSCHECK

Company	RES
Department	7601
Business Unit	00007
Location	SANJ
Mail Stop	MS96Q1
Position Number	00002981
Original Hire Date	10/12/2005
Empl ID:	100649

PNM Electric Operations

PNM Electric Operations

VP, PNM NM OPERATIONS

AUBREY JOHNSON

Company	PNM
Department	6008
Business Unit	00006
Location	AESC
Mail Stop	MSES24
Position Number	00004590
Original Hire Date	11/26/2012
Employee Count	484
Empl ID:	102534

Technical Svcs&Sys Reliability

DIR, TECH SVC &SYS RELIABILITY

Open position

Company	PNM
Department	1031
Business Unit	00001
Location	AESC
Mail Stop	
Position Number	00001040
Original Hire Date	

System Reliability Management

DIR, DIST ENG AND T&D LINES

JOHN A. HAARLOW

Company	PNM
Department	1177
Business Unit	00001
Location	AESC
Mail Stop	MSES55
Position Number	00001051
Original Hire Date	06/30/2008
Employee Count	251
Empl ID:	101633

PNM Business Operations

DIR, BUSINESS OPERATIONS

SARAH C MCMAHON

Company	RES
Department	7332
Business Unit	00007
Location	AESC
Mail Stop	MSES24
Position Number	00001055
Original Hire Date	10/31/1986
Employee Count	24
Empl ID:	037257

Power Operations

DIR, POWER OPERATION

DAVID W EUBANK

Company	PNM
Department	2078
Business Unit	00002
Location	PWOP
Mail Stop	MSEP11
Position Number	00001064
Original Hire Date	09/07/1999
Employee Count	29
Empl ID:	051190

Station & Line Design Construc

DIR, SYS ENGINEERING & LAND SV

EMILIE B DOHLEMAN

Company	PNM
Department	1092
Business Unit	00001
Location	AZTC
Mail Stop	MSZ200
Position Number	00001071
Original Hire Date	10/25/1993
Employee Count	45
Empl ID:	050256

Transmssn/Dist Plng Contracts

DIR, TRANSMSSN ANALYSIS

JEFF R MECHENBIER

Company	PNM
Department	2072
Business Unit	00002
Location	AZTC
Mail Stop	MSZ220
Position Number	00001077
Original Hire Date	09/23/1996
Employee Count	30
Empl ID:	050612

T&D Substations & Relay/Comm

MGR, TEAM II

JEFFREY L NAWMAN

Company	PNM
Department	1149
Business Unit	00001
Location	AESC
Mail Stop	MSES70
Position Number	00001159
Original Hire Date	04/13/1981
Employee Count	63
Empl ID:	035435

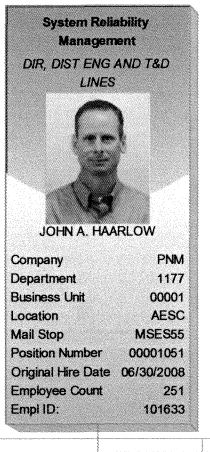
Meter Department

MGR, TEAM II

ERNEST G SANCHEZ

Company	PNM
Department	1160
Business Unit	00001
Location	AESC
Mail Stop	MSES01
Position Number	00001167
Original Hire Date	06/19/2000
Employee Count	41
Empl ID:	051344

System Reliability Management



PNM Business Operations

PNM Business Operations
DIR, BUSINESS OPERATIONS

SARAH C MCMAHON

Company	RES
Department	7332
Business Unit	00007
Location	AESC
Mail Stop	MSES24
Position Number	00001055
Original Hire Date	10/31/1986
Employee Count	24
Empl ID:	037257

PNM Business Operations
SR MGR, OPERATIONS NERC COMPL
Open position

Company	PNM
Department	7332
Business Unit	00007
Location	AESC
Mail Stop	
Position Number	00001078
Original Hire Date	

Power Operations
PROJ MGR, NERC COMPLIANCE &OPS
SUSAN CHAVEZ

Company	PNM
Department	2078
Business Unit	00002
Location	PWOP
Mail Stop	MSEP11
Position Number	00002038
Original Hire Date	03/29/2010
Empl ID:	101966

PNM Business Operations
COORD, NERC COMPLIANCE
MICHELLE Y GALLEGOS

Company	RES
Department	7332
Business Unit	00007
Location	AESC
Mail Stop	MSES24
Position Number	00002225
Original Hire Date	05/14/2001
Empl ID:	051579

NM Operations Admin
ENGINEER I
SANTIAGO B SENA

Company	PNM
Department	6420
Business Unit	00006
Location	AESC
Mail Stop	MSES24
Position Number	00004918
Original Hire Date	01/21/2014
Empl ID:	103018

NM Operations Admin
ENGINEER I
AARON MATTHEW GRIEGO

Company	PNM
Department	6420
Business Unit	00006
Location	AESC
Mail Stop	MSES24
Position Number	00004919
Original Hire Date	01/13/2014
Empl ID:	103013

NM Operations Admin
ENGINEER I
JESUS GERARDO FLORES-OLIVAS

Company	PNM
Department	6420
Business Unit	00006
Location	AESC
Mail Stop	MSES24
Position Number	00004928
Original Hire Date	06/16/2014
Empl ID:	103134

NM Operations Admin
ENGINEER I
KENDRICK ARNOLD SENA

Company	PNM
Department	6420
Business Unit	00006
Location	AESC
Mail Stop	MSES24
Position Number	00004931
Original Hire Date	06/16/2014
Empl ID:	103133

Compliance and Tech Training
MGR, TECH COMPLIANCE&TRAINING

DAVID MCKAY

Company	RES
Department	7178
Business Unit	00007
Location	AESC
Mail Stop	MSES24
Position Number	00005051
Original Hire Date	04/21/2014
Employee Count	5
Empl ID:	103092

PNM Business Operations
SR MGR, BUSINESS OPERATIONS

WAYNE T FRYE

Company	RES
Department	7332
Business Unit	00007
Location	AESC
Mail Stop	MSES24
Position Number	00006002
Original Hire Date	07/19/2010
Employee Count	12
Empl ID:	102035

Power Operations

Power Operations

DIR, POWER OPERATION

DAVID W EUBANK

Company	PNM
Department	2078
Business Unit	00002
Location	PWOP
Mail Stop	MSEP11
Position Number	00001064
Original Hire Date	09/07/1999
Employee Count	29
Empl ID:	051190

Power Operations

ASST, STAFF III

LINDA D HINES

Company	PNM
Department	2078
Business Unit	00002
Location	PWOP
Mail Stop	MSEP11
Position Number	00002823
Original Hire Date	01/21/1998
Empl ID:	001220

Operations Engineering

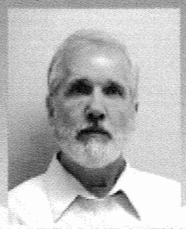
MGR, OPERATIONS ENGINEERING

CESAR D MIRON

Company	PNM
Department	2079
Business Unit	00002
Location	PWOP
Mail Stop	MSEP11
Position Number	00001145
Original Hire Date	05/17/1999
Employee Count	7
Empl ID:	050937

Power Operations

MGR, SYSTEM OPER



RICHARD G KRAJEWSKI

Company	PNM
Department	2078
Business Unit	00002
Location	PWOP
Mail Stop	MSEP11
Position Number	00001171
Original Hire Date	03/13/1972
Employee Count	8
Empl ID:	016640

Power Operations

MGR, SYSTEM OPER

DONALD P LACEN

Company	PNM
Department	2078
Business Unit	00002
Location	PWOP
Mail Stop	MSEP11
Position Number	00001759
Original Hire Date	10/29/1973
Employee Count	12
Empl ID:	016670

Station & Line Design Construc

Station & Line Design Construc
DIR, SYS ENGINEERING & LAND SV

EMILIE B DOHLEMAN

Company	PNM
Department	1092
Business Unit	00001
Location	AZTC
Mail Stop	MSZ200
Position Number	00001071
Original Hire Date	10/25/1993
Employee Count	45
Empl ID:	050256

Electric System Protection
ASST, STAFF III
ELIZABETH D CULPEPPER

Company	PNM
Department	1095
Business Unit	00001
Location	AZTC
Mail Stop	MSZ200
Position Number	00002793
Original Hire Date	04/10/2000
Empl ID:	051299

Station & Line Design Construc
MGR, TEAM II

ALICIA C ORTEGA

Company	PNM
Department	1092
Business Unit	00001
Location	AZTC
Mail Stop	MSZ200
Position Number	00001108
Original Hire Date	05/16/1994
Employee Count	9
Empl ID:	000980

Technical Maint Mgt
MGR, TEAM II

GARY E SNYDER

Company	PNM
Department	1139
Business Unit	00001
Location	AESC
Mail Stop	MSES22
Position Number	00001128
Original Hire Date	02/08/1994
Employee Count	4
Empl ID:	050298

Electric System Protection
MGR, SYSTEM ENGINEERING

ZACHARY JOHNSON

Company	PNM
Department	1095
Business Unit	00001
Location	AESC
Mail Stop	MSES42
Position Number	00001160
Original Hire Date	01/24/2011
Employee Count	11
Empl ID:	102111

Station & Line Design Construc
MGR, TEAM II

BLAKE G FORBES

Company	PNM
Department	1092
Business Unit	00001
Location	AZTC
Mail Stop	MSZ200
Position Number	00001170
Original Hire Date	05/21/1979
Employee Count	9
Empl ID:	010330

Land Services Department
SUPV, LAND SERVICES
Open position

Company	PNM
Department	1151
Business Unit	00001
Location	AZTC
Mail Stop	
Position Number	00001223
Original Hire Date	

Land Services Department
SPEC, LAND SR.
FERNANDO VIGIL

Company	PNM
Department	1151
Business Unit	00001
Location	AZTC
Mail Stop	MSZ140
Position Number	00002094
Original Hire Date	09/07/2004
Empl ID:	100399

Land Services Department
AGENT, RIGHT-OF-WAY SR
DANIEL ARAGON

Company	PNM
Department	1151
Business Unit	00001
Location	AZTC
Mail Stop	MSZ140
Position Number	00002267
Original Hire Date	08/23/2010
Empl ID:	102049

Land Services Department
AGENT, RIGHT-OF-WAY SR
KENNETH P CORDOVA

Company	PNM
Department	1151
Business Unit	00001
Location	AZTC
Mail Stop	MSZ140
Position Number	00002309
Original Hire Date	08/18/1980
Empl ID:	005371

Land Services Department
SURVEYOR SR
WILLIAM T GOSS

Company	PNM
Department	1151
Business Unit	00001
Location	AZTC
Mail Stop	MSZ140
Position Number	00002312
Original Hire Date	10/23/2006
Empl ID:	101031

Land Services Department
SUPV, LAND SERVICES

CHARLES F BROWN

Company	PNM
Department	1151
Business Unit	00001
Location	AZTC
Mail Stop	MSZ140
Position Number	00002348
Original Hire Date	09/04/1979
Employee Count	1
Empl ID:	003250

Land Services Department
TECH, SURVEY III
ROBERT A LUCERO

Company	PNM
Department	1151
Business Unit	00001
Location	AZTC
Mail Stop	MSZ140
Position Number	00002450
Original Hire Date	01/22/1987
Empl ID:	037222

Land Services Department
TECH, SURVEY III
W DAVID SMITH

Company	PNM
Department	1151
Business Unit	00001
Location	AZTC
Mail Stop	MSZ140
Position Number	00002470
Original Hire Date	07/08/1975
Empl ID:	027120

Land Services Department
ADMIN. I
LINDA D LEWIS

Company	PNM
Department	1151
Business Unit	00001
Location	AZTC
Mail Stop	MSZ140
Position Number	00002817
Original Hire Date	04/29/2002
Empl ID:	051875

Land Services Department
SPEC, LAND & PERMITTING LEAD
BRANDON KAUFFMAN

Company	PNM
Department	1151
Business Unit	00001
Location	AZTC
Mail Stop	MSZ140
Position Number	00002915
Original Hire Date	07/07/2014
Empl ID:	103150

Land Services Department
AGENT, RIGHT-OF-WAY II
MARY JONES

Company	PNM
Department	1151
Business Unit	00001
Location	AZTC
Mail Stop	MSZ140
Position Number	00002920
Original Hire Date	07/08/2013
Empl ID:	102754

Land Services Department
AGENT, RIGHT-OF-WAY I
Open position

Company	PNM
Department	1151
Business Unit	00001
Location	AZTC
Mail Stop	
Position Number	00005992
Original Hire Date	

Transmssn/Dist Plng Contracts

Transmssn/Dist Plng Contracts

DIR, TRANSMSSN ANALYSIS

JEFF R MECHENBIER

Company	PNM
Department	2072
Business Unit	00002
Location	AZTC
Mail Stop	MSZ220
Position Number	00001077
Original Hire Date	09/23/1996
Employee Count	30
Empl ID:	050612

Transmssn/Dist Plng Contracts

MGR, TRANSMISSION PLANNING

THOMAS P DUANE

Company	PNM
Department	2072
Business Unit	00002
Location	AZTC
Mail Stop	MSZ220
Position Number	00001150
Original Hire Date	02/02/1981
Employee Count	6
Empl ID:	035278

Distribution Planning

MGR, ELECTRIC DIST PLANNING

PETE OTERO

Company	PNM
Department	1150
Business Unit	00001
Location	AESC
Mail Stop	MSES10
Position Number	00001153
Original Hire Date	01/03/2007
Employee Count	5
Empl ID:	101109

Drafting & Geographic Info Sys

MGR, TEAM II

GATHEN L GARCIA

Company	PNM
Department	1097
Business Unit	00001
Location	AZTC
Mail Stop	MSZ210
Position Number	00001158
Original Hire Date	01/26/1981
Employee Count	14
Empl ID:	035233

Transmssn/Dist Plng Contracts

MGR, TRANSMISSION CONTRACTS

MANUEL R SANCHEZ

Company	PNM
Department	2072
Business Unit	00002
Location	AZTC
Mail Stop	MSZ220
Position Number	00001927
Original Hire Date	01/08/1992
Employee Count	4
Empl ID:	037488

T&D Substations & Relay/Comm

T&D Substations & Relay/Comm
MGR, TEAM II

JEFFREY L NAWMAN

Company	PNM
Department	1149
Business Unit	00001
Location	AESC
Mail Stop	MSES70
Position Number	00001159
Original Hire Date	04/13/1981
Employee Count	63
Empl ID:	035435

Relay
SUPV, CRAFT

CRESCENCIO MIGUEL MONTERO

Company	PNM
Department	1136
Business Unit	00001
Location	AESC
Mail Stop	MSES70
Position Number	00001245
Original Hire Date	03/07/2011
Employee Count	8
Empl ID:	102140

Communications
SUPV, CRAFT
Open position

Company	PNM
Department	1143
Business Unit	00001
Location	AESC
Mail Stop	
Position Number	00001251
Original Hire Date	

Distribution Substat
SUPV, CRAFT

MICHAEL B PRESCOTT

Company	PNM
Department	1138
Business Unit	00001
Location	AESC
Mail Stop	MSES42
Position Number	00001252
Original Hire Date	04/02/2007
Employee Count	15
Empl ID:	101211

Transmission Substation
SUPV, CRAFT

MARTIN RIVERA

Company	PNM
Department	1147
Business Unit	00001
Location	AESC
Mail Stop	MSES42
Position Number	00001263
Original Hire Date	01/25/2010
Employee Count	17
Empl ID:	101924

San Juan Plant Support Group
SUPV, CRAFT

KENNETH LACASSE

Company	PNM
Department	3611
Business Unit	00003
Location	SANJ
Mail Stop	MS96J2
Position Number	00001885
Original Hire Date	09/29/2014
Employee Count	3
Empl ID:	103588

Communications
SUPV, CRAFT

BENNIE A LOVATO

Company	PNM
Department	1143
Business Unit	00001
Location	AESC
Mail Stop	MSES70
Position Number	00004727
Original Hire Date	04/13/1981
Employee Count	11
Empl ID:	035439

Substation Capital Constructio
SUPV, CRAFT

RANDALL BRADFORD

Company	PNM
Department	1135
Business Unit	00001
Location	AESC
Mail Stop	MSES42
Position Number	00004790
Original Hire Date	03/20/2006
Employee Count	8
Empl ID:	100776

Meter Department

Meter Department

MGR, TEAM II

ERNEST G SANCHEZ

Company	PNM
Department	1160
Business Unit	00001
Location	AESC
Mail Stop	MSES01
Position Number	00001167
Original Hire Date	06/19/2000
Employee Count	41
Empl ID:	051344

Meter Services Tech

SUPV, CRAFT

JOSEPH C JARAMILLO

Company	PNM
Department	1148
Business Unit	00001
Location	AESC
Mail Stop	MSES01
Position Number	00001264
Original Hire Date	06/10/1985
Employee Count	21
Empl ID:	036961

Electric Meter Department

SUPV, CRAFT

MELISSA K MYERS

Company	PNM
Department	1157
Business Unit	00001
Location	AESC
Mail Stop	MSES01
Position Number	00001266
Original Hire Date	07/07/1986
Employee Count	19
Empl ID:	037170

Strategic Planning

Strategic Planning

DIR, ENTERPRISE STRATEGY&RISK

JANET LENTZ

Company	RES
Department	7006
Business Unit	00007
Location	ALHQ
Mail Stop	MS1265
Position Number	00001052
Original Hire Date	09/18/1995
Employee Count	3
Empl ID:	050457

Strategic Planning

PROJ MGR, ENTERPR STRAT & RISK

ANDREW BUNDY

Company	RES
Department	7006
Business Unit	00007
Location	ALHQ
Mail Stop	MS1265
Position Number	00001032
Original Hire Date	12/28/2010
Empl ID:	102105

Strategic Planning

PROG MGR, ENT STRAT & RISK SR

SABRINA G GREINEL

Company	RES
Department	7006
Business Unit	00007
Location	ALHQ
Mail Stop	MS1265
Position Number	00001984
Original Hire Date	03/19/2007
Empl ID:	101185

PNM Schedule Q-3

Annual Report to stockholders.

Annual Report to Stockholders

530 Schedule Q-3

Is contained in the following 4 pages.

PNM Resources

2013 LETTER TO SHAREHOLDERS FROM THE CHAIRMAN, PRESIDENT AND CEO

Pat Vincent-Collawn

Dear Shareholder,

It's an exciting and challenging time to be part of the utility industry. Our business is changing, driven by new technology, evolving customer needs, and a common focus on protecting the environment. As a company, we embrace that change as an opportunity to create new value for our customers, our shareholders, and the communities we serve. At the same time, we're acutely aware that this is taking place as the economy is just beginning to recover. It is more important than ever for us to responsibly balance innovation and growth with affordability.

PNM Resources is working to lead the way into a future bright with cleaner, more efficient energy resources, while still delivering on our commitment to provide high quality service and financial results that consistently provide a strong return on your investment.

STRONG EARNINGS AND DIVIDEND GROWTH

In December 2013, the Board of Directors unanimously voted to increase the dividend payment by 12 percent to an indicated annual rate of $0.74 per share of common stock. This was the second above industry average dividend increase for the year, and an indication of the board's continued confidence in the Company's performance.

Consolidated ongoing earnings for 2013 came in at the top of the guidance range, ending at $1.41 per diluted share, compared to the 2012 results of $1.31 per diluted share[1]. It's also important to note that both PNM's retail operations and TNMP continue to earn their authorized returns, another top priority for the Company.

MANAGING SUCCESSFULLY IN A CHALLENGING ECONOMY

During the last 12 months we received two notable credit rating upgrades. In April of 2013, Standard and Poor's issued an upgrade to PNM Resources and both utilities. In January of this year, Moody's likewise upgraded the credit ratings for all of our entities. It marks an important milestone for us, as PNM Resources, PNM, and TNMP are now all rated investment grade by both Moody's and Standard and Poor's. Among other benefits, this allows the Company to access financing at better rates, helping to keep customer costs low.

PNM has strengthened its commitment to supporting education and economic development, critical factors for creating economic growth.

While PNM performed well in 2013, the Company continues to face headwinds from the sluggish New Mexico economy, especially in regard to load growth. In particular, the Albuquerque metropolitan area continues to lag the nation in economic recovery. There is no clear indication of when the local economy will rebound more strongly, and we continue to efficiently and effectively manage the business to minimize the impact of these uncertain conditions. We also believe that businesses can and should be part of the solution. At PNM, we've strengthened our commitment to supporting education so New Mexico can develop a workforce able to meet the needs of high-tech and high-wage businesses to build its economy. We're also actively involved in economic development. Through the PNM Resources Foundation we invest in job growth initiatives and support organizations that help small businesses, and as a company we buy and invest locally.

The economic picture is brighter in Texas, and TNMP saw consistent customer growth throughout 2013. The Company is working to improve infrastructure to meet increased demand, and we are optimistic the economy there will remain strong.

2014 – EXCITING OPPORTUNITIES, CONTINUING TO BUILD VALUE FOR CUSTOMERS & SHAREHOLDERS

This is a defining moment for energy in our country. Concerns about climate change, cyber and physical security, the push for energy efficiency, the growth of distributed generation and renewable resources, and aggressive federal policies toward power plant emissions – all impact how utilities do business, and how we plan for the future. One thing that hasn't changed is the need for safe, reliable and affordable power.

PNM Resources is well positioned to meet the challenges of the new energy frontier. We've been on the forefront of solar energy and storage with our first-in-the-nation Prosperity Energy Storage Project. PNM doubled its solar generation capacity in 2013 and plans to add more solar again this year. By 2015, PNM's generation from wind, solar and geothermal sources will produce enough electricity to power 136,000 average homes and reduce carbon dioxide emissions by 915,000 metric tons, the equivalent of taking 191,000 cars off the road for a year.

In 2014, we will continue our efforts to obtain approval for the Revised State Implementation Plan for the San Juan Generating Station, the most responsible path forward for our customers, the environment, and the Company. We are now working to receive final approval from the Environmental Protection Agency by September and from the New Mexico Public Regulation Commission by the end of the year. In addition, the Company has made initial filings regarding replacement generation, and we will continue efforts to identify the best combination of resources that will lead to a more diverse generation portfolio.

In Texas, TNMP is working to complete installation of smart meters throughout our service territory. We expect to have a new advanced outage management system in place this year that will help take advantage of the benefits of smart meters.

Finally, I want to reiterate our commitment to increasing customer satisfaction and providing the best possible service in everything we do. In January, as part of that effort, we launched the new PNM.com, redesigned from the ground up to provide our customers with improved access, more choices regarding their account, and increased control over how and when they communicate with the Company. It is an excellent platform that will evolve along with the needs of our customers and the services that we provide.

The Company's success is mainly the result of our employees—watching costs, identifying ways to become more efficient and effectively executing on projects. I want to take this opportunity to thank them for their hard work and dedication.

We're excited about today, and about the future, where reliable, affordable, and environmentally responsible energy delivered through a strong and secure power grid will be more important than ever before.

Thank you for your support and for your investment in PNM Resources.

Sincerely,

Pat Vincent-Collawn
Chairman, President, and CEO

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

Any statements made herein about future operating results or other future events are forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these forward looking statements. Additional information regarding forward-looking statements and factors that could cause actual results or events to differ is included on page 4 of the 2013 Letter to Shareholders.

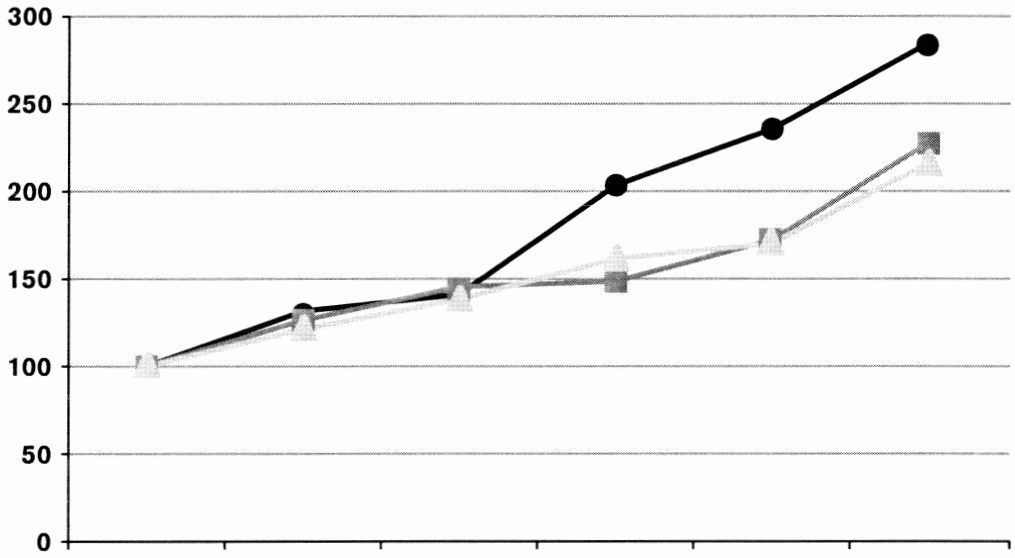
[1] On a GAAP (generally accepted accounting principles) basis, the Company reported 2013 earnings of $1.25 per diluted share, compared with $1.31 per diluted share in 2012. The adjustments to 2013 GAAP earnings per diluted share to 2013 ongoing earnings per diluted share were: New Mexico corporate income tax rate change, $0.02; mark-to-market impact of economic hedges, $(0.01); net change in unrealized impairments of Nuclear Decommissioning Trust securities, $(0.01); loss on reacquired debt, $0.02; state tax credit impairment, $0.05; and regulatory disallowance, $0.09. The adjustments to 2012 GAAP earnings per diluted share to 2012 ongoing earnings per diluted share were: building consolidation, $0.06; gain on sale of First Choice Power, $(0.01); mark-to-market impact of economic hedges, $(0.01); net change in unrealized impairments of Nuclear Decommissioning Trust securities, $(0.04); process improvement initiatives, $0.01; and TNMP 1999/2000 transmission rate settlement, $(0.01).

PNM Resources®

PNM RESOURCES, INC. AND SUBSIDIARIES

PNM Resources is an investor-owned holding company of two electric utilities, PNM and TNMP. PNM is a regulated utility in New Mexico with operations primarily engaged in the generation, transmission and distribution of electricity. TNMP is a regulated utility operating in Texas, providing transmission and distribution services.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN



	2008	2009	2010	2011	2012	2013
PNM Resources	$100.00	$131.55	$140.95	$203.41	$235.48	$284.70
S&P 500 Index	$100.00	$126.37	$145.36	$148.44	$172.08	$227.69
S&P 400 MidCap Utilities Index	$100.00	$121.10	$138.35	$161.46	$170.20	$215.97

Data Source: Bloomberg.

Historical performance does not necessarily predict future results. PNM Resources' common stock is traded on the NYSE.

STOCK PERFORMANCE

The graph above assumes that $100 was invested on Dec. 31, 2008, in PNM Resources common stock, the S&P 500 Stock Index and the S&P MidCap 400 Utilities Index, and that all dividends were reinvested.

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

Statements made in the letter to shareholders 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 Form 10-Q filings with the Securities and Exchange Commission, which factors are specifically incorporated by reference herein.

Reports to Securities and Exchange Commission.

530 Schedule Q-4

530 Schedule Q04 – Reports to Securities and Exchange Commission

September 30, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

Commission File Number	Name of Registrants, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
001-32462	PNM Resources, Inc. (A New Mexico Corporation) 414 Silver Ave. SW Albuquerque, New Mexico 87102-3289 (505) 241-2700	85-0468296
001-06986	Public Service Company of New Mexico (A New Mexico Corporation) 414 Silver Ave. SW Albuquerque, New Mexico 87102-3289 (505) 241-2700	85-0019030
002-97230	Texas-New Mexico Power Company (A Texas Corporation) 577 N. Garden Ridge Blvd. Lewisville, Texas 75067 (972) 420-4189	75-0204070

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

PNM Resources, Inc. ("PNMR")	YES ✓	NO ___
Public Service Company of New Mexico ("PNM")	YES ✓	NO ___
Texas-New Mexico Power Company ("TNMP")	YES ___	NO ✓

(NOTE: As a voluntary filer, not subject to the filing requirements, TNMP filed all reports under Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months.)

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

PNMR	YES ✓	NO ___
PNM	YES ✓	NO ___
TNMP	YES ✓	NO ___

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller Reporting Company
PNMR	✓	—	—	—
PNM	—	—	✓	—
TNMP	—	—	✓	—

Indicate by check mark whether any of the registrants is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES _ NO ✓

As of October 24, 2014, 79,653,624 shares of common stock, no par value per share, of PNMR were outstanding.

The total number of shares of common stock of PNM outstanding as of October 24, 2014 was 39,117,799 all held by PNMR (and none held by non-affiliates).

The total number of shares of common stock of TNMP outstanding as of October 24, 2014 was 6,358 all held indirectly by PNMR (and none held by non-affiliates).

PNM AND TNMP MEET THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS (H) (1) (a) AND (b) OF FORM 10-Q AND ARE THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION (H) (2).

This combined Form 10-Q is separately filed by PNMR, PNM, and TNMP. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants. When this Form 10-Q is incorporated by reference into any filing with the SEC made by PNMR, PNM, or TNMP, as a registrant, the portions of this Form 10-Q that relate to each other registrant are not incorporated by reference therein.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

INDEX

	Page No.
GLOSSARY	4
PART I. FINANCIAL INFORMATION	
ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)	
PNM RESOURCES, INC. AND SUBSIDIARIES	
Condensed Consolidated Statements of Earnings	7
Condensed Consolidated Statements of Comprehensive Income	8
Condensed Consolidated Statements of Cash Flows	9
Condensed Consolidated Balance Sheets	11
Condensed Consolidated Statement of Changes in Equity	13
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES	
Condensed Consolidated Statements of Earnings	14
Condensed Consolidated Statements of Comprehensive Income	15
Condensed Consolidated Statements of Cash Flows	16
Condensed Consolidated Balance Sheets	18
Condensed Consolidated Statement of Changes in Equity	20
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES	
Condensed Consolidated Statements of Earnings	21
Condensed Consolidated Statements of Comprehensive Income	22
Condensed Consolidated Statements of Cash Flows	23
Condensed Consolidated Balance Sheets	24
Condensed Consolidated Statement of Changes in Common Stockholder's Equity	26
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	27
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	72
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	99
ITEM 4. CONTROLS AND PROCEDURES	102
PART II. OTHER INFORMATION	
ITEM 1. LEGAL PROCEEDINGS	102
ITEM 1A. RISK FACTORS	103
ITEM 6. EXHIBITS	103
SIGNATURE	105

GLOSSARY

Definitions:

Afton	Afton Generating Station
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
AMS	Advanced Meter System
AOCI	Accumulated Other Comprehensive Income
APS	Arizona Public Service Company, which is the operator and a co-owner of PVNGS and Four Corners
BACT	Best Available Control Technology
BART	Best Available Retrofit Technology
BHP	BHP Billiton, Ltd, the parent of SJCC
Board	Board of Directors of PNMR
BTU	British Thermal Unit
CAA	Clean Air Act
CCB	Coal Combustion Byproducts
CCN	Certificate of Convenience and Necessity
CO_2	Carbon Dioxide
CTC	Competition Transition Charge
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
Delta	Delta-Person Generating Station, now known as Rio Bravo
DOE	United States Department of Energy
DOI	United States Department of Interior
EGU	Electric Generating Unit
EIB	New Mexico Environmental Improvement Board
EIP	Eastern Interconnection Project
EIS	Environmental Impact Statement
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
ESA	Endangered Species Act
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIP	Federal Implementation Plan
Four Corners	Four Corners Power Plant
FPPAC	Fuel and Purchased Power Adjustment Clause
GAAP	Generally Accepted Accounting Principles in the United States of America
Gallup	City of Gallup, New Mexico
GHG	Greenhouse Gas Emissions
GWh	Gigawatt hours
IBEW	International Brotherhood of Electrical Workers
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
KW	Kilowatt
KWh	Kilowatt Hour
Lightning Dock Geothermal	Lightning Dock geothermal power facility, also known as the Dale Burgett Geothermal Plant
Lordsburg	Lordsburg Generating Station
Luna	Luna Energy Facility

MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MMBTU	Million BTUs
Moody's	Moody's Investor Services, Inc.
MW	Megawatt
MWh	Megawatt Hour
NAAQS	National Ambient Air Quality Standards
Navajo Acts	Navajo Nation Air Pollution Prevention and Control Act, Navajo Nation Safe Drinking Water Act, and Navajo Nation Pesticide Act
NDT	Nuclear Decommissioning Trusts for PVNGS
NEC	Navopache Electric Cooperative, Inc.
NERC	North American Electric Reliability Council
New Mexico Wind	New Mexico Wind Energy Center
Ninth Circuit	United States Court of Appeals for the Ninth Circuit
NMAG	New Mexico Attorney General
NMED	New Mexico Environment Department
NMIEC	New Mexico Industrial Energy Consumers Inc.
NMPRC	New Mexico Public Regulation Commission
NOx	Nitrogen Oxides
NOPR	Notice of Proposed Rulemaking
NRC	United States Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NSR	New Source Review
OCI	Other Comprehensive Income
OPEB	Other Post Employment Benefits
OSM	United States Office of Surface Mining Reclamation and Enforcement
PNM	Public Service Company of New Mexico and Subsidiaries
PNM 2014 Term Loan Agreement	PNM's $175.0 Million Unsecured Term Loan Facility
PNM New Mexico Credit Facility	PNM's $50.0 Million Unsecured Revolving Credit Facility
PNM Revolving Credit Facility	PNM's $400.0 Million Unsecured Revolving Credit Facility
PNM Term Loan Agreement	PNM's $75.0 Million Unsecured Term Loan Facility
PNMR	PNM Resources, Inc. and Subsidiaries
PNMR Development	PNMR Development and Management Corporation
PNMR Revolving Credit Facility	PNMR's $300.0 Million Unsecured Revolving Credit Facility
PNMR Term Loan Agreement	PNMR's $100.0 Million Unsecured Term Loan Facility
PPA	Power Purchase Agreement
PSD	Prevention of Significant Deterioration
PUCT	Public Utility Commission of Texas
PV	Photovoltaic
PVNGS	Palo Verde Nuclear Generating Station
RCRA	Resource Conservation and Recovery Act
RCT	Reasonable Cost Threshold
REA	New Mexico's Renewable Energy Act of 2004
REC	Renewable Energy Certificates
Red Mesa Wind	Red Mesa Wind Energy Center
REP	Retail Electricity Provider
Rio Bravo	Rio Bravo Generating Station, formerly known as Delta

RMC	Risk Management Committee
RPS	Renewable Energy Portfolio Standard
RSIP	Revised State Implementation Plan
SCR	Selective Catalytic Reduction
SEC	United States Securities and Exchange Commission
SIP	State Implementation Plan
SJCC	San Juan Coal Company
SJGS	San Juan Generating Station
SJPPA	San Juan Project Participation Agreement
SNCR	Selective Non-Catalytic Reduction
SO_2	Sulfur Dioxide
SPS	Southwestern Public Service Company
S&P	Standard and Poor's Ratings Services
TECA	Texas Electric Choice Act
Tenth Circuit	United States Court of Appeals for the Tenth Circuit
TNMP	Texas-New Mexico Power Company and Subsidiaries
TNMP 2011 Term Loan Agreement	TNMP's $50.0 Million Secured Term Loan
TNMP Revolving Credit Facility	TNMP's $75.0 Million Revolving Credit Facility
TNP	TNP Enterprises, Inc. and Subsidiaries
Tucson	Tucson Electric Power Company
Valencia	Valencia Energy Facility
VaR	Value at Risk
WACC	Weighted Average Cost of Capital
WEG	WildEarth Guardians

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands, except per share amounts)			
Electric Operating Revenues	$ 413,951	$ 399,730	$ 1,089,008	$ 1,064,993
Operating Expenses:				
Cost of energy	132,499	114,674	354,532	325,039
Administrative and general	42,190	46,915	131,283	134,744
Energy production costs	43,287	41,142	136,422	131,546
Regulatory disallowances	—	1,735	—	1,735
Depreciation and amortization	44,295	42,743	128,424	125,189
Transmission and distribution costs	16,884	17,248	49,857	50,690
Taxes other than income taxes	17,997	17,534	51,641	49,739
Total operating expenses	297,152	281,991	852,159	818,682
Operating income	116,799	117,739	236,849	246,311
Other Income and Deductions:				
Interest income	2,084	2,264	6,241	7,731
Gains on available-for-sale securities	962	2,188	8,234	6,935
Other income	2,895	3,254	7,648	7,577
Other (deductions)	(2,084)	(5,970)	(7,185)	(13,516)
Net other income and deductions	3,857	1,736	14,938	8,727
Interest Charges	30,115	30,365	89,621	92,279
Earnings before Income Taxes	90,541	89,110	162,166	162,759
Income Taxes	31,055	30,296	53,368	58,600
Net Earnings	59,486	58,814	108,798	104,159
(Earnings) Attributable to Valencia Non-controlling Interest	(3,701)	(4,127)	(11,140)	(10,904)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)	(396)	(396)
Net Earnings Attributable to PNMR	$ 55,653	$ 54,555	$ 97,262	$ 92,859
Net Earnings Attributable to PNMR per Common Share:				
Basic	$ 0.70	$ 0.68	$ 1.22	$ 1.16
Diluted	$ 0.69	$ 0.68	$ 1.21	$ 1.15
Dividends Declared per Common Share	$ 0.185	$ 0.165	$ 0.555	$ 0.495

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Net Earnings	$ 59,486	$ 58,814	$ 108,798	$ 104,159
Other Comprehensive Income:				
Unrealized Gain on Available-for-Sale Securities:				
Unrealized holding gains arising during the period, net of income tax (expense) of $(137), $(4,143), $(3,946) and $(7,544)	210	6,322	6,256	11,512
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $1,059, $925, $4,547 and $3,639	(1,628)	(1,411)	(6,997)	(5,551)
Pension Liability Adjustment:				
Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of $(508), $(631), $(1,524) and $(1,893)	780	960	2,340	2,880
Fair Value Adjustment for Cash Flow Hedges:				
Change in fair market value, net of income tax (expense) benefit of $0, $128, $53 and $127	—	(238)	(100)	(236)
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of $3, $(19), $(58) and $(54)	(6)	35	109	99
Total Other Comprehensive Income (Loss)	(644)	5,668	1,608	8,704
Comprehensive Income	58,842	64,482	110,406	112,863
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,701)	(4,127)	(11,140)	(10,904)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)	(396)	(396)
Comprehensive Income Attributable to PNMR	$ 55,009	$ 60,223	$ 98,870	$ 101,563

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 108,798	$ 104,159
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	157,687	157,856
Deferred income tax expense	55,553	57,878
Net unrealized (gains) on commodity derivatives	(67)	(5,858)
Realized (gains) on available-for-sale securities	(8,234)	(6,935)
Stock based compensation expense	4,680	4,315
Regulatory disallowances	—	1,735
Other, net	(642)	1,384
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(22,158)	(23,731)
Materials, supplies, and fuel stock	5,494	(724)
Other current assets	(19,816)	(6,667)
Other assets	30,502	21,656
Accounts payable	79	(17,786)
Accrued interest and taxes	32,488	126,218
Other current liabilities	(21,197)	(32,111)
Other liabilities	3,074	(70,379)
Net cash flows from operating activities	326,241	311,010
Cash Flows From Investing Activities:		
Additions to utility and non-utility plant	(293,361)	(233,928)
Proceeds from sales of available-for-sale securities	82,222	179,336
Purchases of available-for-sale securities	(81,644)	(181,423)
Return of principal on PVNGS lessor notes	20,758	23,357
Purchase of Rio Bravo	(36,235)	—
Other, net	(3,433)	1,232
Net cash flows from investing activities	(311,693)	(211,426)

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	(49,200)	(46,700)
Long-term borrowings	255,000	75,000
Repayment of long-term debt	(125,000)	(26,037)
Cash paid in debt exchange	—	(13,048)
Proceeds from stock option exercise	5,495	3,500
Awards of common stock	(15,573)	(12,429)
Dividends paid	(44,600)	(38,233)
Valencia's transactions with its owner	(12,749)	(13,477)
Other, net	(2,030)	(3,706)
Net cash flows from financing activities	11,343	(75,130)
Change in Cash and Cash Equivalents	25,891	24,454
Cash and Cash Equivalents at Beginning of Period	2,533	8,985
Cash and Cash Equivalents at End of Period	$ 28,424	$ 33,439
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	$ 60,075	$ 63,985
Income taxes paid (refunded), net	$ (2,529)	$ (95,472)
Supplemental schedule of noncash investing and financing activities:		
Changes in accrued plant additions	$ (6,674)	$ 2,535
Premium on long-term debt incurred in connection with debt exchange	$ —	$ 36,297

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2014	December 31, 2013
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 28,424	$ 2,533
Accounts receivable, net of allowance for uncollectible accounts of $1,535 and $1,423	105,516	90,251
Unbilled revenues	63,253	58,806
Other receivables	39,061	53,909
Materials, supplies, and fuel stock	63,637	67,223
Regulatory assets	41,606	24,416
Commodity derivative instruments	4,148	4,064
Income taxes receivable	6,723	7,066
Current portion of accumulated deferred income taxes	58,681	58,681
Other current assets	55,277	34,590
Total current assets	466,326	401,539
Other Property and Investments:		
Investment in PVNGS lessor notes	9,775	32,200
Available-for-sale securities	235,894	226,855
Other investments	1,667	1,835
Non-utility property	4,060	4,353
Total other property and investments	251,396	265,243
Utility Plant:		
Plant in service and plant held for future use	5,754,564	5,563,061
Less accumulated depreciation and amortization	1,913,361	1,838,832
	3,841,203	3,724,229
Construction work in progress	211,472	132,080
Nuclear fuel, net of accumulated amortization of $52,119 and $47,347	81,840	77,602
Net utility plant	4,134,515	3,933,911
Deferred Charges and Other Assets:		
Regulatory assets	479,138	523,955
Goodwill	278,297	278,297
Commodity derivative instruments	1,084	3,002
Other deferred charges	98,453	94,263
Total deferred charges and other assets	856,972	899,517
	$ 5,709,209	$ 5,500,210

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2014	December 31, 2013
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 100,000	$ 149,200
Current installments of long-term debt	333,066	75,000
Accounts payable	102,656	109,666
Customer deposits	12,483	13,456
Accrued interest and taxes	82,052	49,600
Regulatory liabilities	1,126	1,081
Commodity derivative instruments	1,370	2,699
Dividends declared	14,868	14,864
Other current liabilities	52,671	77,105
Total current liabilities	700,292	492,671
Long-term Debt	1,542,106	1,670,420
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	884,402	801,408
Accumulated deferred investment tax credits	24,232	25,855
Regulatory liabilities	472,054	460,649
Asset retirement obligations	102,115	96,135
Accrued pension liability and postretirement benefit cost	69,363	80,046
Commodity derivative instruments	688	1,094
Other deferred credits	104,270	109,805
Total deferred credits and other liabilities	1,657,124	1,574,992
Total liabilities	3,899,522	3,738,083
Commitments and Contingencies (See Note 11)		
Cumulative Preferred Stock of Subsidiary		
without mandatory redemption requirements ($100 stated value; 10,000,000 shares authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNMR common stockholders' equity:		
Common stock outstanding (no par value; 120,000,000 shares authorized; issued and outstanding 79,653,624 shares)	1,172,876	1,178,369
Accumulated other comprehensive income (loss), net of income taxes	(56,532)	(58,140)
Retained earnings	606,394	553,340
Total PNMR common stockholders' equity	1,722,738	1,673,569
Non-controlling interest in Valencia	75,420	77,029
Total equity	1,798,158	1,750,598
	$ 5,709,209	$ 5,500,210

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

	Attributable to PNMR				Non-controlling Interest in Valencia	Total Equity
	Common Stock	AOCI	Retained Earnings	Total PNMR Common Stockholder's Equity		
	(In thousands)					
Balance at December 31, 2013	$ 1,178,369	$ (58,140)	$ 553,340	$ 1,673,569	$ 77,029	$ 1,750,598
Proceeds from stock option exercise	5,495	—	—	5,495	—	5,495
Awards of common stock	(15,573)	—	—	(15,573)	—	(15,573)
Excess tax (shortfall) from stock-based payment arrangements	(95)	—	—	(95)	—	(95)
Stock based compensation expense	4,680	—	—	4,680	—	4,680
Valencia's transactions with its owner	—	—	—	—	(12,749)	(12,749)
Net earnings before subsidiary preferred stock dividends	—	—	97,658	97,658	11,140	108,798
Subsidiary preferred stock dividends	—	—	(396)	(396)	—	(396)
Total other comprehensive income	—	1,608	—	1,608	—	1,608
Dividends declared on common stock	—	—	(44,208)	(44,208)	—	(44,208)
Balance at September 30, 2014	$ 1,172,876	$ (56,532)	$ 606,394	$ 1,722,738	$ 75,420	$ 1,798,158

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Electric Operating Revenues	$ 334,993	$ 326,026	$ 873,434	$ 863,609
Operating Expenses:				
Cost of energy	115,097	100,200	304,365	283,715
Administrative and general	37,519	40,679	116,731	116,058
Energy production costs	43,287	41,142	136,422	131,546
Regulatory disallowances	—	1,735	—	1,735
Depreciation and amortization	27,524	25,879	81,629	77,763
Transmission and distribution costs	10,693	11,686	32,202	33,420
Taxes other than income taxes	10,258	9,488	30,359	28,613
Total operating expenses	244,378	230,809	701,708	672,850
Operating income	90,615	95,217	171,726	190,759
Other Income and Deductions:				
Interest income	2,102	2,298	6,295	7,839
Gains on available-for-sale securities	962	2,188	8,234	6,935
Other income	1,804	2,398	5,359	5,329
Other (deductions)	(1,197)	(2,375)	(4,844)	(5,287)
Net other income and deductions	3,671	4,509	15,044	14,816
Interest Charges	20,092	20,124	59,927	59,971
Earnings before Income Taxes	74,194	79,602	126,843	145,604
Income Taxes	25,142	27,652	42,331	49,184
Net Earnings	49,052	51,950	84,512	96,420
(Earnings) Attributable to Valencia Non-controlling Interest	(3,701)	(4,127)	(11,140)	(10,904)
Net Earnings Attributable to PNM	45,351	47,823	73,372	85,516
Preferred Stock Dividends Requirements	(132)	(132)	(396)	(396)
Net Earnings Available for PNM Common Stock	$ 45,219	$ 47,691	$ 72,976	$ 85,120

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Net Earnings	$ 49,052	$ 51,950	$ 84,512	$ 96,420
Other Comprehensive Income:				
Unrealized Gain on Available-for-Sale Securities:				
Unrealized holding gains arising during the period, net of income tax (expense) of $(137), $(4,143), $(3,946) and $(7,544)	210	6,322	6,256	11,512
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $1,059, $925, $4,547 and $3,639	(1,628)	(1,411)	(6,997)	(5,551)
Pension Liability Adjustment:				
Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of $(508), $(631), $(1,524) and $(1,893)	780	960	2,340	2,880
Total Other Comprehensive Income (Loss)	(638)	5,871	1,599	8,841
Comprehensive Income	48,414	57,821	86,111	105,261
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,701)	(4,127)	(11,140)	(10,904)
Comprehensive Income Attributable to PNM	$ 44,713	$ 53,694	$ 74,971	$ 94,357

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 84,512	$ 96,420
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	108,069	104,161
Deferred income tax expense	45,313	49,870
Net unrealized (gains) on commodity derivatives	(67)	(5,858)
Realized (gains) on available-for-sale securities	(8,234)	(6,935)
Regulatory disallowances	—	1,735
Other, net	(355)	(1,342)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(16,782)	(14,123)
Materials, supplies, and fuel stock	5,697	(744)
Other current assets	(20,806)	(5,187)
Other assets	29,796	21,977
Accounts payable	10,100	(4,953)
Accrued interest and taxes	19,984	66,090
Other current liabilities	(21,586)	(43,935)
Other liabilities	2,841	(67,062)
Net cash flows from operating activities	238,482	190,114
Cash Flows From Investing Activities:		
Utility plant additions	(199,771)	(164,669)
Proceeds from sales of available-for-sale securities	82,222	179,336
Purchases of available-for-sale securities	(81,644)	(181,423)
Return of principal on PVNGS lessor notes	20,758	23,357
Purchase of Rio Bravo	(36,235)	—
Other, net	(3,404)	1,234
Net cash flows from investing activities	(218,074)	(142,165)

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2014	**2013**
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	(49,200)	(21,100)
Short-term borrowings (repayments), affiliate, net	(26,000)	—
Long-term borrowings	175,000	75,000
Repayment of long-term debt	(75,000)	—
Valencia's transactions with its owner	(12,749)	(13,477)
Dividends paid	(30,659)	(68,424)
Other, net	(1,196)	(1,727)
Net cash flows from financing activities	(19,804)	(29,728)
Change in Cash and Cash Equivalents	604	18,221
Cash and Cash Equivalents at Beginning of Period	21	3,958
Cash and Cash Equivalents at End of Period	$ 625	$ 22,179
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	$ 41,606	$ 42,145
Income taxes paid (refunded), net	$ (215)	$ (44,999)
Supplemental schedule of noncash investing activities:		
Changes in accrued plant additions	$ (10,586)	$ 8,912

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2014	December 31, 2013
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 625	$ 21
Accounts receivable, net of allowance for uncollectible accounts of $1,535 and $1,423	78,811	70,126
Unbilled revenues	54,643	48,992
Other receivables	38,799	52,964
Affiliate receivables	9,572	10,054
Materials, supplies, and fuel stock	60,731	64,520
Regulatory assets	38,328	19,394
Commodity derivative instruments	4,148	4,064
Income taxes receivable	6,797	4,030
Current portion of accumulated deferred income taxes	43,826	43,827
Other current assets	49,533	30,510
Total current assets	385,813	348,502
Other Property and Investments:		
Investment in PVNGS lessor notes	9,775	32,200
Available-for-sale securities	235,894	226,855
Other investments	300	445
Non-utility property	752	976
Total other property and investments	246,721	260,476
Utility Plant:		
Plant in service and plant held for future use	4,460,035	4,314,016
Less accumulated depreciation and amortization	1,469,375	1,402,531
	2,990,660	2,911,485
Construction work in progress	167,180	107,344
Nuclear fuel, net of accumulated amortization of $52,119 and $47,347	81,840	77,602
Net utility plant	3,239,680	3,096,431
Deferred Charges and Other Assets:		
Regulatory assets	347,642	384,217
Goodwill	51,632	51,632
Commodity derivative instruments	1,084	3,002
Other deferred charges	85,902	83,356
Total deferred charges and other assets	486,260	522,207
	$ 4,358,474	$ 4,227,616

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2014	December 31, 2013
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	$ —	$ 49,200
Short-term debt - affiliate	6,500	32,500
Current installments of long-term debt	214,300	75,000
Accounts payable	83,741	84,643
Affiliate payables	14,692	20,498
Customer deposits	12,483	13,456
Accrued interest and taxes	51,188	27,665
Regulatory liabilities	1,126	1,081
Commodity derivative instruments	1,370	2,699
Dividends declared	132	132
Other current liabilities	35,576	50,392
Total current liabilities	421,108	357,266
Long-term Debt	1,176,347	1,215,618
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	714,983	651,239
Accumulated deferred investment tax credits	24,232	25,855
Regulatory liabilities	425,062	414,611
Asset retirement obligations	101,147	95,225
Accrued pension liability and postretirement benefit cost	66,183	76,611
Commodity derivative instruments	688	1,094
Other deferred credits	87,264	91,340
Total deferred credits and liabilities	1,419,559	1,355,975
Total liabilities	3,017,014	2,928,859
Commitments and Contingencies (See Note 11)		
Cumulative Preferred Stock		
without mandatory redemption requirements ($100 stated value; 10,000,000 authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNM common stockholder's equity:		
Common stock outstanding (no par value; 40,000,000 shares authorized; issued and outstanding 39,117,799 shares)	1,061,776	1,061,776
Accumulated other comprehensive income (loss), net of income taxes	(56,278)	(57,877)
Retained earnings	249,013	206,300
Total PNM common stockholder's equity	1,254,511	1,210,199
Non-controlling interest in Valencia	75,420	77,029
Total equity	1,329,931	1,287,228
	$ 4,358,474	$ 4,227,616

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

	Attributable to PNM					
	Common Stock	AOCI	Retained Earnings	Total PNM Common Stockholder's Equity	Non-controlling Interest in Valencia	Total Equity
			(In thousands)			
Balance at December 31, 2013	$ 1,061,776	$ (57,877)	$ 206,300	$ 1,210,199	$ 77,029	$ 1,287,228
Valencia's transactions with its owner	—	—	—	—	(12,749)	(12,749)
Net earnings	—	—	73,372	73,372	11,140	84,512
Total other comprehensive income	—	1,599	—	1,599	—	1,599
Dividends declared on preferred stock	—	—	(396)	(396)	—	(396)
Dividends declared on common stock	—	—	(30,263)	(30,263)	—	(30,263)
Balance at September 30, 2014	$ 1,061,776	$ (56,278)	$ 249,013	$ 1,254,511	$ 75,420	$ 1,329,931

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Electric Operating Revenues	$ 78,958	$ 73,704	$ 215,574	$ 201,384
Operating Expenses:				
Cost of energy	17,402	14,474	50,167	41,324
Administrative and general	9,230	10,641	27,839	32,446
Depreciation and amortization	13,432	13,850	37,276	37,810
Transmission and distribution costs	6,191	5,562	17,655	17,270
Taxes other than income taxes	6,830	6,923	18,238	17,558
Total operating expenses	53,085	51,450	151,175	146,408
Operating income	25,873	22,254	64,399	54,976
Other Income and Deductions:				
Other income	1,072	820	2,078	1,765
Other (deductions)	(279)	(104)	(583)	(356)
Net other income and deductions	793	716	1,495	1,409
Interest Charges	6,870	6,655	20,122	20,661
Earnings before Income Taxes	19,796	16,315	45,772	35,724
Income Taxes	7,441	6,209	17,081	13,554
Net Earnings	$ 12,355	$ 10,106	$ 28,691	$ 22,170

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Net Earnings	$ 12,355	$ 10,106	$ 28,691	$ 22,170
Other Comprehensive Income (Loss):				
Fair Value Adjustment for Cash Flow Hedges:				
Change in fair market value, net of income tax (expense) benefit of $0 $128, $53 and $127	—	(238)	(100)	(236)
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of $3, $(19), $(58) and $(54)	(6)	35	109	99
Total Other Comprehensive Income (Loss)	(6)	(203)	9	(137)
Comprehensive Income	$ 12,349	$ 9,903	$ 28,700	$ 22,033

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 28,691	$ 22,170
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	39,577	40,946
Deferred income tax expense	4,256	3,901
Other, net	(169)	(13)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(5,376)	(9,608)
Materials and supplies	(203)	20
Other current assets	1,761	(2,420)
Other assets	(58)	36
Accounts payable	(1,302)	(291)
Accrued interest and taxes	19,054	14,669
Other current liabilities	(1,217)	(1,946)
Other liabilities	1,397	2,182
Net cash flows from operating activities	86,411	69,646
Cash Flows From Investing Activities:		
Utility plant additions	(88,940)	(67,400)
Net cash flows from investing activities	(88,940)	(67,400)
Cash Flow From Financing Activities:		
Short-term borrowings (repayments), net	—	12,000
Short-term borrowings (repayments) – affiliate, net	(10,300)	4,800
Long-term borrowings	80,000	—
Repayment of long-term debt	(50,000)	—
Cash paid in debt exchange	—	(13,048)
Dividends paid	(16,336)	(3,726)
Other, net	(835)	(2,117)
Net cash flows from financing activities	2,529	(2,091)
Change in Cash and Cash Equivalents	—	155
Cash and Cash Equivalents at Beginning of Period	1	1
Cash and Cash Equivalents at End of Period	$ 1	$ 156
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	$ 11,778	$ 13,626
Income taxes paid (refunded), net	$ (299)	$ 696
Supplemental schedule of noncash investing and financing activities:		
Changes in accrued plant additions	$ 1,658	$ (1,443)
Premium on long-term debt incurred in connection with debt exchange	$ —	$ 36,297

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2014	December 31, 2013
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1	$ 1
Accounts receivable	26,705	20,125
Unbilled revenues	8,610	9,814
Other receivables	679	1,246
Materials and supplies	2,906	2,703
Regulatory assets	3,278	5,022
Current portion of accumulated deferred income taxes	6,501	6,501
Other current assets	1,672	980
Total current assets	50,352	46,392
Other Property and Investments:		
Other investments	245	245
Non-utility property	2,240	2,240
Total other property and investments	2,485	2,485
Utility Plant:		
Plant in service and plant held for future use	1,127,872	1,074,193
Less accumulated depreciation and amortization	369,426	352,105
	758,446	722,088
Construction work in progress	36,841	16,790
Net utility plant	795,287	738,878
Deferred Charges and Other Assets:		
Regulatory assets	131,496	139,738
Goodwill	226,665	226,665
Other deferred charges	10,260	8,273
Total deferred charges and other assets	368,421	374,676
	$ 1,216,545	$ 1,162,431

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2014	December 31, 2013
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt – affiliate	$ 19,100	$ 29,400
Accounts payable	9,584	12,543
Affiliate payables	1,758	3,181
Accrued interest and taxes	42,831	23,778
Other current liabilities	2,491	8,999
Total current liabilities	75,764	77,901
Long-term Debt	365,759	336,036
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	201,441	190,197
Regulatory liabilities	46,992	46,038
Asset retirement obligations	831	782
Accrued pension liability and postretirement benefit cost	3,180	3,435
Other deferred credits	7,283	5,111
Total deferred credits and other liabilities	259,727	245,563
Total liabilities	701,250	659,500
Commitments and Contingencies (See Note 11)		
Common Stockholder's Equity:		
Common stock outstanding ($10 par value; 12,000,000 shares authorized; issued and outstanding 6,358 shares)	64	64
Paid-in-capital	404,166	404,166
Accumulated other comprehensive income (loss), net of income taxes	(254)	(263)
Retained earnings	111,319	98,964
Total common stockholder's equity	515,295	502,931
	$ 1,216,545	$ 1,162,431

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN COMMON STOCKHOLDER'S EQUITY
(Unaudited)

	Common Stock	Paid-in Capital	AOCI	Retained Earnings	Total Common Stockholder's Equity
			(In thousands)		
Balance at December 31, 2013	$ 64	$ 404,166	$ (263)	$ 98,964	$ 502,931
Net earnings	—	—	—	28,691	28,691
Total other comprehensive income	—	—	9	—	9
Dividends declared on common stock	—	—	—	(16,336)	(16,336)
Balance at September 30, 2014	$ 64	$ 404,166	$ (254)	$ 111,319	$ 515,295

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Significant Accounting Policies and Responsibility for Financial Statements

Financial Statement Preparation

In the opinion of management, the accompanying unaudited interim Condensed Consolidated Financial Statements reflect all normal and recurring accruals and adjustments that are necessary to present fairly the consolidated financial position at September 30, 2014 and December 31, 2013, the consolidated results of operations and comprehensive income for the three and nine months ended September 30, 2014 and 2013, and the consolidated cash flows for the nine months ended September 30, 2014 and 2013. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could ultimately differ from those estimated. Weather causes the Company's results of operations to be seasonal in nature and the results of operations presented in the accompanying Condensed Consolidated Financial Statements are not necessarily representative of operations for an entire year.

The Notes to Condensed Consolidated Financial Statements include disclosures for PNMR, PNM, and TNMP. This report uses the term "Company" when discussing matters of common applicability to PNMR, PNM, and TNMP. Discussions regarding only PNMR, PNM, or TNMP are so indicated. Certain amounts in the 2013 Condensed Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2014 financial statement presentation.

These Condensed Consolidated Financial Statements are unaudited. Certain information and note disclosures normally included in the annual Consolidated Financial Statements have been condensed or omitted, as permitted under the applicable rules and regulations. Readers of these financial statements should refer to PNMR's, PNM's, and TNMP's audited Consolidated Financial Statements and Notes thereto that are included in their respective 2013 Annual Reports on Form 10-K.

GAAP defines subsequent events as events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. Based on their nature, magnitude, and timing, certain subsequent events may be required to be reflected at the balance sheet date and/or required to be disclosed in the financial statements. The Company has evaluated subsequent events as required by GAAP.

Principles of Consolidation

The Condensed Consolidated Financial Statements of each of PNMR, PNM, and TNMP include their accounts and those of subsidiaries in which that entity owns a majority voting interest. PNM began consolidating Rio Bravo, formerly known as Delta, upon its acquisition on July 17, 2014. PNM also consolidates the PVNGS Capital Trust and Valencia. PNM owns undivided interests in several jointly-owned power plants and records its pro-rata share of the assets, liabilities, and expenses for those plants. The agreements for the jointly-owned plants provide that if an owner were to default on its payment obligations, the non-defaulting owners would be responsible for their proportionate share of the obligations of the defaulting owner. In exchange, the non-defaulting owners would be entitled to their proportionate share of the generating capacity of the defaulting owner. There have been no such payment defaults under any of the agreements for the jointly-owned plants.

PNMR shared services' administrative and general expenses, which represent costs that are primarily driven by corporate level activities, are charged to the business segments at cost. Other significant intercompany transactions between PNMR, PNM, and TNMP include interest and income tax sharing payments, as well as dividends paid on common stock. All intercompany transactions and balances have been eliminated. See Note 14.

Dividends on Common Stock

Dividends on PNMR's common stock are declared by its Board. The timing of the declaration of dividends is dependent on the timing of meetings and other actions of the Board. This has historically resulted in dividends considered to be attributable to the second quarter of each year being declared through actions of the Board during the third quarter of the year. The Board declared dividends on common stock considered to be for the second quarter of $0.185 per share in July 2014 and $0.165 in July

2013, which are reflected as being in the second quarter within "Dividends Declared per Common Share" on the PNMR Condensed Consolidated Statements of Earnings. The Board declared dividends on common stock considered to be for the third quarter of $0.185 per share in September 2014 and $0.165 in September 2013, which are reflected as being in the third quarter within "Dividends Declared per Common Share" on the PNMR Condensed Consolidated Statements of Earnings.

PNM declared and paid cash dividends on its common stock to PNMR of $30.3 million and $68.0 million in the nine months ended September 30, 2014 and 2013. TNMP declared and paid cash dividends of $16.3 million and $3.7 million in the nine months ended September 30, 2014 and 2013.

New Accounting Pronouncements

Information concerning recently issued accounting pronouncements that have not been adopted by the Company is presented below.

Accounting Standards Update 2014-09 – Revenue from Contracts with Customers (Topic 606)

On May 28, 2014, the FASB issued ASU No. 2014-09. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard is effective for the Company beginning on January 1, 2017. Early adoption is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is analyzing the impacts this new standard will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

Accounting Standards Update 2014-12 – Compensation-Stock Compensation (Topic 718) Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

On June 19, 2014, the FASB issued ASU No. 2014-12, which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition and should not be reflected in estimating the grant date fair value of the award. The new standard is effective for the Company beginning on January 1, 2016. Early adoption is permitted and the standard permits the use of either the prospective or retrospective transition methods. Although the Company is in the process of analyzing the impacts this new standard will have on its consolidated financial statements, the Company currently treats the performance targets covered by the standard as performance conditions, so the Company does not expect its impact will be significant.

Accounting Standards Update 2014-15 – Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern

On August 27, 2014, the FASB issued ASU No. 2014-15, which requires management to evaluate whether there is substantial doubt about a company's ability to continue as a going concern in connection with the preparation of financial statements for each annual and interim reporting period. Disclosure requirements associated with management's evaluation are also outlined in the new guidance. The new standard is effective for the Company for reporting periods ending after December 15, 2016, with early adoption permitted. The Company is in the process of analyzing the impacts of this new standard .

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(2) Earnings Per Share

In accordance with GAAP, dual presentation of basic and diluted earnings per share is presented in the Condensed Consolidated Statements of Earnings of PNMR. Information regarding the computation of earnings per share is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands, except per share amounts)			
Net Earnings Attributable to PNMR	$ 55,653	$ 54,555	$ 97,262	$ 92,859
Average Number of Common Shares:				
Outstanding during period	79,654	79,654	79,654	79,654
Vested awards of restricted stock	112	177	134	194
Average Shares – Basic	79,766	79,831	79,788	79,848
Dilutive Effect of Common Stock Equivalents [1]:				
Stock options and restricted stock	457	503	491	608
Average Shares – Diluted	80,223	80,334	80,279	80,456
Net Earnings Per Share of Common Stock:				
Basic	$ 0.70	$ 0.68	$ 1.22	$ 1.16
Diluted	$ 0.69	$ 0.68	$ 1.21	$ 1.15

[1] Excludes the effect of out-of-the-money options for 435,472 shares of common stock at September 30, 2014.

(3) Segment Information

The following segment presentation is based on the methodology that management uses for making operating decisions and assessing performance of its various business activities. A reconciliation of the segment presentation to the GAAP financial statements is provided.

PNM

PNM includes the retail electric utility operations of PNM that are subject to traditional rate regulation by the NMPRC. PNM provides integrated electricity services that include the generation, transmission, and distribution of electricity for retail electric customers in New Mexico. PNM also provides generation service to firm-requirements wholesale customers and sells electricity into the wholesale market, as well as providing transmission services to third parties. The sale of electricity into the wholesale market includes the optimization of PNM's jurisdictional capacity, as well as the capacity from PVNGS Unit 3, which currently is not included in retail rates. FERC has jurisdiction over wholesale and transmission rates.

TNMP

TNMP is an electric utility providing regulated transmission and distribution services in Texas under the TECA. TNMP's operations are subject to traditional rate regulation by the PUCT.

Corporate and Other

The Corporate and Other segment includes PNMR holding company activities, primarily related to corporate level debt and PNMR Services Company.

The following tables present summarized financial information for PNMR by segment. PNM and TNMP each operate in only one segment. Therefore, tabular segment information is not presented for PNM and TNMP.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

PNMR SEGMENT INFORMATION

	PNM	TNMP	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended September 30, 2014				
Electric operating revenues	$ 334,993	$ 78,958	$ —	$ 413,951
Cost of energy	115,097	17,402	—	132,499
Margin	219,896	61,556	—	281,452
Other operating expenses	101,757	22,251	(3,650)	120,358
Depreciation and amortization	27,524	13,432	3,339	44,295
Operating income	90,615	25,873	311	116,799
Interest income	2,102	—	(18)	2,084
Other income (deductions)	1,569	793	(589)	1,773
Net interest charges	(20,092)	(6,870)	(3,153)	(30,115)
Segment earnings (loss) before income taxes	74,194	19,796	(3,449)	90,541
Income taxes (benefit)	25,142	7,441	(1,528)	31,055
Segment earnings (loss)	49,052	12,355	(1,921)	59,486
Valencia non-controlling interest	(3,701)	—	—	(3,701)
Subsidiary preferred stock dividends	(132)	—	—	(132)
Segment earnings (loss) attributable to PNMR	$ 45,219	$ 12,355	$ (1,921)	$ 55,653
Nine Months Ended September 30, 2014				
Electric operating revenues	$ 873,434	$ 215,574	$ —	$ 1,089,008
Cost of energy	304,365	50,167	—	354,532
Margin	569,069	165,407	—	734,476
Other operating expenses	315,714	63,732	(10,243)	369,203
Depreciation and amortization	81,629	37,276	9,519	128,424
Operating income	171,726	64,399	724	236,849
Interest income	6,295	—	(54)	6,241
Other income (deductions)	8,749	1,495	(1,547)	8,697
Net interest charges	(59,927)	(20,122)	(9,572)	(89,621)
Segment earnings (loss) before income taxes	126,843	45,772	(10,449)	162,166
Income taxes (benefit)	42,331	17,081	(6,044)	53,368
Segment earnings (loss)	84,512	28,691	(4,405)	108,798
Valencia non-controlling interest	(11,140)	—	—	(11,140)
Subsidiary preferred stock dividends	(396)	—	—	(396)
Segment earnings (loss) attributable to PNMR	$ 72,976	$ 28,691	$ (4,405)	$ 97,262
At September 30, 2014:				
Total Assets	$ 4,358,474	$ 1,216,545	$ 134,190	$ 5,709,209
Goodwill	$ 51,632	$ 226,665	$ —	$ 278,297

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	PNM	TNMP	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended September 30, 2013				
Electric operating revenues	$ 326,026	$ 73,704	$ —	$ 399,730
Cost of energy	100,200	14,474	—	114,674
Margin	225,826	59,230	—	285,056
Other operating expenses	104,730	23,126	(3,282)	124,574
Depreciation and amortization	25,879	13,850	3,014	42,743
Operating income (loss)	95,217	22,254	268	117,739
Interest income	2,298	—	(34)	2,264
Other income (deductions)	2,211	716	(3,455)	(528)
Net interest charges	(20,124)	(6,655)	(3,586)	(30,365)
Segment earnings (loss) before income taxes	79,602	16,315	(6,807)	89,110
Income taxes (benefit)	27,652	6,209	(3,565)	30,296
Segment earnings (loss)	51,950	10,106	(3,242)	58,814
Valencia non-controlling interest	(4,127)	—	—	(4,127)
Subsidiary preferred stock dividends	(132)	—	—	(132)
Segment earnings (loss) attributable to PNMR	$ 47,691	$ 10,106	$ (3,242)	$ 54,555
Nine Months Ended September 30, 2013				
Electric operating revenues	$ 863,609	$ 201,384	$ —	$ 1,064,993
Cost of energy	283,715	41,324	—	325,039
Margin	579,894	160,060	—	739,954
Other operating expenses	311,372	67,274	(10,192)	368,454
Depreciation and amortization	77,763	37,810	9,616	125,189
Operating income	190,759	54,976	576	246,311
Interest income	7,839	—	(108)	7,731
Other income (deductions)	6,977	1,409	(7,390)	996
Net interest charges	(59,971)	(20,661)	(11,647)	(92,279)
Segment earnings (loss) before income taxes	145,604	35,724	(18,569)	162,759
Income taxes (benefit)	49,184	13,554	(4,138)	58,600
Segment earnings (loss)	96,420	22,170	(14,431)	104,159
Valencia non-controlling interest	(10,904)	—	—	(10,904)
Subsidiary preferred stock dividends	(396)	—	—	(396)
Segment earnings (loss) attributable to PNMR	$ 85,120	$ 22,170	$ (14,431)	$ 92,859
At September 30, 2013:				
Total Assets	$4,192,470	$1,162,587	$ 73,757	$ 5,428,814
Goodwill	$ 51,632	$ 226,665	$ —	$ 278,297

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(4) Accumulated Other Comprehensive Income (Loss)

Information regarding accumulated other comprehensive income (loss) for the nine months ended September 30, 2014 and 2013 is as follows:

	Accumulated Other Comprehensive Income (Loss)			
	Unrealized Gain on Available-for-Sale Securities	Pension Liability Adjustment	Fair Value Adjustment for Cash Flow Hedges	Total
	(In thousands)			
PNMR				
Balance at December 31, 2013	$ 25,748	$ (83,625)	$ (263)	$ (58,140)
Amounts reclassified from AOCI (pre-tax)	(11,544)	3,864	167	(7,513)
Income tax impact of amounts reclassified	4,547	(1,524)	(58)	2,965
Other OCI changes (pre-tax)	10,202	—	(153)	10,049
Income tax impact of other OCI changes	(3,946)	—	53	(3,893)
Net change after income taxes	(741)	2,340	9	1,608
Balance at September 30, 2014	$ 25,007	$ (81,285)	$ (254)	$ (56,532)
PNM				
Balance at December 31, 2013	$ 25,748	$ (83,625)	$ —	$ (57,877)
Amounts reclassified from AOCI (pre-tax)	(11,544)	3,864	—	(7,680)
Income tax impact of amounts reclassified	4,547	(1,524)	—	3,023
Other OCI changes (pre-tax)	10,202	—	—	10,202
Income tax impact of other OCI changes	(3,946)	—	—	(3,946)
Net change after income taxes	(741)	2,340	—	1,599
Balance at September 30, 2014	$ 25,007	$ (81,285)	$ —	$ (56,278)
TNMP				
Balance at December 31, 2013	$ —	$ —	$ (263)	$ (263)
Amounts reclassified from AOCI (pre-tax)	—	—	167	167
Income tax impact of amounts reclassified	—	—	(58)	(58)
Other OCI changes (pre-tax)	—	—	(153)	(153)
Income tax impact of other OCI changes	—	—	53	53
Net change after income taxes	—	—	9	9
Balance at September 30, 2014	$ —	$ —	$ (254)	$ (254)

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Accumulated Other Comprehensive Income (Loss)			
	Unrealized Gain on Available-for-Sale Securities	Pension Liability Adjustment	Fair Value Adjustment for Cash Flow Hedges	Total
	(In thousands)			
PNMR				
Balance at December 31, 2012	$ 16,406	$ (97,820)	$ (216)	$ (81,630)
Amounts reclassified from AOCI (pre-tax)	(9,190)	4,773	153	(4,264)
Income tax impact of amounts reclassified	3,639	(1,893)	(54)	1,692
Other OCI changes (pre-tax)	19,056	—	(363)	18,693
Income tax impact of other OCI changes	(7,544)	—	127	(7,417)
Net change after income taxes	5,961	2,880	(137)	8,704
Balance at September 30, 2013	$ 22,367	$ (94,940)	$ (353)	$ (72,926)
PNM				
Balance at December 31, 2012	$ 16,406	$ (97,820)	$ —	$ (81,414)
Amounts reclassified from AOCI (pre-tax)	(9,190)	4,773	—	(4,417)
Income tax impact of amounts reclassified	3,639	(1,893)	—	1,746
Other OCI changes (pre-tax)	19,056	—	—	19,056
Income tax impact of other OCI changes	(7,544)	—	—	(7,544)
Net change after income taxes	5,961	2,880	—	8,841
Balance at September 30, 2013	$ 22,367	$ (94,940)	$ —	$ (72,573)
TNMP				
Balance at December 31, 2012	$ —	$ —	$ (216)	$ (216)
Amounts reclassified from AOCI (pre-tax)	—	—	153	153
Income tax impact of amounts reclassified	—	—	(54)	(54)
Other OCI changes (pre-tax)	—	—	(363)	(363)
Income tax impact of other OCI changes	—	—	127	127
Net change after income taxes	—	—	(137)	(137)
Balance at September 30, 2013	$ —	$ —	$ (353)	$ (353)

Pre-tax amounts reclassified from AOCI related to "Unrealized Gain on Available-for-Sale Securities" are included in "Gains on available-for-sale securities" in the Condensed Consolidated Statements of Earnings. Pre-tax amounts reclassified from AOCI related to "Pension Liability Adjustment" are reclassified to "Operating Expenses – Administrative and general" in the Condensed Consolidated Statements of Earnings. For the nine months ended September 30, 2014 and 2013, approximately 23.6% and 19.6% of the amount reclassified was capitalized into construction work in process and approximately 1.7% and 1.1% was capitalized into other accounts. Pre-tax amounts reclassified from AOCI related to "Fair Value Adjustment for Cash Flow Hedges" are reclassified to "Interest Charges" in the Condensed Consolidated Statements of Earnings. An insignificant amount was capitalized as AFUDC. The income tax impacts of all amounts reclassified from AOCI are included in "Income Taxes" in the Condensed Consolidated Statements of Earnings.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(5) Variable Interest Entities; Acquisition

GAAP determines how an enterprise evaluates and accounts for its involvement with variable interest entities, focusing primarily on whether the enterprise has the power to direct the activities that most significantly impact the economic performance of a variable interest entity. GAAP also requires continual reassessment of the primary beneficiary of a variable interest entity. Additional information concerning PNM's variable interest entities is contained in Note 9 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K.

Valencia

PNM has a PPA to purchase all of the electric capacity and energy from Valencia, a 158 MW natural gas-fired power plant near Belen, New Mexico, through May 2028. A third-party built, owns, and operates the facility while PNM is the sole purchaser of the electricity generated. PNM is obligated to pay fixed operations and maintenance and capacity charges in addition to variable operation and maintenance charges under this PPA. For the three and nine months ended September 30, 2014, PNM paid $4.8 million and $14.4 million for fixed charges and $0.3 million and $1.0 million for variable charges. For the three and nine months ended September 30, 2013, PNM paid $4.8 million and $14.1 million for fixed charges and $0.7 million and $1.0 million for variable charges. PNM does not have any other financial obligations related to Valencia. The assets of Valencia can only be used to satisfy obligations of Valencia and creditors of Valencia do not have any recourse against PNM's assets. PNM has concluded that the third party entity that owns Valencia is a variable interest entity and that PNM is the primary beneficiary of the entity under GAAP since PNM has the power to direct the activities that most significantly impact the economic performance of Valencia and will absorb the majority of the variability in the cash flows of the plant. As the primary beneficiary, PNM consolidates the entity in its financial statements. The assets and liabilities of Valencia set forth below are immaterial to PNM and, therefore, not shown separately on the Condensed Consolidated Balance Sheets. The owner's equity and net income of Valencia are considered attributable to non-controlling interest.

Summarized financial information for Valencia is as follows:

Results of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Operating revenues	$ 5,061	$ 5,453	$ 15,300	$ 15,150
Operating expenses	(1,360)	(1,326)	(4,160)	(4,246)
Earnings attributable to non-controlling interest	$ 3,701	$ 4,127	$ 11,140	$ 10,904

Financial Position

	September 30, 2014	December 31, 2013
	(In thousands)	
Current assets	$ 3,435	$ 2,658
Net property, plant, and equipment	73,024	75,137
Total assets	76,459	77,795
Current liabilities	1,039	766
Owners' equity – non-controlling interest	$ 75,420	$ 77,029

During the term of the PPA, PNM has the option to purchase and own up to 50% of the plant or the variable interest entity. The PPA specifies that the purchase price would be the greater of (i) 50% of book value reduced by related indebtedness or (ii)

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

50% of fair market value. On October 8, 2013, PNM notified the owner of Valencia that PNM may exercise the option to purchase 50% of the plant. As provided in the PPA, an appraisal process was initiated since the parties failed to reach agreement on fair market value within 60 days. Under the PPA, results of the appraisal process established the purchase price, after which PNM was to determine, in its sole discretion, whether or not to exercise its option to purchase the 50% interest. The PPA also provides that the purchase price may be adjusted to reflect the period between the determination of the purchase price and the closing. The appraisal process determined the purchase price as of October 8, 2013 to be $85.0 million, prior to any adjustment to reflect the period through the closing date. Approval of the purchase by the NMPRC and FERC would be required, which process could take in excess of 15 months. On May 30, 2014, after evaluating its alternatives with respect to Valencia, PNM notified the owner of Valencia that PNM intended to purchase 50% of the plant, subject to certain conditions. PNM's conditions include: agreeing on the purchase price, adjusted to reflect the period between October 8, 2013 and the closing; approval of the NMPRC, including specified ratemaking treatment, and FERC; approval of the Board and PNM's board of directors; receipt of other necessary approvals and consents; and other customary closing conditions. PNM received a letter dated June 30, 2014 from the owner of Valencia suggesting that the conditions set forth in PNM's notification raise issues under the PPA. PNM is discussing these issues with the owner of Valencia. PNM cannot predict whether or not it will reach agreement with the owner of Valencia, if required regulatory and other approvals will be received, or if the purchase will be completed.

PVNGS Leases

PNM leases interests in Units 1 and 2 of PVNGS under arrangements, which were entered into in 1985 and 1986, that are accounted for as operating leases. PNM is not the legal or tax owner of the leased assets. The leases provide PNM with an option to purchase the leased assets at appraised value at the end of the leases. PNM does not have a fixed price purchase option and does not provide residual value guarantees. The leases also provide PNM with options to renew the leases at fixed rates set forth in the leases for two years beyond the termination of the original lease terms. The option periods on certain leases may be further extended for up to an additional six years if the appraised remaining useful lives and fair value of the leased assets are greater than parameters set forth in the leases. See Note 7 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K and Note 6, for additional information regarding the leases and actions PNM has taken with respect to its renewal and purchase options. Under GAAP, these renewal options are considered to be variable interests in the trusts and result in the trusts being considered variable interest entities.

PNM is only obligated to make payments to the trusts for the scheduled semi-annual lease payments. As of September 30, 2014, these payments aggregate $20.3 million, net of amounts that will be returned to PNM through its ownership in related lessor notes and the Unit 2 beneficial trust, over the remaining original terms of the leases and $145.2 million during the renewal terms of the leases that PNM elected to renew. Under certain circumstances (for example, final shutdown of the plant, the NRC issuing specified violation orders with respect to PVNGS, or the occurrence of specified nuclear events), PNM would be required to make specified payments to the beneficial owners and take title to the leased interests. If such an event had occurred as of September 30, 2014, PNM could have been required to pay the beneficial owners up to $123.8 million, which would result in PNM taking ownership of the leased assets and termination of the leases. Other than as discussed in Note 6, PNM has no other financial obligations or commitments to the trusts or the beneficial owners. Creditors of the trusts have no recourse to PNM's assets other than with respect to the contractual lease payments. PNM has no additional rights to the assets of the trusts other than the use of the leased assets.

PNM has evaluated the PVNGS lease arrangements, including the notices, amendments, and agreements referred to above, and concluded that it does not have the power to direct the activities that most significantly impact the economic performance of the trusts and, therefore, is not the primary beneficiary of the trusts under GAAP. PNM has recorded no assets or liabilities related to the trusts other than the accrual of lease payments between the scheduled payment dates, which were $11.8 million at September 30, 2014 and $26.0 million at December 31, 2013, that are included in other current liabilities on the Condensed Consolidated Balance Sheets.

Rio Bravo, formerly known as Delta

PNM had a 20-year PPA expiring in 2020 covering the entire output of Delta, which was a variable interest under GAAP. PNM also controlled the dispatch of the generating plant, which impacted the variable payments made under the PPA and impacted the economic performance of the entity that owned Delta. This arrangement was entered into prior to December 31, 2003 and

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

PNM was unsuccessful in obtaining the information necessary to determine if it was the primary beneficiary of the entity that owned Delta, or to consolidate that entity if it were determined that PNM was the primary beneficiary. Accordingly, PNM was unable to make those determinations and, as provided in GAAP, accounted for this PPA as an operating lease.

In December 2012, PNM entered into an agreement with the owners of Delta under which PNM would purchase the entity that owned Delta. FERC approved the purchase on February 26, 2013 and the NMPRC approved the purchase on June 26, 2013. Closing was subject to the seller remedying specified operational, NERC compliance, and environmental issues, as well as other customary closing conditions. PNM closed on the purchase on July 17, 2014 and recorded the purchase as of that date. At closing, PNM made a cash payment of $22.8 million, which reflected an adjustment for working capital compared to a targeted working capital and included amounts placed in escrow. Delta had project financing debt, which PNM retired at closing of the purchase, amounting to $14.6 million at closing. Subsequent to closing, PNM changed the name of the facility to Rio Bravo.

PNM recorded the acquisition as a business combination and reflected the requirements of the FERC Uniform System of Accounts since the purchased assets are subject to traditional rate regulation by the NMPRC and FERC. Accordingly, as of the acquisition date, PNM recorded plant in service of $58.1 million and accumulated depreciation of $23.5 million, reflecting the original cost of the facilities and the estimated economic life to PNM. PNM also recorded current assets of $3.6 million, deferred charges of $3.4 million, current liabilities of $0.3 million, and non-current regulatory liabilities of $3.4 million.

PNM made fixed and variable payments to Delta under the PPA. For the periods from July 1, 2014 through July 17, 2014 and January 1, 2014 through July 17, 2014, PNM incurred fixed capacity charges of $0.3 million and $3.5 million and variable energy charges of $0.1 million and $0.6 million under the PPA. For the three and nine months ended September 30, 2013, PNM incurred fixed capacity charges of $1.6 million and $4.8 million and variable energy charges of $0.7 million and $1.3 million. PNM recovered the variable energy charges through its FPPAC.

PNM began consolidating Rio Bravo at the date of the acquisition. Prior to the acquisition, consolidation of Delta would have been immaterial to the Condensed Consolidated Balance Sheets of PNMR and PNM. Since all of Delta's revenues and expenses were attributable to its PPA arrangement with PNM, the primary impact of consolidating Delta to the Condensed Consolidated Statements of Earnings of PNMR and PNM would have been to reclassify Delta's net earnings from operating expenses and reflect such amount as earnings attributable to a non-controlling interest, without any impact to net earnings attributable to PNMR and PNM.

(6) Lease Commitments

The Company leases office buildings, vehicles, and other equipment under operating leases. In addition, PNM leases interests in Units 1 and 2 of PVNGS and an interest in the EIP transmission line. Additional information concerning the Company's lease commitments is contained in Note 7 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K.

The PVNGS leases were scheduled to expire on January 15, 2015 for the four Unit 1 leases and January 15, 2016 for the four Unit 2 leases. Each of the leases provides PNM with an option to purchase the leased assets at fair market value at the end of the lease. In addition, the leases provide PNM with options to renew the leases at fixed rates set forth in each of the leases for two years beyond the termination of the original lease terms. The option periods on certain leases could be further extended for up to an additional six years (the "Maximum Option Period") if the appraised remaining useful lives and fair values of the leased assets are greater than parameters set forth in the leases. The rental payments during the renewal option periods would be 50% of the amounts during the original terms of the leases.

Following procedures set forth in the PVNGS leases, PNM notified each of the lessors under the Unit 1 leases that it would elect to renew those leases for the Maximum Option Period on the expiration date of the original leases. In addition, PNM notified the lessor under the one Unit 2 lease containing the Maximum Option Period provision that it would elect to renew that lease for the Maximum Option Period on the expiration date of the original lease. On December 11, 2013, PNM and each of the Unit 1 lessors entered into amendments to each of the Unit 1 leases setting forth the terms and conditions that will implement the extension of the term of the lease through the agreed upon Maximum Option Period expiring on January 15, 2023. Similarly, on March 18, 2014, PNM and the lessor under the one Unit 2 lease containing the Maximum Option Period provision entered into an amendment

to that lease setting forth the terms and conditions that will implement the extension of the term of the lease through the agreed upon Maximum Option Period expiring on January 15, 2024.

For the three PVNGS Unit 2 leases which do not contain the Maximum Option Period provisions, PNM, following procedures set forth in the leases, notified each of the lessors that PNM would elect to purchase the assets underlying those leases on the expiration date of the original leases. On February 25, 2014, PNM and the lessor under one of the Unit 2 leases entered into a letter agreement that establishes that the purchase price, representing the fair market value, to be paid by PNM for the assets underlying that lease will be $78.1 million on January 15, 2016. This lease is for 31.25 MW of the entitlement from PVNGS Unit 2. The lease remains in existence and PNM will record the purchase at the termination of the lease on January 15, 2016.

On May 1, 2014, PNM and the trusts that are the lessors under the other two PVNGS Unit 2 leases signed a letter agreement that establishes a binding agreement regarding the purchase price, representing the fair market value, to be paid by PNM for the assets underlying those leases of $85.2 million on January 15, 2016. These leases are for 32.76 MW of the entitlement from PVNGS Unit 2. PNMR Development, a wholly-owned subsidiary of PNMR, is also a party to the letter agreement, which constitutes a letter of intent providing PNMR Development with the option, subject to approval by the Board and negotiation of definitive documents, to acquire the entities that own the leased assets at any time from June 1, 2014 through January 14, 2016. The early purchase price would be equal to the January 15, 2016 purchase price discounted to the actual purchase date. The early purchase amount was $79.9 million on June 1, 2014 and escalates to $85.2 million on January 14, 2016. The consideration paid to the lessor on an early purchase would include an additional amount equal to the discounted value of the lessors' equity return portion of the future lease payments. Such additional consideration was $5.8 million on June 1, 2014 and declines to $1.2 million on January 14, 2016. PNMR and PNM are unable to predict whether or not the early purchase will occur.

(7) Fair Value of Derivative and Other Financial Instruments

Energy Related Derivative Contracts

Overview

The primary objective for the use of derivative instruments, including energy contracts, options, and futures, is to manage price risk associated with forecasted purchases of energy and fuel used to generate electricity, as well as managing anticipated generation capacity in excess of forecasted demand from existing customers. The Company's energy related derivative contracts manage commodity risk. PNM is required to meet the demand and energy needs of its retail and firm-requirements wholesale customers. PNM is exposed to market risk for its share of PVNGS Unit 3 and the needs of its firm-requirements wholesale customers not covered under a FPPAC. PNM's operations are managed primarily through a net asset-backed strategy, whereby PNM's aggregate net open forward contract position is covered by its forecasted excess generation capabilities or market purchases. PNM could be exposed to market risk if its generation capabilities were to be disrupted or if its load requirements were to be greater than anticipated. If all or a portion of load requirements were required to be covered as a result of such unexpected situations, commitments would have to be met through market purchases. Additional information concerning the Company's energy related derivative contracts, including how commodity risk is managed, is contained in Note 8 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K.

Commodity Risk

Marketing and procurement of energy often involve market risks associated with managing energy commodities and establishing open positions in the energy markets, primarily on a short-term basis. PNM routinely enters into various derivative instruments such as forward contracts, option agreements, and price basis swap agreements to economically hedge price and volume risk on power commitments and fuel requirements and to minimize the effect of market fluctuations in wholesale portfolios. PNM monitors the market risk of its commodity contracts using VaR calculations to maintain total exposure within management-prescribed limits in accordance with approved risk and credit policies.

Accounting for Derivatives

Under derivative accounting and related rules for energy contracts, the Company accounts for its various derivative instruments for the purchase and sale of energy based on the Company's intent. Energy contracts that meet the definition of a

derivative under GAAP and do not qualify, or are not designated, for the normal purchases and normal sales exception are recorded on the balance sheet at fair value at each period end. The changes in fair value are recognized in earnings unless specific hedge accounting criteria are met and elected. Normal purchases and normal sales are not marked to market and are reflected in results of operations when the underlying transactions settle.

During the nine months ended September 30, 2014 and the year ended December 31, 2013, the Company was not hedging its exposure to the variability in future cash flows from commodity derivatives through designated cash flows hedges. The contracts recorded at fair value that do not qualify or are not designated for cash flow hedge accounting are classified as economic hedges. Economic hedges are defined as derivative instruments, including long-term power agreements, used to economically hedge generation assets, purchased power and fuel costs, and customer load requirements. Changes in the fair value of economic hedges are reflected in results of operations and are classified between operating revenues and cost of energy according to the intent of the hedge. The Company has no trading transactions.

Fair value is defined under GAAP as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is based on current market quotes as available and is supplemented by modeling techniques and assumptions made by the Company to the extent quoted market prices or volatilities are not available. External pricing input availability varies based on commodity location, market liquidity, and term of the agreement. Valuations of derivative assets and liabilities take into account nonperformance risk including the effect of counterparties' and the Company's credit risk. The Company regularly assesses the validity and availability of pricing data for its derivative transactions. Although the Company uses its best judgment in estimating the fair value of these instruments, there are inherent limitations in any estimation technique.

Commodity Derivatives

Commodity derivative instruments that are recorded at fair value, all of which are accounted for as economic hedges, are summarized as follows:

	Economic Hedges	
	September 30, 2014	December 31, 2013
PNMR and PNM	(In thousands)	
Current assets	$ 4,148	$ 4,064
Deferred charges	1,084	3,002
	5,232	7,066
Current liabilities	(1,370)	(2,699)
Long-term liabilities	(688)	(1,094)
	(2,058)	(3,793)
Net	$ 3,174	$ 3,273

Included in the above table are $3.0 million of current assets and $0.8 million of deferred charges at September 30, 2014 and $3.0 million of current assets and $3.0 million of deferred charges at December 31, 2013 related to contracts, which were entered into in July 2013, for the sale of energy from PVNGS Unit 3 for 2014 and 2015 at market price plus a premium. Certain of PNM's commodity derivative instruments in the above table are subject to master netting agreements whereby assets and liabilities could be offset in the settlement process. The Company does not offset fair value, cash collateral, and accrued payable or receivable amounts recognized for derivative instruments under master netting arrangements and the above table reflects the gross amounts of assets and liabilities. The amounts that could be offset under master netting agreements were immaterial at September 30, 2014 and December 31, 2013.

At September 30, 2014 and December 31, 2013, PNMR and PNM had no amounts recognized for the legal right to reclaim cash collateral. However, at September 30, 2014 and December 31, 2013, amounts posted as cash collateral under margin

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

arrangements were $2.4 million and $2.8 million for both PNMR and PNM. PNMR and PNM had obligations to return cash collateral of $0.2 million at September 30, 2014 and $0.2 million at December 31, 2013. Cash collateral amounts are included in other current assets and other current liabilities on the Condensed Consolidated Balance Sheets.

PNM has a NMPRC approved hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC. The table above includes $0.2 million of current assets and $0.1 million of current liabilities at September 30, 2014 and $0.4 million of current assets and $0.1 million of current liabilities at December 31, 2013 related to this plan. The offsets to these amounts are recorded as regulatory assets and liabilities on the Condensed Consolidated Balance Sheets.

The following table presents the effect of mark-to-market commodity derivative instruments on earnings, excluding income tax effects. Commodity derivatives had no impact on OCI for the periods presented.

	Economic Hedges			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
PNMR and PNM	(In thousands)			
Electric operating revenues	$ 2,352	$ 7,077	$ (2,124)	$ 5,743
Cost of energy	(60)	(72)	186	421
Total gain (loss)	$ 2,292	$ 7,005	$ (1,938)	$ 6,164

Commodity contract volume positions are presented in MMBTU for gas related contracts and in MWh for power related contracts. The table below presents PNMR's and PNM's net buy (sell) volume positions:

	Economic Hedges	
	MMBTU	MWh
September 30, 2014		
PNMR and PNM	656,000	(2,511,371)
December 31, 2013		
PNMR and PNM	905,000	(3,343,783)

In connection with managing its commodity risks, the Company enters into master agreements with certain counterparties. If the Company is in a net liability position under an agreement, some agreements provide that the counterparties can request collateral from the Company if the Company's credit rating is downgraded; other agreements provide that the counterparty may request collateral to provide it with "adequate assurance" that the Company will perform; and others have no provision for collateral.

The table below presents information about the Company's contingent requirements to provide collateral under commodity contracts having an objectively determinable collateral provision that are in net liability positions and are not fully collateralized with cash. Contractual liability represents commodity derivative contracts recorded at fair value on the balance sheet, determined on an individual contract basis without offsetting amounts for individual contracts that are in an asset position and could be offset under master netting agreements with the same counterparty. The table only reflects cash collateral that has been posted under the existing contracts and does not reflect letters of credit under the Company's revolving credit facilities that have been issued as collateral. Net exposure is the net contractual liability for all contracts, including those designated as normal purchases and normal sales, offset by existing cash collateral and by any offsets available under master netting agreements, including both asset and liability positions.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Contingent Feature – Credit Rating Downgrade	Contractual Liability	Existing Cash Collateral	Net Exposure
		(In thousands)	
September 30, 2014			
PNMR and PNM	$ 1,532	$ —	$ 1,403
December 31, 2013			
PNMR and PNM	$ 2,398	$ —	$ 2,152

Sale of Power from PVNGS Unit 3

Because PNM's 134 MW share of Unit 3 at PVNGS is not included in retail rates, that unit's power is being sold in the wholesale market. Since January 1, 2011, PNM has been selling power from its interest in PVNGS Unit 3 at market prices. As of September 30, 2014, PNM had contracted to sell 100% of PVNGS Unit 3 output through 2015, at market price plus a premium. PNM has established fixed rates, which average approximately $37 per MWh, for substantially all of these sales through the end of 2014 through hedging arrangements that are accounted for as economic hedges. PNM is also partially hedged for 2015.

Non-Derivative Financial Instruments

The carrying amounts reflected on the Condensed Consolidated Balance Sheets approximate fair value for cash, receivables, and payables due to the short period of maturity. Available-for-sale securities are carried at fair value. Available-for-sale securities for PNMR and PNM consist of PNM assets held in the NDT for its share of decommissioning costs of PVNGS and a trust for PNM's share of post-term reclamation costs related to the coal mines that serve SJGS (Note 11). The fair value of and gross unrealized gains on investments in available-for-sale securities are presented in the following table. At September 30, 2014 and December 31, 2013, the fair value of available-for-sale securities included $231.4 million and $222.5 million for the NDT and $4.5 million and $4.4 million for the mine reclamation trust.

	September 30, 2014		December 31, 2013	
	Unrealized Gains	Fair Value	Unrealized Gains	Fair Value
PNMR and PNM		(In thousands)		
Cash and cash equivalents	$ —	$ 3,338	$ —	$ 3,356
Equity securities:				
Domestic value	15,360	41,917	14,523	39,460
Domestic growth	18,452	74,647	25,656	76,292
International and other	1,339	16,957	1,040	16,633
Fixed income securities:				
U.S. Government	520	19,616	158	21,941
Municipals	4,970	67,595	1,018	58,568
Corporate and other	631	11,824	207	10,605
	$ 41,272	$ 235,894	$ 42,602	$ 226,855

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The proceeds and gross realized gains and losses on the disposition of available-for-sale securities for PNMR and PNM are shown in the following table. Realized gains and losses are determined by specific identification of costs of securities sold and reflect impairments.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Proceeds from sales	$ 29,103	$ 103,230	$ 82,222	$ 179,336
Gross realized gains	$ 3,134	$ 2,719	$ 11,616	$ 8,962
Gross realized (losses)	$ (2,172)	$ (531)	$ (3,382)	$ (2,027)

Held-to-maturity securities are those investments in debt securities that the Company has the ability and intent to hold until maturity. Held-to-maturity securities consist of the investment in PVNGS lessor notes and certain items within other investments.

The Company has no available-for-sale or held-to-maturity securities for which carrying value exceeds fair value. There are no impairments considered to be "other than temporary" that are included in AOCI and not recognized in earnings.

At September 30, 2014, the available-for-sale and held-to-maturity debt securities had the following final maturities:

	Fair Value		
	Available -for-Sale	Held-to-Maturity	
	PNMR and PNM	PNMR	PNM
	(In thousands)		
Within 1 year	$ 3,601	$ 7,994	$ 7,994
After 1 year through 5 years	20,886	25,456	24,718
After 5 years through 10 years	11,561	—	—
After 10 years through 15 years	9,549	—	—
After 15 years through 20 years	11,313	—	—
After 20 years	42,125	—	—
	$ 99,035	$ 33,450	$ 32,712

Fair Value Disclosures

The Company determines the fair values of its derivative and other financial instruments based on the hierarchy established in GAAP, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs used in determining fair values for the Company consist of internal valuation models.

For available-for-sale securities, Level 2 fair values are provided by the trustee utilizing a pricing service. The pricing provider predominantly uses the market approach using bid side market value based upon a hierarchy of information for specific securities or securities with similar characteristics. For commodity derivatives, Level 2 fair values are determined based on market observable inputs, which are validated using multiple broker quotes, including forward price, volatility, and interest rate curves to establish expectations of future prices. Credit valuation adjustments are made for estimated credit losses based on the overall exposure to each counterparty. For the Company's long-term debt, Level 2 fair values are provided by an external pricing service.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The pricing service primarily utilizes quoted prices for similar debt in active markets when determining fair value. For investments categorized as Level 3, primarily the PVNGS lessor notes and certain items in other investments, fair values were determined by discounted cash flow models that take into consideration discount rates that are observable for similar types of assets and liabilities. Management of the Company independently verifies the information provided by pricing services.

Items recorded at fair value on the Condensed Consolidated Balance Sheets are presented below by level of the fair value hierarchy. There were no Level 3 fair value measurements at September 30, 2014 and December 31, 2013 for items recorded at fair value.

		GAAP Fair Value Hierarchy	
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
		(In thousands)	
September 30, 2014			
PNMR and PNM			
Available-for-sale securities			
Cash and cash equivalents	$ 3,338	$ 3,338	$ —
Equity securities:			
Domestic value	41,917	41,917	—
Domestic growth	74,647	74,647	—
International and other	16,957	16,957	—
Fixed income securities:			
U.S. Government	19,616	17,865	1,751
Municipals	67,595	—	67,595
Corporate and other	11,824	2,544	9,280
	$ 235,894	$ 157,268	$ 78,626
Commodity derivative assets	$ 5,232	$ —	$ 5,232
Commodity derivative liabilities	(2,058)	—	(2,058)
Net	$ 3,174	$ —	$ 3,174
December 31, 2013			
PNMR and PNM			
Available-for-sale securities			
Cash and cash equivalents	$ 3,356	$ 3,356	$ —
Equity securities:			
Domestic value	39,460	39,460	—
Domestic growth	76,292	76,292	—
International and other	16,633	16,633	—
Fixed income securities:			
U.S. Government	21,941	20,194	1,747
Municipals	58,568	—	58,568
Corporate and other	10,605	2,245	8,360
	$ 226,855	$ 158,180	$ 68,675
Commodity derivative assets	$ 7,066	$ —	$ 7,066
Commodity derivative liabilities	(3,793)	—	(3,793)
Net	$ 3,273	$ —	$ 3,273

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The carrying amounts and fair values of investments in PVNGS lessor notes, other investments, and long-term debt, which are not recorded at fair value on the Condensed Consolidated Balance Sheets are presented below:

			GAAP Fair Value Hierarchy		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In thousands)		
September 30, 2014					
PNMR					
Long-term debt	$ 1,875,172	$ 2,072,872	$ —	$ 2,072,872	$ —
Investment in PVNGS lessor notes	$ 31,469	$ 32,712	$ —	$ —	$ 32,712
Other investments	$ 1,667	$ 2,406	$ 546	$ —	$ 1,860
PNM					
Long-term debt	$ 1,390,647	$ 1,525,625	$ —	$ 1,525,625	$ —
Investment in PVNGS lessor notes	$ 31,469	$ 32,712	$ —	$ —	$ 32,712
Other investments	$ 300	$ 300	$ 300	$ —	$ —
TNMP					
Long-term debt	$ 365,759	$ 422,583	$ —	$ 422,583	$ —
Other investments	$ 245	$ 245	$ 245	$ —	$ —
December 31, 2013					
PNMR					
Long-term debt	$ 1,745,420	$ 1,905,230	$ —	$ 1,905,230	$ —
Investment in PVNGS lessor notes	$ 52,958	$ 57,279	$ —	$ —	$ 57,279
Other investments	$ 1,835	$ 3,196	$ 690	$ —	$ 2,506
PNM					
Long-term debt	$ 1,290,618	$ 1,382,938	$ —	$ 1,382,938	$ —
Investment in PVNGS lessor notes	$ 52,958	$ 57,279	$ —	$ —	$ 57,279
Other investments	$ 445	$ 445	$ 445	$ —	$ —
TNMP					
Long-term debt	$ 336,036	$ 390,814	$ —	$ 390,814	$ —
Other investments	$ 245	$ 245	$ 245	$ —	$ —

The Company records any transfers between fair value hierarchy levels as of the end of each calendar quarter. There were no transfers between levels during the nine months ended September 30, 2014 and the year ended December 31, 2013.

(8) Stock-Based Compensation

PNMR has various stock-based compensation programs, including stock options, restricted stock, and performance shares granted under the Performance Equity Plan ("PEP"). In 2011, the Company changed its approach to awarding stock-based compensation. As a result, no stock options have been granted since 2010 and awards of restricted stock have increased. Certain restricted stock awards are subject to achieving performance or market targets and some of these awards also have time vesting requirements. Other awards of restricted stock are only subject to time vesting requirements. Additional information concerning stock-based compensation under the PEP is contained in Note 13 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K.

Restricted stock under the PEP refers to awards of stock subject to vesting, performance, or market conditions rather than to shares with contractual post-vesting restrictions. Generally, the awards vest ratably over three years from the grant date of the award. However, certain awards with performance or market conditions vest upon satisfaction of those conditions. In addition, plan provisions provide that upon retirement, participants become 100% vested in certain stock awards.

The stock-based compensation expense related to stock options and restricted stock awards without performance or market conditions is amortized to compensation expense over the requisite vesting period, which is generally three years. However,

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

compensation expense for awards to participants that are retirement eligible on the grant date is recognized immediately at the grant date and is not amortized. Compensation expense for performance-based shares is recognized ratably over the performance period and is adjusted periodically to reflect the level of achievement expected to be attained. Compensation expense related to market-based shares is recognized ratably over the measurement period, regardless of the actual level of achievement, provided the employees meet their service requirements. At September 30, 2014 and December 31, 2013, PNMR had unrecognized expense related to stock awards of $7.9 million and $4.6 million.

The grant date fair value for restricted stock and stock awards with Company internal performance targets is determined based on the market price of PNMR common stock on the date of the agreements reduced by the present value of future dividends, which will not be received prior to vesting, applied to the total number of shares that are anticipated to vest, although the number of performance shares that ultimately vest cannot be determined until after the performance periods end. The grant date fair value of stock awards with market targets is determined using Monte Carlo simulation models, which provide grant date fair values that include an expectation of the number of shares to vest at the end of the measurement period.

The following table summarizes the weighted-average assumptions used to determine the awards grant date fair value:

	Nine Months Ended September 30,	
Restricted Shares and Performance Based Shares	**2014**	**2013**
Expected quarterly dividends per share	$ 0.185	$ 0.165
Risk-free interest rate	0.62%	0.34%
Market-Based Shares		
Dividend yield	2.82%	2.86%
Expected volatility	25.11%	25.11%
Risk-free interest rate	0.64%	0.36%

The following table summarizes activity in stock options and restricted stock awards, including performance-based and market-based shares, for the nine months ended September 30, 2014:

	Stock Option Shares	Weighted-Average Exercise Price	Restricted Stock	Weighted-Average Grant Date Fair Value
Outstanding at beginning of period	1,343,666	$ 20.63	315,305	$ 17.87
Granted	—	$ —	242,164	$ 21.27
Exercised	(287,075)	$ 19.00	(295,423)	$ 16.68
Forfeited	(38,534)	$ 27.59	(515)	$ 24.74
Expired	(17,151)	$ 26.43	—	$ —
Outstanding at end of period	1,000,906	$ 20.73	261,531	$ 22.31

Included as restricted stock granted and exercised in the table above are 112,864 shares that were based upon achieving performance or market targets for 2013. The Board approved these shares in February 2014 (based upon achieving market targets, weighted at 60%, at maximum levels, and performance targets, weighted at 40%, at below threshold levels for the 2011 through 2013 performance period).

PNMR's stock-based compensation program provides for performance or market targets through 2016. Excluded from the above table are maximums of 198,369, 179,811, and 175,735 restricted stock shares for periods ending in 2014, 2015, and 2016 that would be awarded if all performance or market criteria are achieved and all executives remain eligible.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In March 2012, the Company entered into a retention award agreement with its Chairman, President, and Chief Executive Officer under which she would receive 135,000 shares of PNMR's common stock if the Company meets specific market targets at the end of 2016 and she remains an employee of the Company. If the Company achieves specific market targets at the end of 2014 and, with certain exceptions, she remains an employee of the Company, she would receive 35,000 of the total shares at that time. The retention award was made under the PEP and was approved by the Board on February 28, 2012. The above table does not include any restricted stock shares under the retention award agreement.

At September 30, 2014, the aggregate intrinsic value of stock options outstanding, all of which are exercisable, was $6.2 million with a weighted-average remaining contract life of 2.98 years. At September 30, 2014, the exercise price of 435,472 outstanding stock options is greater than the closing price of PNMR common stock on that date; therefore, those options have no intrinsic value.

The following table provides additional information concerning stock options and restricted stock activity, including performance-based and market-based shares:

	Nine Months Ended September 30,	
Stock Options	**2014**	**2013**
Weighted-average grant date fair value of options granted	$ —	$ —
Total fair value of options that vested (in thousands)	$ —	$ 625
Total intrinsic value of options exercised (in thousands)	$ 2,199	$ 2,466
Restricted Stock		
Weighted-average grant date fair value	$ 21.27	$ 20.03
Total fair value of restricted shares that vested (in thousands)	$ 4,929	$ 4,395

(9) Financing

Additional information concerning financing activities, including a TNMP cash-flow hedge, which terminated on June 27, 2014, that established a fixed interest rate on a variable rate loan, is contained in Note 6 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K.

Financing Activities

On January 8, 2014, PNM entered into a new $50.0 million unsecured revolving credit facility (the "PNM New Mexico Credit Facility") by and among PNM, the lenders identified therein, U.S. Bank National Association, as Administrative Agent, and BOKF, NA dba Bank of Albuquerque, as Syndication Agent. The nine participating lenders are all banks that have a significant presence in New Mexico and PNM's service territory or are headquartered in New Mexico. The PNM New Mexico Credit Facility expires on January 8, 2018 and contains covenants and conditions similar to those in the PNM Revolving Credit Facility.

On March 5, 2014, PNM entered into a new $175.0 million Term Loan Agreement (the "PNM 2014 Term Loan Agreement") among PNM and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Lender and Administrative Agent. On March 5, 2014, PNM used a portion of the funds borrowed under the PNM 2014 Term Loan Agreement to repay all amounts outstanding under PNM's existing $75.0 million PNM Term Loan Agreement. PNM also used the funds to repay other short-term amounts outstanding. The PNM Term Loan Agreement would otherwise have terminated on October 21, 2014. There were no prepayment penalties paid in connection with the termination of the PNM Term Loan Agreement. The PNM 2014 Term Loan Agreement bears interest at a variable rate, which was 1.10% at September 30, 2014, must be repaid on or before September 4, 2015, and is reflected in current maturities of long-term debt on the Condensed Consolidated Balance Sheets. The PNM 2014 Term Loan Agreement includes customary covenants, including requirements to not exceed a maximum consolidated debt-to-capital ratio and customary events of default. The PNM 2014 Term Loan Agreement has a cross default provision and a change of control provision.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

On December 9, 2013, TNMP entered into an agreement (the "TNMP 2013 Bond Purchase Agreement"), which provided that TNMP would issue $80.0 million aggregate principal amount of 4.03% first mortgage bonds, due 2024 (the "Series 2014A Bonds") on or about June 27, 2014, subject to satisfaction of certain conditions. TNMP issued the Series 2014A Bonds on June 27, 2014. TNMP used $50.0 million of the proceeds to repay the full outstanding amount of the TNMP 2011 Term Loan Agreement and used the remaining $30.0 million of proceeds to reduce short-term debt. In accordance with GAAP, borrowings under the TNMP 2011 Term Loan Agreement were reflected as being long-term at December 31, 2013 since the TNMP 2013 Bond Purchase Agreement demonstrated TNMP's ability and intent to re-finance the TNMP 2011 Term Loan Agreement on a long-term basis.

Short-term Debt

PNMR has a revolving credit financing capacity of $300.0 million under the PNMR Revolving Credit Facility. PNM has a revolving credit financing capacity of $400.0 million under the PNM Revolving Credit Facility. Both of these facilities currently expire on October 31, 2018. TNMP has a revolving credit financing capacity of $75.0 million under the TNMP Revolving Credit Facility that is secured by $75.0 million aggregate principal amount of TNMP first mortgage bonds and matures on September 18, 2018. PNM also has the $50.0 million PNM New Mexico Credit Facility that expires on January 8, 2018. At September 30, 2014, there were no borrowings under any of these facilities. At September 30, 2014, PNM had $6.5 million and TNMP had $19.1 million in borrowings from PNMR under their intercompany loan agreements. At September 30, 2014, the weighted average interest rate was 1.01% for borrowings outstanding under the twelve-month PNMR Term Loan Agreement, which matures in December 2014. Short-term debt outstanding consisted of:

Short-term Debt	September 30, 2014	December 31, 2013
	(In thousands)	
PNM:		
Revolving credit facility	$ —	$ 49,200
PNM New Mexico Credit Facility	—	—
TNMP – Revolving credit facility	—	—
PNMR:		
Revolving credit facility	—	—
PNMR Term Loan Agreement	100,000	100,000
	$ 100,000	$ 149,200

At October 24, 2014, PNMR, PNM, and TNMP had $292.3 million, $396.8 million, and $74.9 million of availability under their respective revolving credit facilities, including reductions of availability due to outstanding letters of credit, and PNM had $50.0 million of availability under the PNM New Mexico Credit Facility. Total availability at October 24, 2014, on a consolidated basis, was $814.0 million for PNMR. As of October 24, 2014, PNM had $7.4 million and TNMP had $25.7 million in borrowings from PNMR under their intercompany loan agreements. At October 24, 2014, PNMR, PNM and TNMP had consolidated invested cash of $23.1 million, none, and none.

(10) Pension and Other Postretirement Benefit Plans

PNMR and its subsidiaries maintain qualified defined benefit pension plans, postretirement benefit plans providing medical and dental benefits, and executive retirement programs (collectively, the "PNM Plans" and "TNMP Plans"). PNMR maintains the legal obligation for the benefits owed to participants under these plans.

Additional information concerning pension and OPEB plans is contained in Note 12 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K. Annual net periodic benefit cost (income) for the plans is actuarially determined using the methods and assumptions set forth in that note and is recognized ratably throughout the year. The Society of Actuaries recently issued revised mortality tables that include changes in assumptions to reflect increased life expectancy and the corresponding decrease in mortality rates. This change will have impacts on the Company's pension plans, as the mortality assumptions are used as the basis for stating the pension obligation in financial statements, determining funding requirements,

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

and making minimum lump-sum calculations. The Company, with the assistance of its consulting actuaries, is studying the impact of the mortality table changes. This study is on-going and subject to change. Preliminary estimates indicate that the Company's pension liabilities reflecting the new mortality tables and other current assumptions could increase by approximately 7% over those previously reported. Although pension expense and funding requirements also will likely increase, these changes are not expected to be material.

PNM Plans

The following tables present the components of the PNM Plans' net periodic benefit cost:

	Three Months Ended September 30,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2014	2013	2014	2013	2014	2013
	(In thousands)					
Components of Net Periodic Benefit Cost						
Service cost	$ —	$ —	$ 45	$ 65	$ —	$ —
Interest cost	7,541	7,035	1,159	1,029	205	180
Expected return on plan assets	(9,511)	(10,482)	(1,410)	(1,261)	—	—
Amortization of net (gain) loss	3,255	3,710	556	1,061	52	58
Amortization of prior service cost	(241)	19	(336)	(336)	—	—
Net periodic benefit cost	$ 1,044	$ 282	$ 14	$ 558	$ 257	$ 238

	Nine Months Ended September 30,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2014	2013	2014	2013	2014	2013
	(In thousands)					
Components of Net Periodic Benefit Cost						
Service cost	$ —	$ —	$ 136	$ 195	$ —	$ —
Interest cost	22,622	21,106	3,473	3,085	616	540
Expected return on plan assets	(28,533)	(31,447)	(4,229)	(3,782)	—	—
Amortization of net (gain) loss	9,765	11,130	1,669	3,182	157	174
Amortization of prior service cost	(724)	57	(1,008)	(1,008)	—	—
Net periodic benefit cost	$ 3,130	$ 846	$ 41	$ 1,672	$ 773	$ 714

PNM does not anticipate making any contributions to its pension trust in 2014 due to the current funded status of the pension plan. PNM made contributions to its pension plan trust of zero and $60.0 million in the three and nine months ended September 30, 2013. Based on current law, including recent amendments to funding requirements, and estimates of portfolio performance, contributions to the PNM pension plan trust for 2015-2018 are estimated to total $50.0 million. These anticipated contributions were developed using current funding assumptions, with discount rates of 4.5% to 5.3%. Actual amounts required to be funded in the future will depend on the actuarial assumptions at that time, including the appropriate discount rate. PNM may make additional contributions at its discretion. PNM made contributions to the OPEB trust of $0.8 million and $2.4 million in the three and nine months ended September 30, 2014 and $0.8 million and $2.4 million in the three and nine months ended September 30, 2013. PNM expects to make contributions to the OPEB trust totaling $3.3 million in 2014 and $14.0 million for 2015-2018. Disbursements under the executive retirement program, which are funded by PNM and considered to be contributions to the plan, were $0.4 million and $1.2 million in the three and nine months ended September 30, 2014 and $0.4 million and $1.1 million in the three and nine months ended September 30, 2013 and are expected to total $1.6 million during 2014.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

TNMP Plans

The following tables present the components of the TNMP Plans' net periodic benefit cost (income):

	Three Months Ended September 30,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2014	2013	2014	2013	2014	2013
	(In thousands)					
Components of Net Periodic Benefit Cost (Income)						
Service cost	$ —	$ —	$ 59	$ 75	$ —	$ —
Interest cost	798	772	155	141	10	9
Expected return on plan assets	(1,132)	(1,212)	(133)	(126)	—	—
Amortization of net (gain) loss	166	262	(31)	—	—	—
Amortization of prior service cost	—	—	8	14	—	—
Net Periodic Benefit Cost (Income)	$ (168)	$ (178)	$ 58	$ 104	$ 10	$ 9

	Nine Months Ended September 30,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2014	2013	2014	2013	2014	2013
	(In thousands)					
Components of Net Periodic Benefit Cost (Income)						
Service cost	$ —	$ —	$ 178	$ 225	$ —	$ —
Interest cost	2,395	2,315	464	424	29	27
Expected return on plan assets	(3,395)	(3,637)	(400)	(377)	—	—
Amortization of net (gain) loss	499	787	(92)	—	—	—
Amortization of prior service cost	—	—	24	43	—	—
Net Periodic Benefit Cost (Income)	$ (501)	$ (535)	$ 174	$ 315	$ 29	$ 27

TNMP does not anticipate making additional contributions to its pension trust in 2014 due to the current funded status of the pension plan. TNMP made contributions to its pension plan trust of zero and $1.0 million in the three and nine months ended September 30, 2013. Based on current law, including recent amendments to funding requirements, and estimates of portfolio performance, TNMP estimates there would be no contributions to its pension plan trust for 2015-2018. The anticipated contributions were developed using current funding assumptions, including discount rates of 4.5% and 5.3%. Actual amounts to be funded in the future will depend on the actuarial assumptions at that time, including the appropriate discount rate. TNMP may make additional contributions at its discretion. TNMP made contributions to the OPEB trust of zero and $0.3 million in the three and nine months ended September 30, 2014 and zero and $0.3 million in the three and nine months ended September 30, 2013. TNMP expects to make contributions to the OPEB trust totaling $0.3 million in 2014 and $1.4 million for 2015-2018. Disbursements under the executive retirement program, which are funded by TNMP and considered to be contributions to the plan, were less than $0.1 million in the three and nine months ended September 30, 2014 and 2013 and are expected to total $0.1 million during 2014.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(11) Commitments and Contingencies

Overview

There are various claims and lawsuits pending against the Company. The Company also is subject to federal, state, and local environmental laws and regulations and periodically participates in the investigation and remediation of various sites. In addition, the Company occasionally enters into financial commitments in connection with its business operations. Also, the Company is involved in various legal and regulatory (Note 12) proceedings in the normal course of its business. It is not possible at this time for the Company to determine fully the effect of all litigation and other legal and regulatory proceedings on its financial position, results of operations, or cash flows.

With respect to some of the items listed below, the Company has determined that a loss is not probable or that, to the extent probable, cannot be reasonably estimated. In some cases, the Company is not able to predict with any degree of certainty the range of possible loss that could be incurred. Nevertheless, the Company assesses legal and regulatory matters based on current information and makes judgments concerning their potential outcome, giving due consideration to the nature of the claim, the amount and nature of damages sought, and the probability of success. Such judgments are made with the understanding that the outcome of any litigation, investigation, and other legal proceeding is inherently uncertain. In accordance with GAAP, the Company records liabilities for matters where it is probable a loss has been incurred and the amount of loss is reasonably estimable. The actual outcomes of the items listed below could ultimately differ from the judgments made and the differences could be material. The Company cannot make any assurances that the amount of reserves or potential insurance coverage will be sufficient to cover the cash obligations that might be incurred as a result of litigation or regulatory proceedings. Except as otherwise disclosed, the Company does not expect that any known lawsuits, environmental costs, and commitments will have a material effect on its financial condition, results of operations, or cash flows.

Additional information concerning commitments and contingencies is contained in Note 16 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K.

Commitments and Contingencies Related to the Environment

Nuclear Spent Fuel and Waste Disposal

Nuclear power plant operators are required to enter into spent fuel disposal contracts with the DOE that require the DOE to accept and dispose of all spent nuclear fuel and other high-level radioactive wastes generated by domestic power reactors. Although the Nuclear Waste Policy Act required the DOE to develop a permanent repository for the storage and disposal of spent nuclear fuel by 1998, the DOE announced that it would not be able to open the repository by 1998 and sought to excuse its performance of these requirements. In November 1997, the D.C. Circuit issued a decision preventing the DOE from excusing its own delay, but refused to order the DOE to begin accepting spent nuclear fuel. Based on this decision and the DOE's delay, a number of utilities, including APS (on behalf of itself and the other PVNGS owners, including PNM), filed damages actions against the DOE in the Court of Federal Claims. In 2010, the court ordered an award to the PVNGS owners for their damages claim for costs incurred through December 2006. APS filed a subsequent lawsuit, on behalf of itself and the other PVNGS owners, against DOE in the Court of Federal Claims on December 19, 2012. The lawsuit alleges that from January 1, 2007 through June 30, 2011, additional damages were incurred due to DOE's continuing failure to remove spent nuclear fuel and high level waste from PVNGS. APS and DOE entered into a settlement agreement, and on October 7, 2014, APS received a settlement payment of $57.4 million for costs paid through June 30, 2011, for DOE's failure to accept spent nuclear fuel generated at PVNGS. PNM's share of the settlement is $5.9 million, which was recorded in other deferred credits. The settlement agreement also establishes a process for the payment of subsequent claims through December 30, 2016. Under the settlement agreement, APS must submit claims annually for payment of allowable costs. The first claim is due no later than October 31, 2014, for costs paid between July 1, 2011, and June 30, 2014. The settlement agreement terminates upon payment of costs paid through December 31, 2016, unless extended by mutual written agreement.

PNM estimates that it will incur approximately $58.0 million (in 2013 dollars) for its share of the costs related to the on-site interim storage of spent nuclear fuel at PVNGS during the term of the operating licenses. PNM accrues these costs as a component of fuel expense as the fuel is consumed. At September 30, 2014 and December 31, 2013, PNM had a liability for interim storage costs of $12.2 million and $11.9 million included in other deferred credits.

On June 8, 2012, the D.C. Circuit issued its decision on a challenge by several states and environmental groups of the NRC's rulemaking regarding temporary storage and permanent disposal of high-level nuclear waste and spent nuclear fuel. The petitioners had challenged the NRC's 2010 update to the agency's Waste Confidence Decision. The D.C. Circuit found that the agency's 2010 Waste Confidence Decision update constituted a major federal action, which requires either an EIS or a finding of no significant impact from the agency's actions. The D.C. Circuit found that the NRC's evaluation of the environmental risks from spent nuclear fuel was deficient, and therefore remanded the 2010 Waste Confidence Decision update for further action. In September 2012, the NRC issued a directive to its staff to proceed with development of a generic EIS to support an updated Waste Confidence Decision within 24 months. In September 2013, the NRC issued its draft EIS to support an updated Waste Confidence Decision. In late 2013, the NRC held a series of nationwide public meetings to receive stakeholder input on the draft EIS. In September 2014, the NRC issued its final rule codifying the results of analyses from a generic EIS regarding the continued storage of spent nuclear fuel. The rule became effective on October 20, 2014. Untimely resolution by the NRC of the remand from the D.C. Circuit could have an adverse impact on certain NRC licensing actions. Currently, PVNGS does not have any licensing actions pending with the NRC. The petitioners also sought a writ requiring the NRC to comply with the law and resume processing DOE's pending license application for a nuclear waste site at Yucca Mountain in Nevada. In August 2013, the D.C. Circuit ordered the NRC to resume reviewing the license application. PNM is unable to predict the impact of these decisions.

In 2011, the National Association of Regulatory Utility Commissioners and the Nuclear Energy Institute challenged DOE's 2010 determination of the adequacy of the one tenth of a cent per KWh fee (the "one-mill fee") paid by the nation's commercial nuclear power plant owners pursuant to their individual contracts with the DOE. In June 2012, the D.C. Circuit held that DOE failed to conduct a sufficient fee analysis in making the 2010 determination. The D.C. Circuit remanded the 2010 determination to the DOE with instructions to conduct a new fee adequacy determination within six months. In February 2013, upon completion of DOE's revised one-mill fee adequacy determination, the court reopened the proceedings. On November 19, 2013, the D.C. Circuit ordered the DOE to notify Congress of the intent to suspend collecting annual fees for nuclear waste disposal from nuclear power plant operators. On January 3, 2014, the DOE notified Congress of the intention to suspend collection of the one-mill fee, subject to Congress' disapproval. On May 16, 2014, the DOE adjusted the fee to zero. In 2013, the one-mill fee for PNM's share of the output from all three units at PVNGS amounted to $3.0 million. The fee applicable to PVNGS Units 1 and 2 is recovered by PNM in its retail rates. PNM anticipates challenges to this action and is unable to predict its ultimate outcome.

The Clean Air Act

Regional Haze

In 1999, EPA developed a regional haze program and regional haze rules under the CAA. The rule directs each of the 50 states to address regional haze. Pursuant to the CAA, states have the primary role to regulate visibility requirements by promulgating SIPs. States are required to establish goals for improving visibility in national parks and wilderness areas (also known as Class I areas) and to develop long-term strategies for reducing emissions of air pollutants that cause visibility impairment in their own states and for preventing degradation in other states. States must establish a series of interim goals to ensure continued progress. The first planning period specifies setting reasonable progress goals for improving visibility in Class I areas by the year 2018. In July 2005, EPA promulgated its final regional haze rule guidelines for states to conduct BART determinations for certain covered facilities, including utility boilers, built between 1962 and 1977 that have the potential to emit more than 250 tons per year of visibility impairing pollution. If it is demonstrated that the emissions from these sources cause or contribute to visibility impairment in any Class I area, then BART must be installed by 2018.

SJGS

BART Determination Process – SJGS is a source that is subject to the statutory obligations of the CAA to reduce visibility impacts. The State of New Mexico submitted its SIP on the regional haze and interstate transport elements of the visibility rules for review by EPA in June 2011. The SIP found that BART to reduce NOx emissions from SJGS is selective non-catalytic reduction technology ("SNCR"). Nevertheless, in August 2011, EPA published its FIP, stating that it was required to do so by virtue of a consent decree it had entered into with an environmental group in litigation concerning the interstate transport requirements of the CAA. The FIP included a regional haze BART determination for SJGS that required installation of selective catalytic reduction

technology ("SCR") on all four units by September 21, 2016. In November 2012, EPA approved all components of the SIP, except for the NOx BART determination for SJGS, which continued to be subject to the FIP.

PNM, the Governor of New Mexico, and NMED petitioned the Tenth Circuit to review EPA's decision and requested EPA to reconsider its decision. The Tenth Circuit denied petitions to stay the effective date of the rule. These parties also formally asked EPA to stay the effective date of the rule. Several environmental groups intervened in support of EPA. The parties file periodic status reports with the Tenth Circuit, but proceedings are being held in abeyance as agreed to by the parties.

During 2012 and early 2013, PNM, as the operating agent for SJGS, engaged in discussions with NMED and EPA regarding an alternative to the FIP and SIP. Following approval by a majority of the other SJGS owners, PNM, NMED, and EPA agreed on February 15, 2013 to pursue a revised plan that could provide a new BART path to comply with federal visibility rules at SJGS. The terms of the non-binding agreement would result in the retirement of SJGS Units 2 and 3 by the end of 2017 and the installation of SNCRs on Units 1 and 4 by the later of January 31, 2016 or 15 months after EPA approval of a revised SIP.

Contemporaneously with the signing of the non-binding agreement, EPA indicated in writing that if the terms agreed to do not move forward due to circumstances outside of the control of PNM and NMED, EPA will work with the State of New Mexico and PNM to create a reasonable FIP compliance schedule to reflect the time used to develop the revised SIP.

In accordance with the revised plan, PNM submitted a new BART analysis to NMED on April 1, 2013, reflecting the terms of the non-binding agreement. NMED developed a RSIP and submitted it to the EIB for approval in May 2013. The EIB approved the RSIP in September 2013 and it was submitted to EPA for approval on October 18, 2013. EPA published its proposed approval of the RSIP in the Federal Register on May 12, 2014. Final rules approving the RSIP and withdrawing the FIP were published in the Federal Register on October 9, 2014 and will become effective on November 10, 2014. The deadline for filing petitions for review is December 8, 2014.

Implementation Activities – Due to the compliance deadline set forth in the FIP, PNM took steps to commence installation of SCRs at SJGS. In October 2012, PNM entered into a contract with an engineering, procurement, and construction contractor to install SCRs on behalf of the SJGS owners. The construction contract, which includes termination provisions in the event that SCRs are determined in the future to be unnecessary, has been suspended through December 31, 2014. At the time PNM entered into the contract, PNM estimated the total cost to install SCRs on all four units of SJGS to be between approximately $824 million and $910 million. The costs for the project to install SCRs would encompass installation of technology to comply with the NAAQS requirements described below.

Also, PNM had previously indicated it estimated the cost of SNCRs on all four units of SJGS to be between approximately $85 million and $90 million based on a conceptual design study. Along with the SNCR installation, additional equipment would be required to be installed to meet the NAAQS requirements described below, the cost of which had been estimated to total between approximately $105 million and $110 million for all four units of SJGS.

The above estimates include gross receipts taxes, AFUDC, and other PNM costs. Based upon its current SJGS ownership interest, PNM's share under either SCRs or SNCRs as described above would be about 46.3%.

Following the February 2013 development of the alternative BART compliance plan, PNM began taking steps to prepare for the potential installation of SNCRs on Units 1 and 4 due to the long lead times on certain equipment purchases. In May 2013, PNM entered into an SNCR equipment and related services contract with an SNCR technology provider. In July 2014, PNM entered into a contract for management of the SNCR construction and in September 2014 entered into a construction and procurement contract.

NMPRC Filing – On December 20, 2013, PNM made a filing with the NMPRC requesting certain approvals necessary to effectuate the RSIP. In this filing, PNM requested:

- Permission to retire SJGS Units 2 and 3 at December 31, 2017 and to recover over 20 years their net book value at that date along with a regulated return on those costs

- A CCN to include PNM's ownership of PVNGS Unit 3, amounting to 134 MW, as a resource to serve New Mexico retail customers at a proposed value of $2,500 per KW, effective January 1, 2018
- An order allowing cost recovery for PNM's share of the installation of SNCR equipment and the additional equipment to comply with NAAQS requirements on SJGS Units 1 and 4, not to exceed a total cost of $82 million
- A CCN for an exchange of capacity out of SJGS Unit 3 and into SJGS Unit 4, resulting in ownership of an additional 78 MW in Unit 4 for PNM; the net impact of this exchange and the retirement of Units 2 and 3 would be a reduction of 340 MW in PNM's ownership of SJGS

The December 20, 2013 NMPRC filing identified a new 177 MW natural gas fired generation source and 40 MW of new utility-scale solar PV generation to replace a portion of PNM's share of the reduction in generating capacity due to the retirement of SJGS Units 2 and 3. PNM has included the 40 MW of solar PV facilities in its 2015 Renewable Energy Plan. A proposed stipulated settlement, which is pending approval before the NMPRC, would provide that the additional solar capacity be recovered in base rates rather than through the renewable energy rider. See Note 12. Specific approvals to acquire the gas facility and the treatment of associated costs will be made in future filings. PNM estimates the cost of these identified resources would be approximately $268.3 million. These amounts are included in PNM's current construction expenditure forecast although approval of the plan remains subject to numerous conditions. Although operating costs would be reduced due to the retirement of SJGS Units 2 and 3, the operating costs for SJGS Units 1 and 4 would increase with the installation of SNCRs. See Note 12 for additional information concerning PNM's filing for NMPRC approvals regarding these matters.

As discussed under SJGS Ownership Restructuring Matters below, the owners of SJGS are attempting to negotiate agreements concerning numerous matters, the resolution of which is necessary in order to facilitate the shutdown of SJGS Units 2 and 3 and comply with the RSIP. PNM's requests in the December 20, 2013 NMPRC filing were based on the status of the negotiations among the SJGS owners at that time. In July 2014, PNM filed a notice with the NMPRC regarding the status of the negotiations among the SJGS participants, including that the SJGS participants reached non-binding agreements in principle on the ownership restructuring of SJGS and that PNM was proposing to acquire 132 MW of SJGS Unit 4 effective December 31, 2017, rather than exchanging 78 MW of capacity in SJGS Unit 3 for 78 MW in SJGS Unit 4 as contemplated in the December 20, 2013 NMPRC filing. Those agreements are memorialized in the resolution and term sheet described below.

On October 1, 2014, PNM, the staff of the NMPRC, the NMAG, New Mexico Independent Power Producers, Western Resource Advocates, and Renewable Energy Industries Association of New Mexico filed a stipulation with the NMPRC. NMIEC subsequently joined the agreement. Statements of opposition were filed by New Energy Economy, Southwest Generation, the City of Santa Fe, Santa Fe County, and the Coalition for Clean, Affordable Energy.

Under the terms of the stipulation, PNM:

- Would be authorized to abandon SJGS Units 2 and 3 effective December 31, 2017
- Would be granted a CCN for an additional 132 MW of SJGS Unit 4 capacity as of January 1, 2018 with a rate base value of $26 million plus any reasonable and prudent investments made in Unit 4 prior to that date; PNM would reduce its carrying value of SJGS Unit 3 by this $26 million
- Would recover 50% of the estimated $231 million undepreciated value in SJGS Units 2 and 3 at December 31, 2017; recovery would be over a twenty year period and would include a return on the unrecovered amount at PNM's WACC; at September 30, 2014, PNM's net book value of its current ownership share of SJGS Units 2 and 3 was approximately $284 million
- Would be granted a CCN for 134 MW of PVNGS Unit 3 at a January 1, 2018 value of $221.1 million ($1,650 per KW); PNM's ownership share of PVNGS would also be subject to a capacity factor performance threshold of 75% for a seven year period beginning January 1, 2018; subject to certain exceptions, if the capacity factor is not achieved in any year, PNM would refund the cost of replacement power through its FPPAC; at September 30, 2014, PNM's net book value of PVNGS Unit 3 was approximately $143 million

- Would recover its reasonable and prudent costs of installation of the SNCRs and equipment to comply with NAAQS requirements at SJGS Units 1 and 4 up to $90.6 million
- Would not be allowed to recover a total of approximately $20 million of increased operations and maintenance costs associated with the agreement reached with the remaining SJGS participants, additional fuel handling expenses, and certain other costs incurred in efforts to comply with the CAA

The public hearing in the NMPRC case is scheduled to begin on January 5, 2015. PNM expects a decision from the NMPRC in the first quarter of 2015. PNM is unable to predict if the NMPRC will approve the stipulation. If the stipulation is approved as filed, PNM anticipates it would incur a regulatory disallowance that would include the write-off of 50% of the undepreciated investment in SJGS Units 2 and 3, an offset to the regulatory disallowance to reflect including the investment in PVNGS Unit 3 in the ratemaking process at the stipulated value, and other impacts of the stipulation. Although PNM would record the regulatory disallowance upon approval by the NMPRC, the amount of the disallowance would be dependent on the provisions of the NMPRC's final order, as well as PNM's projections of the December 31, 2017 net book values of SJGS Units 2 and 3 and PVNGS Unit 3. The amount initially recorded would be subject to adjustment to reflect changes in the projected December 31, 2017 net book values of the plants. Based on the provisions of the stipulation as filed and PNM's current projection of December 31, 2017 book values, PNM estimates the net pre-tax regulatory disallowance would be between $60 million and $70 million.

SJGS Ownership Restructuring Matters – As discussed in the 2013 Annual Report on Form 10-K, SJGS is jointly owned by PNM and eight other entities, including three participants that operate in the State of California. Furthermore, each participant does not have the same ownership interest in each unit. The SJPPA that governs the operation of SJGS expires on July 1, 2022 and the contract with SJCC to supply the coal requirements of the plant expires on December 31, 2017. The California participants have indicated that, under California law, they may be prohibited from making significant capital improvements to SJGS. The California participants have stated they would be unable to fully fund the construction of either SCRs or SNCRs at SJGS and have expressed the intent to exit their ownership in SJGS no later than the expiration of the current SJPPA. One other participant also expressed a similar intent to exit ownership in the plant. The participants intending to exit ownership in SJGS currently own 50.0% of SJGS Unit 3 and 38.8% of SJGS Unit 4. PNM currently owns 50.0% of SJGS Unit 3 and 38.5% of SJGS Unit 4.

The SJGS participants have engaged in negotiations concerning the implementation of the RSIP to address BART at SJGS. These negotiations initially included potential shifts in ownership among participants and between Units 3 and 4 that could have resulted in PNM acquiring additional ownership in Unit 4 prior to the shutdown of SJGS Units 2 and 3. The discussions among the SJGS participants regarding restructuring have also included, among other matters, the treatment of plant decommissioning obligations, mine reclamation obligations, environmental matters, and certain ongoing operating costs.

On June 26, 2014, a non-binding resolution was unanimously approved by the SJGS Coordination Committee (the "Resolution"). The Resolution identifies the participants who would be exiting active participation in SJGS effective December 31, 2017, and participants, including PNM, who would retain an interest in the ongoing operation of one or more units of SJGS. The Resolution provides the essential terms of restructured ownership of SJGS between the exiting participants and the remaining participants and addresses other related matters. The Resolution includes provisions indicating that the exiting participants would remain obligated for their proportionate shares of environmental, mine reclamation, and certain other legacy liabilities that are attributable to activities that occurred prior to their exit, as well as outlining how their shares would be determined. Also, on June 26, 2014, a non-binding term sheet was approved by all of the remaining participants that provides the essential terms of restructured ownership of SJGS among the remaining participants. As part of the non-binding terms, PNM confirmed that it would acquire an additional 132 MW in SJGS Unit 4 effective December 31, 2017. There would be no initial cost for PNM to acquire the additional 132 MW although PNM's share of capital improvements, including the costs of installing SNCRs, and operating expenses would increase to reflect the increased ownership. The acquisition of 132 MW of SJGS Unit 4 would result in PNM's ownership share of SJGS Unit 4 being 64.5% and of SJGS Units 1 and 4 aggregating approximately 59%. The Resolution and the non-binding term sheet recognize that prior to executing a binding restructuring agreement, the remaining participants will need to have greater certainty in regard to the economic cost and availability of fuel for SJGS for the period after December 31, 2017. As discussed under Coal Supply below, the remaining participants are in the process of negotiating agreements concerning future fuel supply for SJGS, the resolution of which is necessary for continued operation of SJGS after December 31, 2017. On September 2, 2014, the SJGS Coordination Committee adopted a non-binding amendment to the Resolution, which provides for allocation of future costs of decommissioning among current SJGS owners using a time-based sliding scale and outlines indemnification obligations.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In September 2014, the SJGS participants executed a binding Fuel and Capital Funding Agreement to implement certain provisions of the Resolution, including payment by the remaining participants of capital costs for the Unit 4 SNCR project starting July 1, 2014, and acquisition by PNM of the exiting participants' coal inventory as of January 1, 2015. PNM filed the Fuel and Capital Funding Agreement with FERC on September 18, 2014, with a request for a retroactive effective date to July 1, 2014. FERC has 60 days from the date of filing to accept the filing. The Fuel and Capital Funding Agreement provides that the SJGS participants will return to the status quo if required regulatory approvals are not obtained or a binding restructuring agreement is not reached.

The participants continue to negotiate other definitive agreements that would formalize the matters contained in the Resolution, as amended. A number of regulatory approvals are required to implement the proposed ownership restructuring of SJGS. Any final binding agreements relating to the ownership restructuring are subject to the approval of each participant's board or other decision-making body and are subject to required regulatory approvals. PNM is unable to predict the outcome of the negotiations, whether definitive agreements will be reached among the owners, or whether required approvals will be obtained.

Other Developments and Current Status – The SJPPA requires PNM, as operating agent, to obtain approval of capital improvement project expenditures from participants who have an ownership interest in the relevant unit or property common to more than one unit. As provided in the SJPPA, specified percentages of both the outstanding participant shares, based on MW ownership, and the number of participants in the unit or common property must be obtained in order for a capital improvement project to be approved. PNM presented the SNCR project, including NAAQS compliance requirements described below, to the SJGS participants in Unit 1 and Unit 4 for approval in late October 2013. The project was approved for Unit 1, but the Unit 4 project, which includes some of the California participants, did not obtain the required percentage of votes for approval. In addition, other capital projects related to Unit 4 were not approved by the participants. PNM subsequently requested that the owners of Unit 4 approve the expenditure of costs critical to being able to comply with the time frame in the RSIP with respect to the Unit 4 project of $1.9 million on March 10, 2014 and $6.4 million on June 27, 2014. The Unit 4 owners did not approve either of the requests.

PNM, in its capacity as operating agent of SJGS, is authorized and obligated under the SJPPA to take reasonable and prudent actions necessary for the successful and proper operation of SJGS pending the resolution, by arbitration or otherwise, of any inability or failure to agree by the participants. PNM must evaluate its responsibilities and obligations as operating agent under the SJPPA regarding the SJGS Unit 4 capital projects that were not approved by the participants and take reasonable and prudent actions as it deems necessary. Therefore, on March 10, 2014 and July 14, 2014, PNM, as operating agent for SJGS, issued "Prudent Utility Practice" notices under the SJPPA indicating PNM was undertaking certain critical activities to keep the Unit 4 SNCR project on schedule.

As discussed above, EPA approved the RSIP and withdrew the FIP on October 9, 2014 and those approvals will become effective on November 10, 2014. PNM believes significant progress is being made towards implementation of the RSIP. However, the final implementation of the RSIP is still dependent upon PNM obtaining NMPRC approval to retire San Juan Units 2 and 3 and a final binding agreement among the SJGS owners on a revised ownership structure to facilitate the retirement of these two units. PNM can provide no assurance that these requirements will be accomplished. If the RSIP requirements ultimately are not implemented due to adverse or alternative regulatory, legislative, legal, or restructuring developments or other factors, PNM would need to pursue other alternatives to address compliance with the CAA. PNM will seek recovery from its ratepayers for costs that may be incurred as a result of the CAA requirements. PNM is unable to predict the ultimate outcome of these matters.

Although the additional equipment and other final requirements will result in additional capital and operating costs being incurred, PNM believes that its access to the capital markets is sufficient to be able to finance its share of the installation. It is possible that requirements to comply with the CAA, combined with the financial impact of possible future climate change regulation or legislation, if any, other environmental regulations, the result of litigation, and other business considerations, could jeopardize the economic viability of SJGS or the ability or willingness of individual participants to continue participation in the plant.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Four Corners

On August 6, 2012, EPA issued its final BART determination for Four Corners. The rule included two compliance alternatives. On December 30, 2013, APS notified EPA that the Four Corners participants selected the alternative that required APS to close permanently Units 1-3 by January 1, 2014 and install SCR post-combustion NOx controls on each of Units 4 and 5 by July 31, 2018. PNM owns a 13% interest in Units 4 and 5, but had no ownership interest in Units 1, 2, and 3, which were shutdown by APS on December 30, 2013. For particulate matter emissions, EPA is requiring Units 4 and 5 to meet an emission limit of 0.015 lb/MMBTU and the plant to meet a 20% opacity limit, both of which are achievable through operation of the existing baghouses. Although unrelated to BART, the final BART rule also imposes a 20% opacity limitation on certain fugitive dust emissions from Four Corners' coal and material handling operations.

APS, on behalf of the Four Corners participants, negotiated amendments to an existing facility lease with the Navajo Nation, which extends the Four Corners leasehold interest from 2016 to 2041. The Navajo Nation approved these amendments in March 2011. The effectiveness of the amendments also requires the approval of the DOI, as does a related federal rights-of-way grant, which the Four Corners participants are pursuing. A federal environmental review is underway as part of the DOI review process. In March 2014, APS received a draft of the EIS in connection with the DOI review process. On June 19, 2014, PNM submitted comments on the draft EIS as owner and operator of two electric transmission lines that are part of the connected action for the EIS. In addition, APS will require a PSD permit from EPA to install SCR control technology at Four Corners. PNM cannot predict whether these federal approvals will be granted, and if so on a timely basis, or whether any conditions that may be attached to them will be acceptable to the Four Corners participants.

The Four Corners participants' obligations to comply with EPA's final BART determinations, coupled with the financial impact of possible future climate change regulation or legislation, other environmental regulations, and other business considerations, could jeopardize the economic viability of Four Corners or the ability of individual participants to continue their participation in Four Corners.

PNM is continuing to evaluate the impacts of EPA's BART determination for Four Corners. PNM estimates its share of costs, including PNM's AFUDC, to be up to $80.3 million for post-combustion controls at Four Corners Units 4 and 5. PNM would seek recovery from its ratepayers of all costs that are ultimately incurred. PNM is unable to predict the ultimate outcome of this matter.

Four Corners BART FIP Challenge

On October 22, 2012, WEG filed a petition for review in the Ninth Circuit challenging the Four Corners BART FIP. In its petition, WEG alleges that the final BART rule results in more air pollution being emitted into the air than allowed by law and that EPA failed to follow the requirements of the ESA. APS intervened in this matter and filed a motion to dismiss this lawsuit for lack of jurisdiction or alternatively to transfer the lawsuit to the Tenth Circuit. On February 25, 2013, the Ninth Circuit denied APS' motion to dismiss, but granted the request to transfer the case to the Tenth Circuit. Oral argument was presented before the Tenth Circuit on January 23, 2014. On July 23, 2014, the Tenth Circuit issued a unanimous decision affirming EPA's action and denying WEG's petition for review. On September 15, 2014, the Tenth Circuit issued its mandate marking an official end to the case.

Regional Haze Challenges

On December 27, 2012, WEG filed a petition for review in the Tenth Circuit challenging the SO_2 and particulate matter emissions elements of EPA's approval of New Mexico's Regional Haze SIP. On February 26, 2013, HEAL Utah and other environmental groups filed petitions in the Tenth Circuit challenging EPA's final approval of the remaining elements of New Mexico's Regional Haze SIP, as well as EPA's approval of the Albuquerque/Bernalillo County Air Quality Control Board SIP. PNM was granted intervention in both matters and the Tenth Circuit consolidated the two matters based on the similarity of issues. Oral argument was heard before the Tenth Circuit on March 20, 2014. On October 21, 2014, the Tenth Circuit denied the petitions for review and affirmed EPA's actions. PNM is unable to predict whether petitions for rehearing or appeals of the decision will be filed.

National Ambient Air Quality Standards ("NAAQS")

The CAA requires EPA to set NAAQS for pollutants considered harmful to public health and the environment. EPA has set NAAQS for certain pollutants, including NOx, SO_2, ozone, and particulate matter. In 2010, EPA updated the primary NOx and SO_2 NAAQS to include a 1-hour maximum standard while retaining the annual standards for NOx and SO_2 and the 24-hour SO_2 standard. New Mexico is in attainment for the 1-hour NOx NAAQS. On May 13, 2014, EPA released the draft data requirements rule for the 1-hour SO_2 NAAQS, which directs state and tribal air agencies to characterize current air quality in areas with large SO_2 sources to identify maximum 1-hour SO_2 concentrations. The proposed rule also describes the process and timetable by which air regulatory agencies would characterize air quality around large SO_2 sources through ambient monitoring or modeling. This characterization will result in these areas being designated as attainment, nonattainment, or unclassified for compliance with the 1-hour SO_2 NAAQS. Although the determination process has not been finalized, PNM believes that compliance with the 1-hour SO_2 standard may require operational changes and/or equipment modifications at SJGS. On November 8, 2013, PNM received an amendment to its air permit for SJGS, which would be required for the installation of either SCRs or SNCRs described above. In the revised permit, PNM agreed to reduce SO_2 emissions to 0.1 pound per MMBTU on SJGS Units 1 and 4 and to install equipment modifications for the purpose of reducing fugitive emissions, including NOx, SO_2, and particulate matter. These reductions will help SJGS meet the NAAQS. It is anticipated that the equipment modifications would be installed at the same time as the installation of regional haze BART controls, in order to most efficiently and cost effectively conduct construction activities at SJGS. The cost of this technology is dependent upon the type of control technology that is ultimately determined to be NOx BART at SJGS. See Regional Haze – SJGS above.

EPA finalized revisions to its NAAQS for fine particulate matter on December 14, 2012. PNM believes the equipment modifications discussed above will assist the plant in complying with the particulate matter NAAQS.

In January 2010, EPA announced it would strengthen the 8-hour ozone standard by setting a new standard in a range of 0.060-0.070 parts per million. EPA is reviewing its 2008 standard and has completed certain assessment phases of developing a new ozone standard. EPA is under a court order to issue a draft proposal by December 1, 2014 and finalize the new standard by October 1, 2015. Depending upon where the standard for ozone is set, San Juan County, where SJGS is situated, could be designated as not attaining the standard for ozone. If that were to occur, NMED would have responsibility for bringing the county into compliance and would look at all sources of NOx and volatile organic compounds since these are the pollutants that form ground-level ozone. As a result, SJGS could be required to install further NOx controls to meet a new ozone NAAQS. In addition, other counties in New Mexico, including Bernalillo County, may be designated as non-attainment. PNM cannot predict the outcome of this matter, the impact of other potential environmental mitigations, or if additional NOx controls would be required at any of its affected facilities as a result of ozone non-attainment designation.

Citizen Suit Under the Clean Air Act

The operations of SJGS are covered by a Consent Decree with the Grand Canyon Trust and Sierra Club and with the NMED that includes stipulated penalties for non-compliance with specified emissions limits. Stipulated penalty amounts are placed in escrow on a quarterly basis pending review of SJGS's emissions performance. In May 2010, PNM filed a petition with the federal district court seeking a judicial determination on a dispute relating to PNM's mercury controls. NMED and plaintiffs sought to require PNM to implement additional mercury controls. PNM estimates the implementation would increase annual mercury control costs for the entire station, which are currently $0.7 million, to a total of $6.6 million. On March 23, 2014, the court entered a stipulated order reflecting an agreement reached by the parties. Under the stipulated order, PNM is required to repeat the mercury study required under the Consent Decree using sorbent traps instead of the monitoring system used in the initial study. PNM has completed stack testing and anticipates finalizing the study report by the end of 2014. The results of the mercury study will establish the activated carbon injection rate that maximizes mercury removal at SJGS, as required under the Consent Decree. PNM cannot predict the ultimate outcome of this matter.

Section 114 Request

In April 2009, APS received a request from EPA under Section 114 of the CAA seeking detailed information regarding projects at and operations of Four Corners. EPA has taken the position that many utilities have made physical or operational changes at their plants that should have triggered additional regulatory requirements under the NSR provisions of the CAA. APS has responded to EPA's request. PNM is currently unable to predict the timing or content of EPA's response, if any, or any resulting actions.

Four Corners Clean Air Act Lawsuit

In October 2011, Earthjustice, on behalf of several environmental organizations, filed a lawsuit in the United States District Court for the District of New Mexico against APS and the other Four Corners participants alleging violations of the NSR provisions of the CAA and NSPS violations. The plaintiffs seek to have the court enjoin operations at Four Corners until APS applies for and obtains any required NSR permits and complies with the NSPS. The plaintiffs further request the court to order the payment of civil penalties, including a beneficial mitigation project. On April 2, 2012, the Four Corners participants filed motions to dismiss. The case is being held in abeyance while the parties seek to negotiate a settlement. On March 30, 2013, upon joint motion of the parties, the court issued an order deeming the motions to dismiss withdrawn without prejudice during pendency of the stay. At such time as the stay is lifted, the Four Corners owners may reinstate their motions to dismiss without risk of default. PNM cannot currently predict the outcome of this matter or the range of its potential impact.

WEG v. OSM NEPA Lawsuit

In February 2013, WEG filed a Petition for Review in the United States District Court of Colorado against OSM challenging federal administrative decisions affecting seven different mines in four states issued at various times from 2007 through 2012. In its petition, WEG challenges several unrelated mining plan modification approvals, which were each separately approved by OSM. Of the fifteen claims for relief in the WEG Petition, two concern SJCC's San Juan mine. WEG's allegations concerning the San Juan mine arise from OSM administrative actions in 2008. WEG alleges various National Environmental Policy Act ("NEPA") violations against OSM, including, but not limited to, OSM's alleged failure to provide requisite public notice and participation, alleged failure to analyze certain environmental impacts, and alleged reliance on outdated and insufficient documents. WEG's petition seeks various forms of relief, including a finding that the federal defendants violated NEPA by approving the mine plans, voiding, reversing, and remanding the various mining modification approvals, enjoining the federal defendants from re-issuing the mining plan approvals for the mines until compliance with NEPA has been demonstrated, and enjoining operations at the seven mines. SJCC intervened in this matter. The Court granted SJCC's motion to sever its claims from the lawsuit and transfer venue to the United States District Court for the District of New Mexico, where this matter is now proceeding. If WEG ultimately obtains the relief it has requested, such a ruling could require significant expenditures to reconfigure operations at the San Juan mine, impact the production of coal, and impact the economic viability of the San Juan mine and SJGS. PNM cannot currently predict the outcome of this matter or the range of its potential impact.

Navajo Nation Environmental Issues

Four Corners is located on the Navajo Reservation and is held under an easement granted by the federal government, as well as a lease from the Navajo Nation. The Navajo Acts purport to give the Navajo Nation Environmental Protection Agency authority to promulgate regulations covering air quality, drinking water, and pesticide activities, including those activities that occur at Four Corners. In October 1995, the Four Corners participants filed a lawsuit in the District Court of the Navajo Nation challenging the applicability of the Navajo Acts to Four Corners. Although an agreement was reached resolving claims related to the CAA, the agreement does not address or resolve any dispute relating to other aspects of the Navajo Acts. PNM cannot currently predict the outcome of these matters or the range of their potential impacts.

Cooling Water Intake Structures

EPA issued its final cooling water intake structures rule on May 19, 2014, which establishes national standards for certain cooling water intake structures at existing power plants and other facilities under the Clean Water Act to protect fish and other aquatic organisms by minimizing impingement mortality (the capture of aquatic wildlife on intake structures or against screens)

and entrainment mortality (the capture of fish or shellfish in water flow entering and passing through intake structures). The final rule was published on August 15, 2014 and became effective October 14, 2014.

The final rule allows multiple compliance options and considerations for site specific conditions and the permit writer is granted a significant amount of discretion in determining permit requirements, schedules, and conditions. To minimize impingement mortality, the rule provides operators of facilities, such as SJGS and Four Corners, seven options for meeting "best technology available" standards for reducing impingement. To minimize entrainment mortality, the permitting authority must establish the "best technology available" for entrainment on a site-specific basis, taking into consideration an array of factors, including social costs and benefits. Affected sources must submit source water baseline characterization data to the permitting authority to assist in the determination. Compliance deadlines under the rule are tied to permit renewal and will be subject to a schedule of compliance established by the permitting authority. PNM is performing analyses to determine the potential costs of compliance with the rule. PNM is unable to predict the outcome of this matter or a range of the potential costs of compliance. APS is currently in discussions with EPA Region 9, the National Pollutant Discharge Elimination System permit writer for Four Corners, to determine the scope of the impingement and entrainment requirements, which will, in turn, determine APS's costs to comply with the rule. APS has indicated that it does not expect such costs to be material.

Effluent Limitation Guidelines

On June 7, 2013, EPA published proposed revised wastewater effluent limitation guidelines establishing technology-based wastewater discharge limitations for fossil fuel-fired electric power plants. EPA's proposal offers numerous options that target metals and other pollutants in wastewater streams originating from fly ash and bottom ash handling activities, scrubber activities, and non-chemical metal cleaning waste operations. The preferred alternatives differ with respect to the scope of requirements that would be applicable to existing discharges of pollutants found in wastestreams generated at existing power plants. All four alternatives would establish a "zero discharge" effluent limit for all pollutants in fly ash transport water. However, requirements governing bottom ash transport water differ depending on which alternative EPA ultimately chooses and could range from effluent limits based on Best Available Technology Economically Achievable to "zero discharge" effluent limits. Depending on which alternative EPA finalizes, Four Corners may be required to change equipment and operating practices affecting boilers and ash handling systems, as well as change its waste disposal techniques. PNM has reviewed the proposed rule and continues to assess the potential impact to SJGS and Reeves Station, the only PNM-operated power plants that would be covered by the proposed rule. On April 9, 2014, several environmental groups agreed to allow EPA until September 30, 2015 to issue final effluent limits. Under the agreement, EPA will not seek any further extensions and will follow through on a separate agreement to issue a final rule on coal ash waste disposal by December 19, 2014. If EPA misses the December 19, 2014 deadline to issue a coal ash rule, then the agreement allows the environmental groups to require the EPA to issue the final effluent limits earlier. PNM is unable to predict the outcome of this matter or a range of the potential costs of compliance.

Santa Fe Generating Station

PNM and the NMED are parties to agreements under which PNM installed a remediation system to treat water from a City of Santa Fe municipal supply well, an extraction well, and monitoring wells to address gasoline contamination in the groundwater at the site of the former Santa Fe Generating Station and service center. PNM believes the observed groundwater contamination originated from off-site sources, but agreed to operate the remediation facilities until the groundwater meets applicable federal and state standards or until the NMED determines that additional remediation is not required, whichever is earlier. The City of Santa Fe has indicated that since the City no longer needs the water from the well, the City would prefer to discontinue its operation and maintain it only as a backup water source. However, for PNM's groundwater remediation system to operate, the water well must be in service. Currently, PNM is not able to assess the duration of this project or estimate the impact on its obligations if the City of Santa Fe ceases to operate the water well.

The Superfund Oversight Section of the NMED has conducted multiple investigations into the chlorinated solvent plume in the vicinity of the site of the former Santa Fe Generating Station. In February 2008, a NMED site inspection report was submitted to EPA, which states that neither the source nor extent of contamination has been determined and that the source may not be the former Santa Fe Generating Station. The NMED investigation is ongoing. In January 2013, NMED notified PNM that monitoring results from April 2012 showed elevated concentrations of nitrate in three monitoring wells and an increase in free-phase hydrocarbons in another well. None of these wells are routinely monitored as part of PNM's obligations under the settlement agreement. In April 2013, NMED conducted the same level of testing on the wells as was conducted in April 2012, which produced

similar results. PNM conducted similar site-wide sampling activities in April 2014 and obtained results similar to the 2013 data. As part of this effort, PNM also collected a sample of hydrocarbon product for "fingerprint" analysis from a monitoring well located on the northeastern corner of the property. This analysis indicated that the hydrocarbon product was a mixture of newer and older fuels, and the location of the monitoring well suggests that the hydrocarbon product is likely from offsite sources. PNM does not believe the former generating station is the source of the increased levels of free-phase hydrocarbons, but no conclusive determinations have been made. It is possible that PNM's prior activities to remediate hydrocarbon contamination, as conducted under an NMED-approved plan, may have resulted in increased nitrate levels. Additional testing and analysis will need to be performed before conclusions can be reached regarding the cause of the increased nitrate levels or the method and cost of remediation. PNM is unable to predict the outcome of these matters.

Coal Combustion Byproducts Waste Disposal

CCBs consisting of fly ash, bottom ash, and gypsum from SJGS are currently disposed of in the surface mine pits adjacent to the plant. SJGS does not operate any CCB impoundments. The Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department currently regulates mine placement of ash with federal oversight by the OSM. APS disposes of CCBs in ash ponds and dry storage areas at Four Corners and also sells a portion of its fly ash for beneficial uses, such as a constituent in concrete production. Ash management at Four Corners is regulated by EPA and the New Mexico State Engineer's Office.

In June 2010, EPA published a proposed rule that includes two options for waste designation of coal ash. One option is to regulate CCBs as a hazardous waste, which would allow EPA to create a comprehensive federal program for waste management and disposal of CCBs. The other option is to regulate CCBs as a non-hazardous waste, which would provide EPA with the authority to develop performance standards for waste management facilities handling the CCBs and would be enforced primarily by state authorities or through citizen suits. Both options allow for continued use of CCBs in beneficial applications. EPA's proposal does not address the placement of CCBs in surface mine pits for reclamation. An OSM CCB rulemaking team has been formed to develop a proposed rule governing the placement of CCBs at coal mining and reclamation operations.

On April 5, 2012, several environmental groups, including Sierra Club, filed a citizen suit in the D.C. Circuit claiming that EPA has failed to review and revise RCRA's regulations with respect to CCBs. The groups allege that EPA has already determined that revisions to the CCBs regulations are necessary and that EPA now has a non-discretionary duty to revise the regulations. The environmental groups asked the court to direct EPA to complete its review of the regulation of CCBs and a hazardous waste analytical procedure and to issue necessary revisions of such regulations as soon as possible. Two industry group members subsequently filed separate lawsuits in the D.C. Circuit seeking to ensure that disposal of coal ash would not be regulated as a hazardous waste. The environmental and industry lawsuits have been consolidated. On January 29, 2014, EPA entered into a consent decree directing EPA to publish its final action regarding whether or not to pursue the proposed non-hazardous waste option for CCBs by December 19, 2014.

PNM advocates for the non-hazardous regulation of CCBs. If CCBs are ultimately regulated as a hazardous waste, costs could increase significantly. PNM would seek recovery from its ratepayers of all costs that are ultimately incurred. PNM cannot predict the outcome of EPA's or OSM's proposed rulemaking regarding CCB regulation, including mine placement of CCBs, or whether these actions will have a material impact on its operations, financial position, or cash flows.

Hazardous Air Pollutants ("HAPs") Rulemaking

In December 2011, the EPA issued its final Mercury and Air Toxics Standards ("MATS") to reduce emissions of heavy metals, including mercury, arsenic, chromium, and nickel, as well as acid gases, including hydrochloric and hydrofluoric gases, from coal and oil-fired electric generating units with a capacity of at least 25 MW. Existing facilities will generally have up to four years to demonstrate compliance with the new rule. PNM's assessment of MATS indicates that the control equipment currently used at SJGS allows the plant to meet the emission standards set forth in the rule. With regard to mercury, stack testing performed for EPA during the MATS rulemaking process showed that SJGS achieved a mercury removal rate of 99% or greater. APS has determined that no additional equipment will be required at Four Corners Units 4 and 5 to comply with the rule.

Other Commitments and Contingencies

Coal Supply

The coal requirements for SJGS are being supplied by SJCC, a wholly owned subsidiary of BHP. In addition to coal delivered to meet the current needs of SJGS, PNM prepays SJCC for certain coal mined but not yet delivered to the plant site. At September 30, 2014 and December 31, 2013, prepayments for coal, which are included in other current assets, amounted to $26.1 million and $12.3 million. SJCC holds certain federal, state, and private coal leases and has an underground coal sales agreement to supply processed coal for operation of SJGS through 2017. Under the coal sales agreement, SJCC is reimbursed for all costs for mining and delivering the coal, including an allocated portion of administrative costs, and receives a return on its investment. BHP Minerals International, Inc. has guaranteed the obligations of SJCC under the coal agreement. The coal agreement contemplates the delivery of coal that would supply substantially all the requirements of SJGS through December 31, 2017.

PNM and the other owners of SJGS are evaluating alternatives for the supply of coal after the expiration of the current coal sales agreement. As discussed under SJGS Ownership Restructuring Matters above, the Resolution and the non-binding term sheet approved by the SJGS Coordination Committee on June 26, 2014 recognize that prior to executing a binding restructuring agreement relating to the ownership of SJGS, the remaining participants will need to have greater certainty in regard to the cost and availability of fuel for SJGS for the period after December 31, 2017. The remaining participants are in the process of negotiating agreements concerning future fuel supply for SJGS with SJCC and BHP. On October 1, 2014, the San Juan Fuels Committee approved a resolution authorizing an amendment to the coal sales agreement. The parties to the coal sales agreement and the amendment are SJCC, PNM, and Tucson. The amendment provides for the negotiation of a potential purchase transaction for the mine assets by one or more of the utilities, an affiliate, or another entity agreed to by the parties to be consummated on or before December 31, 2016. PNM anticipates that a consummated arrangement would ultimately involve a third-party mining company either as the owner of the mine or as a contract miner and could involve some or all of the remaining participants in SJGS. The amendment, which was effective as of October 2, 2014, also releases the parties from the obligation to negotiate an extension of the coal sales agreement, but does not impact the utilities' option to purchase the mining assets at the end of the current contract term if the purchase transaction is not completed. On October 2, 2014, the parties also entered into an agreement that provides the SJGS participants with access to data necessary to evaluate the mine assets and liabilities. PNM cannot currently predict the outcome of these negotiations or if a transaction will be consummated.

APS purchased all of Four Corners' coal requirements from a supplier that was also a subsidiary of BHP and had a long-term lease of coal reserves with the Navajo Nation. That contract was to expire on July 6, 2016 with pricing determined using an escalating base-price. On December 30, 2013, ownership of the mine was transferred to an entity owned by the Navajo Nation and a new coal supply contract for Four Corners, expiring in 2031, was entered into with that entity. The BHP subsidiary is to be retained as the mine manager and operator until December 2016. Coal costs are anticipated to increase approximately 21% for the first full year of the new contract and will further increase over the contract term. PNM anticipates that its share of the increased costs will be recovered through its FPPAC.

In 2013, PNM updated its study of the final reclamation costs for both the surface mines that previously provided coal to SJGS and the current underground mine providing coal and revised its estimates of the final reclamation costs. This estimate reflects that, with the proposed shutdown of SJGS Units 2 and 3 described above, the mine providing coal to SJGS will continue to operate through 2053, the anticipated life of SJGS. The 2013 estimate for decommissioning the Four Corners mine reflects the operation of the mine through 2031, the term of the new coal supply agreement. Based on the 2013 estimates, remaining payments for mine reclamation, in future dollars, are estimated to be $53.9 million for the surface mines at both SJGS and Four Corners and $93.3 million for the underground mine at SJGS as of June 30, 2014. At September 30, 2014 and December 31, 2013, liabilities, in current dollars, of $22.9 million and $23.8 million for surface mine reclamation and $8.4 million and $7.8 million for underground mine reclamation were recorded in other deferred credits.

PNM collects a provision for surface and underground mine reclamation costs in its rates. The NMPRC has capped the amount that can be collected from ratepayers for final reclamation of the surface mines at $100.0 million. Previously, PNM recorded a regulatory asset for the $100.0 million and recovers the amortization of this regulatory asset in rates. If future estimates increase the liability for surface mine reclamation, the excess would be expensed at that time. In conjunction with the proposed shutdown of SJGS Units 2 and 3 to comply with the BART requirements of the CAA discussed under The Clean Air Act – Regional Haze – SJGS above, an updated coal mine reclamation study was requested by the SJGS participants. As discussed under Coal

Combustion Byproducts Waste Disposal above, SJGS currently disposes of CCBs from the plant in the surface mine pits adjacent to the plant. The updated coal mine reclamation study indicates reclamation costs have increased, including significant increases due to the proposed shutdown of SJGS Units 2 and 3, although the timing of payments will be delayed. The shutdown of Units 2 and 3 would reduce the amount of CCBs generated over the remaining life of SJGS, which could result in a significant increase in the amount of fill dirt required to remediate the underground mine area thereby increasing the overall reclamation costs. How costs would be divided among the owners of SJGS has not been finalized. Regulatory determinations made by the NMPRC may also affect the impact on PNM. The reclamation amounts discussed above reflect PNM's estimates of its share of the revised costs. PNM is currently unable to determine the outcome of these matters or the range of possible impacts.

San Juan Underground Mine Fire Incident

On September 9, 2011, a fire was discovered at the underground mine owned and operated by SJCC that provides coal for SJGS. The federal Mine Safety and Health Administration ("MSHA") was notified of the incident. On September 12, 2011, SJCC informed PNM that the fire was extinguished. However, MSHA required sealing the incident area and confirmation of a noncombustible environment before allowing re-entry of the sealed area. SJCC regained entry into the sealed area of the mine in early March 2012. At that time, MSHA conducted a root cause analysis inspection of the incident area, but has not yet issued its report. SJCC completed inspection of the mine equipment and reported no significant damage. SJCC removed the equipment from the impacted mine panel and reassembled it at a new panel face. On May 4, 2012, SJCC received approval from MSHA and resumed longwall mining operations. Coal inventories have been restored to pre-incident levels and SJCC provided notice to PNM on September 23, 2014 that the mine has been restored to normal operations.

The costs of the mine recovery flowed through the cost-reimbursable component of the coal supply agreement. PNM included the portion of such costs allocable to its customers subject to New Mexico regulation in its FPPAC. PNM's filings with the NMPRC reflected an estimate that this incident increased coal costs and the deferral of cost recovery under the FPPAC by between $17.4 million and $21.6 million. SJCC submitted an insurance claim regarding the costs it incurred due to the mine fire and informed PNM that it settled with its insurance carrier. PNM's portion of the insurance recovery is $18.7 million. PNM has credited its FPPAC balancing account for the insurance proceeds allocable to PNM's New Mexico jurisdictional customers. See Note 12.

Continuous Highwall Mining Royalty Rate

In August 2013, the DOI Bureau of Land Management ("BLM") issued a proposed rulemaking that would retroactively apply the surface mining royalty rate of 12.5% to continuous highwall mining ("CHM"). Comments regarding the rulemaking were due on October 11, 2013, and PNM submitted comments in opposition to the proposed rule. There is no legal deadline for adoption of the final rule.

SJCC utilized the CHM technique from 2000 to 2003 and, with the approval of the Farmington, New Mexico Field Office of BLM to reclassify the final highwall as underground reserves, applied the 8.0% underground mining royalty rate to coal mined using CHM and sold to SJGS. In March 2001, SJCC learned that the DOI Minerals Management Service ("MMS") disagreed with the application of the underground royalty rate to CHM. In August 2006, SJCC and MMS entered into a settlement agreement tolling the statute of limitations on any administrative action to recover unpaid royalties until BLM issued a final, non-appealable determination as to the proper rate for CHM-mined coal. The proposed BLM rulemaking has the potential to terminate the tolling provision of the settlement agreement, and underpaid royalties of approximately $5 million for SJGS would become due if the proposed BLM rule is adopted as proposed. PNM's share of any amount that is ultimately paid would be approximately 46.3%, none of which would be passed through PNM's FPPAC. PNM is unable to predict the outcome of this matter.

SJCC Arbitration

The coal supply agreement for SJGS provides that the participants in SJGS have the right to audit the costs billed by SJCC. An independent accounting firm has been engaged to perform audits of the costs billed under the provisions of the contract. The audit for the period from 2006 through 2009 resulted in disagreements between the SJGS participants and SJCC. As provided in the contract, certain issues were submitted to a panel for binding arbitration. The issues were: 1) whether the SJGS participants owed SJCC unbilled mining costs of $5.2 million or whether SJCC owed the SJGS participants overbilled mining costs of $1.1 million, and 2) whether SJCC billed the SJGS participants $13.9 million as mining costs that SJCC should have considered to be

capital costs, which were not billable under the mining contract. PNM's share of amounts subject to the arbitration are approximately 46.3%. A hearing before the arbitration panel on the remaining issues was held in May 2014. The arbitration panel found in favor of SJCC on both issues. Of PNM's share of the costs, approximately 33% of the first issue was passed through PNM's FPPAC and the rest impacted earnings in the three months ended June 30, 2014. The amounts related to the second issue were recorded when billed in prior periods and had no impact in 2014.

Four Corners Severance Tax Assessment

On May 23, 2013, the New Mexico Taxation and Revenue Department ("NMTRD") issued a notice of assessment for coal severance surtax, penalty, and interest totaling approximately $30 million related to coal supplied under the coal supply agreement for Four Corners. PNM's share of any amounts paid related to this assessment would be approximately 8%, all of which would be passed through PNM's FPPAC. For procedural reasons, on behalf of the Four Corners co-owners, including PNM, the coal supplier made a partial payment of the assessment and immediately filed a refund claim with respect to that partial payment in August 2013. On December 19, 2013, the coal supplier and APS, on its own behalf and as operating agent for Four Corners, filed a complaint in the New Mexico District Court contesting both the validity of the assessment and the refund claim denial. PNM believes the assessment and the refund claim denial are without merit, but cannot predict the outcome of this matter.

PVNGS Liability and Insurance Matters

Public liability for incidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. In accordance with the Price-Anderson Act, the PVNGS participants have insurance for public liability exposure for a nuclear incident totaling $13.6 billion per occurrence. Commercial insurance carriers provide $375 million and $13.2 billion is provided through a mandatory industry-wide retrospective assessment program. If losses at any nuclear power plant covered by the program exceed the accumulated funds, PNM could be assessed retrospective premium adjustments. Based on PNM's 10.2% interest in each of the three PVNGS units, PNM's maximum potential retrospective premium assessment per incident for all three units is $38.9 million, with a maximum annual payment limitation of $5.7 million.

The PVNGS participants maintain "all risk" (including nuclear hazards) insurance for damage to, and decontamination of, property at PVNGS in the aggregate amount of $2.75 billion, a substantial portion of which must first be applied to stabilization and decontamination. These coverages are provided by Nuclear Electric Insurance Limited ("NEIL"). Effective April 1, 2014, a sublimit of $2.25 billion for non-nuclear property damage losses has been enacted to the primary policy offered by NEIL. If NEIL's losses in any policy year exceed accumulated funds, PNM is subject to retrospective premium assessments of $4.8 million for each retrospective premium assessment declared by NEIL's Board of Directors. The insurance coverages discussed in this and the previous paragraph are subject to policy conditions and exclusions.

Water Supply

Because of New Mexico's arid climate and periodic drought conditions, there is concern in New Mexico about the use of water, including that used for power generation. PNM has secured groundwater rights in connection with the existing plants at Reeves Station, Rio Bravo, Afton, Luna, and Lordsburg. Water availability is not an issue for these plants at this time. However, prolonged drought, ESA activities, and a Federal lawsuit by the State of Texas (suing the State of New Mexico over water allocations) could pose a threat of reduced water availability for these plants.

PNM, APS, and BHP have undertaken activities to secure additional water supplies for SJGS, Four Corners, and related mines to accommodate the possibility of inadequate precipitation in coming years. Since 2004, PNM has entered into agreements for voluntary sharing of the impacts of water shortages with tribes and other water users in the San Juan basin. This agreement has been extended through 2016. In addition, in the case of water shortage, PNM, APS, and BHP have reached agreement with the Jicarilla Apache Nation on a long-term supplemental contract relating to water for SJGS and Four Corners that runs through 2016. Although PNM does not believe that its operations will be materially affected by drought conditions at this time, it cannot forecast the weather or its ramifications, or how policy, regulations, and legislation may impact PNM should water shortages occur in the future.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In April 2010, APS signed an agreement on behalf of the PVNGS participants with five cities to provide cooling water essential to power production at PVNGS for forty years.

PVNGS Water Supply Litigation

In 1986, an action commenced regarding the rights of APS and the other PVNGS participants to the use of groundwater and effluent at PVNGS. APS filed claims that dispute the court's jurisdiction over PVNGS' groundwater rights and their contractual rights to effluent relating to PVNGS and, alternatively, seek confirmation of those rights. In 1999, the Arizona Supreme Court issued a decision finding that certain groundwater rights may be available to the federal government and Indian tribes. In addition, the Arizona Supreme Court issued a decision in 2000 affirming the lower court's criteria for resolving groundwater claims. Litigation on these issues has continued in the trial court. No trial dates have been set in these matters. PNM does not expect that this litigation will have a material impact on its results of operation, financial position, or cash flows.

San Juan River Adjudication

In 1975, the State of New Mexico filed an action in New Mexico District Court to adjudicate all water rights in the San Juan River Stream System, including water used at Four Corners and SJGS. PNM was made a defendant in the litigation in 1976. In March 2009, President Obama signed legislation confirming a 2005 settlement with the Navajo Nation. Under the terms of the settlement agreement, the Navajo Nation's water rights would be settled and finally determined by entry by the court of two proposed adjudication decrees. The court issued an order in August 2013 finding that no evidentiary hearing was warranted in the Navajo Nation proceeding, and on November 1, 2013 issued a Partial Final Judgment and Decree of the Water Rights of the Navajo Nation approving the proposed settlement with the Navajo Nation. Several parties filed a joint motion for a new trial, which was denied by the court. A number of parties subsequently appealed to the New Mexico Court of Appeals. PNM has entered its appearance in the appellate case. No hearing dates or deadlines have been set at this time.

PNM is participating in this proceeding since PNM's water rights in the San Juan Basin may be affected by the rights recognized in the settlement agreement as being owned by the Navajo Nation, which comprise a significant portion of water available from sources on the San Juan River and in the San Juan Basin. PNM is unable to predict the ultimate outcome of this matter or estimate the amount or range of potential loss and cannot determine the effect, if any, of any water rights adjudication on the present arrangements for water at SJGS and Four Corners. Final resolution of the case cannot be expected for several years. An agreement reached with the Navajo Nation in 1985, however, provides that if Four Corners loses a portion of its rights in the adjudication, the Navajo Nation will provide, for an agreed upon cost, sufficient water from its allocation to offset the loss.

Rights-of-Way Matter

On January 28, 2014, the County Commission of Bernalillo County, New Mexico passed an ordinance requiring utilities to enter into a use agreement and pay a yet to be determined fee as a condition to installing, maintaining, and operating facilities on county rights-of-way. The fee is purported to compensate the county for costs of administering, maintaining, and capital improvements to the rights-of-way. On February 27, 2014, PNM and other utilities filed a Complaint for Declaratory and Injunctive Relief in the United States District Court for the District of New Mexico challenging the validity of the ordinance. In June 2014, the utilities and Bernalillo County reached an agreement whereby the County would not take any enforcement action against the utilities pursuant to the ordinance during the pendency of the litigation, but not including any period for appeal of a judgment, or upon 30 days written notice by either the County or the utilities of their intention to terminate the agreement. The federal court ruled in favor of Bernalillo County, dismissing the state law claims. The utilities filed an amended complaint reflecting the two federal claims remaining before the federal court. The utilities also filed a complaint in Bernalillo County, New Mexico District Court reflecting the state law counts dismissed by the federal court. If the challenges to the ordinance are unsuccessful, PNM believes any fees paid pursuant to the ordinance would be considered franchise fees and would be recoverable from customers. PNM is unable to predict the outcome of this matter or its impact on PNM's operations.

Complaint Against Southwestern Public Service Company

In September 2005, PNM filed a complaint under the Federal Power Act against SPS alleging SPS overcharged PNM for deliveries of energy through its fuel cost adjustment clause practices and that rates for sales to PNM were excessive. PNM also intervened in a proceeding brought by other customers raising similar arguments relating to SPS' fuel cost adjustment clause

practices and issues relating to demand cost allocation (the "Golden Spread Proceeding"). In addition, PNM intervened in a proceeding filed by SPS to revise its rates for sales to PNM ("SPS 2006 Rate Proceeding"). In 2008, FERC issued its order in the Golden Spread Proceeding affirming an ALJ decision that SPS violated its fuel cost adjustment clause tariffs, but shortening the refund period applicable to the violation of the fuel cost adjustment clause issues that had been ordered by the ALJ. FERC also reversed the decision of the ALJ, which had been favorable to PNM, on the demand cost allocation issues. PNM and SPS filed petitions for rehearing and clarification of the scope of the remedies that were ordered and seeking reversal of various rulings in the order. On August 15, 2013, FERC issued separate orders in the Golden Spread Proceeding and in the SPS 2006 Rate Proceeding. The order in the Golden Spread Proceeding determined that PNM was not entitled to refunds for SPS' fuel cost adjustment clause practices. That order and the order in the SPS 2006 Rate Proceeding decided the demand cost allocation issues using the method that PNM had advocated. PNM, SPS, and other customers of SPS have filed requests for rehearing of these orders and they are pending further action by FERC. PNM cannot predict the final outcome of the case at FERC or the range of possible outcomes.

Navajo Nation Allottee Matters

A putative class action was filed against PNM and other utilities in February 2009 in the United States District Court for the District of New Mexico. Plaintiffs claim to be allottees, members of the Navajo Nation, who pursuant to the Dawes Act of 1887, were allotted ownership in land carved out of the Navajo Nation and allege that defendants, including PNM, are rights-of-way grantees with rights-of-way across the allotted lands and are either in trespass or have paid insufficient fees for the grant of rights-of-way or both. In March 2010, the court ordered that the entirety of the plaintiffs' case be dismissed. The court did not grant plaintiffs leave to amend their complaint, finding that they instead must pursue and exhaust their administrative remedies before seeking redress in federal court. In May 2010, plaintiffs filed a Notice of Appeal with the Bureau of Indian Affairs ("BIA"), which was denied by the BIA Regional Director. In May 2011, plaintiffs appealed the Regional Director's decision to the DOI, Office of Hearings and Appeals, Interior Board of Indian Appeals. Following briefing on the merits, on August 20, 2013, that board issued a decision upholding the Regional Director's decision that the allottees had failed to perfect their appeals, and dismissed the allottees' appeals, without prejudice. The allottees have not refiled their appeals. Although this matter was dismissed without prejudice, PNM considers the matter concluded. However, PNM continues to monitor this matter in order to preserve its interests regarding any PNM-acquired rights-of-way.

In a separate matter, in September 2012, 43 landowners claiming to be Navajo allottees filed a notice of appeal with the BIA appealing a March 2011 decision of the BIA Regional Director regarding renewal of a right-of-way for a PNM transmission line. The allottees, many of whom are also allottees in the above matter, generally allege that they were not paid fair market value for the right-of-way, that they were denied the opportunity to make a showing as to their view of fair market value, and thus denied due process. On January 6, 2014, PNM received notice that the BIA, Navajo Region, requested a review of an appraisal report on 58 allotment parcels. After review, the BIA concluded it would continue to rely on the values of the original appraisal. On March 27, 2014, while this matter was stayed, the allottees filed a motion to dismiss their appeal with prejudice. On April 2, 2014, the allotees' appeal was dismissed with prejudice concluding this matter. Subsequent to the dismissal, PNM received a letter from counsel on behalf of what appears to be a subset of the 43 landowner allottees involved in the appeal, notifying PNM that the specified allottees were revoking their consents for renewal of right of way on six specific allotments. PNM is in the process of investigating the validity of this notice of revocation and its potential impact in light of the BIA's position and the recent dismissal with prejudice of the appeal, and is therefore unable at this time to predict the likely outcome of this matter.

(12) Regulatory and Rate Matters

The Company is involved in various regulatory matters, some of which contain contingencies that are subject to the same uncertainties as those described in Note 11. Additional information concerning regulatory and rate matters is contained in Note 17 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K.

PNM

Renewable Portfolio Standard

The REA establishes a mandatory RPS requiring a utility to acquire a renewable energy portfolio equal to 10% of retail electric sales by 2011, 15% by 2015, and 20% by 2020. The NMPRC requires renewable energy portfolios to be "fully diversified." The current diversity requirements are 30% wind, 20% solar, 5% other, and 1.5% distributed generation, increasing to 3% in 2015,

subject to the limitation of the RCT. In December 2013, the NMPRC modified the RCT calculation to establish a two to one REC weighting for renewable energy from the non-wind/non-solar category, such as geothermal resources. On motions for rehearing, the NMPRC reversed its weighting decision in April 2014.

The REA provides for streamlined proceedings for approval of utilities' renewable energy procurement plans, assures utilities that they recover costs incurred consistent with approved procurement plans, and requires the NMPRC to establish a RCT for the procurement of renewable resources to prevent excessive costs being added to rates. Currently, the RCT is set at 3% of customers' annual electric charges.

The NMPRC approved PNM's 2014 renewable energy procurement plan on December 18, 2013. The plan meets RPS and diversity requirements within the RCT in 2014 and 2015. PNM's procurements include 50,000 MWh of wind generated RECs in 2014, the construction by December 31, 2014 of 23 MW of PNM-owned solar PV facilities at a cost of $46.7 million, a 20-year PPA for the output of Red Mesa Wind, an existing wind generator having an aggregate capacity of 102 MW, beginning January 1, 2015 at a first year cost estimated to be $5.8 million, and the purchase of 120,000 MWh of wind RECs in 2015.

PNM filed its 2015 renewable energy procurement plan on June 2, 2014. The plan meets RPS and diversity requirements within the RCT in 2015 and 2016. PNM's proposed new procurements include the construction by December 31, 2015 of 40 MW of PNM-owned solar PV facilities at a cost of $79.3 million. The proposed 40 MW solar facilities are identified as being a cost-effective resource in PNM's application to retire SJGS Units 2 and 3 (Note 11). On September 25, 2014, a stipulated settlement was filed by PNM, staff of the NMPRC, the NMAG, NMIEC, Coalition for Clean Affordable Energy, and Western Resource Advocates. The stipulation would approve PNM's procurement proposals; however, the costs for the 40 MW of solar would be included in base rates to be set in PNM's next general rate case rather than through PNM's renewable energy rider. Under the agreement, PNM will be required to make additional renewable energy procurements in the event that the prior year's actual renewable energy procurements did not meet the RPS for that year based on actual retail sales and the actual RCT. The parties also agreed to have additional discussions to attempt to reach agreement on RPS and large customer adjustment calculations to be used in future PNM renewable procurement plans. A public hearing on the stipulation was held on October 27, 2014. At the conclusion of the hearing, the Hearing Examiner asked the parties to provide her with a draft Certification of Stipulation by November 7, 2014. PNM expects a decision by December 2, 2014.

PNM is recovering certain renewable procurement costs from customers through a rate rider. See Renewable Energy Rider below.

Renewable Energy Rider

The NMPRC has authorized PNM to recover certain renewable procurement costs through a rate rider billed on a per KWh basis. The rider will terminate upon a final order in PNM's next general rate case unless the NMPRC authorizes PNM to continue it. As a separate component of the rider, if PNM's earned return on jurisdictional equity in a calendar year, adjusted for weather and other items not representative of normal operations, exceeds 10.5%, PNM would be required to refund the amount over 10.5% to customers during May through December of the following year. On April 1, 2014, PNM made a filing with the NMPRC demonstrating that it had not exceeded the 10.5% return for 2013. At the currently approved rider rate, PNM would collect an estimated $34.6 million annually. In its 2015 renewable energy procurement plan, PNM has proposed to increase the rate to collect $44.7 million in 2015 through its renewable energy rider.

Energy Efficiency and Load Management

Program Costs

Public utilities are required by the Efficient Use of Energy Act to achieve specified levels of energy savings and to obtain NMPRC approval to implement energy efficiency and load management programs. Costs to implement approved programs are recovered through a rate rider. In 2013, this act was amended to set an annual program budget equal to 3% of an electric utility's annual revenue.

In October 2012, PNM filed an energy efficiency program application for programs proposed to be offered beginning in May 2013. The filing included proposed program costs of $22.5 million plus a proposed profit incentive. The NMPRC approved PNM's program application, including the annual profit incentive discussed below, on November 6, 2013.

On October 6, 2014, PNM filed an energy efficiency program application for programs proposed to be offered beginning in June 2015. The filing included proposed program costs of $25.8 million plus a proposed profit incentive. The proposed energy efficiency budget and plan are consistent with the 2013 amendments to the Efficient Use of Energy Act. The NMPRC has not yet acted upon PNM's application.

Disincentives/Incentives

The Efficient Use of Energy Act requires the NMPRC to remove utility disincentives to implementing energy efficiency and load management programs and to provide incentives for such programs. In 2010, PNM began implementing a NMPRC rule that authorized electric utilities to collect rate adders to remove disincentives and to provide incentives for energy and demand savings related to energy efficiency and demand response programs. In November 2013, the NMPRC issued an order authorizing PNM to recover an incentive equal to 7.6% of annual program costs beginning with program implementation in December 2013. Based on PNM's currently approved program costs, this equates to an estimated annual incentive of $1.7 million.

In PNM's 2014 energy efficiency program application, PNM proposed an energy efficiency incentive of $2.1 million. PNM's proposed incentive was based upon a shared benefits methodology and is similar in amount to previous PNM incentives authorized by the NMPRC. The NMPRC has not yet acted upon PNM's application.

Energy Efficiency Rulemaking

On May 17, 2012, the NMPRC issued a NOPR that would have amended the NMPRC's energy efficiency rule to authorize use of a decoupling mechanism to recover certain fixed costs of providing retail electric service as the mechanism for removal of disincentives associated with the implementation of energy efficiency programs. The proposed rule also addressed incentives associated with energy efficiency. On July 26, 2012, the NMPRC closed the proposed rulemaking and opened a new energy efficiency rulemaking docket that may address decoupling and incentives. Workshops to develop a proposed rule have been held, but no order proposing a rule has been issued. PNM is unable to predict the outcome of this matter.

On October 2, 2013, the NMPRC issued a NOPR and a proposed rule to implement amendments to the New Mexico Efficient Use of Energy Act. Included in the proposed rule is a provision that would limit incentive awards to an amount equal to the utility's WACC times its approved annual program costs. The NMPRC received comments and a public hearing was held on November 20, 2013. The NMPRC issued an order on October 8, 2014 adopting the proposed rule.

FPPAC Continuation Application

Pursuant to the rules of the NMPRC, public utilities are required to file an application to continue using their FPPAC every four years. On May 28, 2013, PNM filed the required continuation application and requested that its current FPPAC be modified to increase the reset frequency of the fuel factor from annually to quarterly, to allow PNM to retain 10% of its off-system sales margin, and to apply the same carrying charge rate to both over and under collections in the balancing account. On December 20, 2013, a stipulated agreement was filed to resolve this case. On April 23, 2014, the NMPRC approved the stipulation. The settlement allows PNM to retain 10% of off-system sales margin from July 1, 2013 through December 31, 2016, resolves all costs related to the San Juan Coal mine fire discussed in Note 11, resolves the ratemaking treatment for coal pre-treatment at SJGS until the next rate case, requires PNM to write-off $10.5 million of the under-collected balance in its FPPAC balancing account, and requires PNM to extend the recovery of the remaining under-collected balance over 18 months beginning July 1, 2014. PNM recorded the $10.5 million write off as a regulatory disallowance in the fourth quarter of 2013.

Integrated Resource Plan

NMPRC rules require that investor owned utilities file an IRP every three years. The IRP is required to cover a 20-year planning period and contain an action plan covering the first four years of that period. PNM filed its 2014 IRP on July 1, 2014. The four-year action plan was consistent with the replacement resources identified in PNM's application to retire SJGS Units 2

and 3. PNM indicated that it planned to meet its anticipated long-term load growth with a combination of additional renewable energy resources, energy efficiency, and natural gas-fired facilities. Consistent with statute and NMPRC rule, PNM incorporated a public advisory process into the development of its 2014 IRP. On July 31, 2014, several parties requested the NMPRC not to accept the 2014 IRP as compliant with NMPRC rule because to do so could affect the pending proceeding on PNM's application to abandon SJGS Units 2 and 3 and for CCNs for certain replacement resources (Note 11) and because they assert that the IRP does not conform to the NMPRC's IRP rule. Certain parties also ask that further proceedings on the IRP be held in abeyance until the conclusion of the pending abandonment/CCN proceeding. The NMPRC issued an order in August 2014 that dockets a case to determine whether the IRP complies with applicable NMPRC rules. The order also holds the case in abeyance pending the issuance of final, non-appealable orders in PNM's 2015 renewable energy procurement plan case and its application to retire SJGS Units 2 and 3.

Applications for Approvals to Purchase Rio Bravo

As discussed in Note 9 of the Notes to Consolidated Financial Statements in the 2013 Annual Report on Form 10-K, PNM entered into an agreement to purchase Rio Bravo, formerly known as Delta, a 132 MW natural gas peaking unit from which PNM acquired energy and capacity under a PPA. The agreement to purchase Delta required approvals by the NMPRC and FERC. On June 26, 2013, the NMPRC granted PNM's CCN application and approved PNM's proposed ratemaking treatment. FERC approved the purchase on February 26, 2013. PNM closed on the purchase on July 17, 2014.

Application for Approval of La Luz Generating Station

On May 17, 2013, PNM filed an application with the NMPRC for a CCN to construct, own, and operate a 40 MW gas-fired generating facility near Belen, New Mexico. The application also requested a determination of related ratemaking principles and treatment. PNM has entered into a contract for purchase of the turbine to be used for this project and a separate contract for the construction of the facility on a turn-key basis. On February 20, 2014, a stipulated agreement was filed that would resolve the case. The parties to the stipulation are PNM, the NMPRC staff, and another intervenor. The parties to the stipulation agree that a CCN should be granted and establishes a value of up to $56.0 million to be included in rate base for the facility. A public hearing was held on April 29, 2014. The NMPRC issued an order certifying the stipulation on June 18, 2014. Construction of the facility is expected to be completed in late 2015.

San Juan Generating Station Units 2 and 3 Retirement

On December 20, 2013, PNM filed an application at the NMPRC to retire SJGS Units 2 and 3 on December 31, 2017. On October 1, 2014, PNM and certain parties to the case filed a stipulation with the NMPRC proposing a settlement of this case. Other parties are opposing the stipulated agreement. Additional information concerning the NMPRC filing, including a summary of the terms of the stipulation is set forth in Note 11.

The public hearing in the NMPRC case is scheduled to begin on January 5, 2015. PNM will also make an application at FERC to seek approval of the restructured SJGS participation agreements. PNM is unable to predict the outcome of these matters.

Formula Transmission Rate Case

On December 31, 2012, PNM filed an application with FERC for authorization to move from charging stated rates for wholesale electric transmission service to a formula rate mechanism pursuant to which rates for wholesale transmission service are calculated annually in accordance with an approved formula. In a settlement of a prior transmission rate case, the parties agreed that no party would oppose the general principle of a formula rate, although the parties may still object to particular aspects of the formula. PNM's proposed formula includes updating cost of service components, including investment in plant and operating expenses, based on information contained in PNM's annual financial report filed with FERC, as well as including projected large transmission capital projects to be placed into service in the following year. The projections included are subject to true-up in the following year formula rate. Certain items, including changes to return on equity and depreciation rates, require a separate filing to be made with FERC before being included in the formula rate. As filed, PNM's request would result in a $3.2 million wholesale electric transmission rate increase, based on PNM's 2011 data and a 10.81% return on equity ("ROE"), and authority to adjust transmission rates annually based on an approved formula.

On March 1, 2013, FERC issued an order (1) accepting PNM's revisions to its rates for filing and suspending the proposed revisions to become effective August 2, 2013, subject to refund; (2) directing PNM to submit a compliance filing to establish its ROE using the median, rather than the mid-point, of the ROEs from a proxy group of companies; (3) directing PNM to submit a

compliance filing to remove from its rate proposal the acquisition adjustment related to PNM's 60% ownership of the EIP transmission line, which was acquired in 2003; and (4) setting the proceeding for hearing and settlement judge procedures. PNM would be allowed to make a separate filing related to recovery of the EIP acquisition adjustment. On April 1, 2013, PNM made the required compliance filing. In addition, PNM filed for rehearing of FERC's order regarding the ROE. On June 3, 2013, PNM made additional filings incorporating final 2012 data into the formula rate request. The updated formula rate would result in a $1.3 million rate increase over the rates approved by FERC on January 2, 2013. The new rates apply to all of PNM's wholesale electric transmission service customers. The new rates do not apply to PNM's retail customers. On June 10, 2013, FERC denied PNM's motion for rehearing regarding FERC's order requiring PNM to use the median, instead of the midpoint, to calculate its ROE for the formula rate case. On August 2, 2013, the new rates went into effect, subject to refund. On May 1, 2014, PNM updated its formula rate incorporating 2013 data resulting in a $0.5 million rate increase over the then current rates. PNM filed the updated rate request with FERC on May 30, 2014, at which time the new rates became effective, subject to refund. Settlement negotiations are ongoing concerning issues in this proceeding. PNM is unable to predict the outcome of this proceeding.

City of Gallup, New Mexico Contract

PNM provided both energy and power services to Gallup, PNM's second largest firm-requirements wholesale customer, under an electric service agreement that was to expire on June 30, 2013. On May 1, 2013, PNM and Gallup agreed to extend the term of the agreement to June 30, 2014 and to increase the demand and energy rates under the agreement. On May 1, 2013, PNM requested FERC approval of the amended agreement to be effective July 1, 2013. On June 21, 2013, FERC approved the amended agreement.

On September 26, 2013, Gallup issued a request for proposals for long-term power supply. PNM submitted a proposal in November 2013. On March 26, 2014, Gallup notified PNM that the contract for long-term power supply had been awarded to another utility. PNM's contract with Gallup ended on June 29, 2014. PNM's revenues for power sold under the Gallup contract were $6.1 million in the six months ended June 30, 2014 and totaled $11.7 million during 2013.

TNMP

Advanced Meter System Deployment

In July 2011, the PUCT approved a settlement and authorized an AMS deployment plan that permits TNMP to collect $113.3 million in deployment costs through a surcharge over a 12-year period. TNMP began collecting the surcharge on August 11, 2011. Deployment of advanced meters began in September 2011 and is scheduled to be completed over a 5-year period.

In February 2012, the PUCT opened a proceeding to consider the feasibility of an "opt-out" program for retail consumers that wish to decline receipt of an advanced meter. The PUCT requested comments and held a public meeting on various issues. However, various individuals filed a petition with the PUCT seeking a moratorium on any advanced meter deployment. The PUCT denied the petition and an appeal was filed with the Texas District Court on September 28, 2012.

On February 21, 2013, the PUCT filed a proposed rule to permit customers to opt-out of the AMS deployment. The PUCT adopted a rule on August 15, 2013 creating a non-standard metering service for retail customers choosing to decline standard metering service via an advanced meter. The cost of providing non-standard metering service will be borne by opt-out customers through an initial fee and ongoing monthly charge. All transmission and distribution utilities in ERCOT were required to initiate proceedings to establish these charges.

On September 30, 2013, TNMP filed an application to set the initial fee and monthly charges to be assessed for non-standard metering service provided to those retail customers who choose to decline the advanced meter necessary for standard metering service. TNMP's filing sought recovery of $0.2 million through proposed initial fees ranging from $142.84 to $247.48 and an additional $0.5 million in annual ongoing expenses via a proposed monthly charge of $38.99. On June 20, 2014, the PUCT approved a settlement among the parties permitting TNMP to recover $0.2 million in costs through initial fees ranging from $63.97 to $168.61 and ongoing annual expenses of $0.5 million collected through a $36.78 monthly fee. The settlement presumes up to 1,081 consumers will elect the non-standard meter service, but preserves TNMP's rights to adjust the fees if the number of anticipated consumers differs from that estimate. TNMP notified all appropriate customers that they could elect non-standard metering. As of October 11, 2014, the end of the initial period in which a customer could elect non-standard metering, 59 customers have made

the election. TNMP does not expect the implementation of non-standard metering service to have a material impact on its financial position, results of operations, or cash flows.

Energy Efficiency

TNMP recovers the costs of its energy efficiency programs through an energy efficiency cost recovery factor that includes projected program costs, under or over collected costs from prior years, rate case expenses, and performance bonuses (if the programs exceed expectations). On August 28, 2012, the PUCT approved a settlement that permitted TNMP to collect an aggregate of $5.2 million effective January 1, 2013. On October 25, 2013, the PUCT approved a settlement that permits TNMP to collect an aggregate of $5.6 million beginning March 1, 2014. On May 30, 2014, TNMP filed its 2015 energy efficiency cost recovery factor application with the PUCT requesting recovery of $5.7 million to be collected beginning March 1, 2015. The request included an incentive bonus of $1.5 million for having achieved demand savings for the 2013 program year that exceeded the goal. On August 6, 2014, the parties filed a stipulation resolving TNMP's application. The PUCT approved the settlement on September 11, 2014, permitting TNMP to collect $5.7 million beginning March 1, 2015. TNMP recorded the $1.5 million incentive bonus for 2013 in the three months ended September 30, 2014.

Transmission Cost of Service Rates

TNMP can update its transmission rates twice per year to reflect changes in its invested capital. Updated rates reflect the addition and retirement of transmission facilities, including appropriate depreciation, federal income tax and other associated taxes, and the approved rate of return on such facilities.

On January 31, 2013, TNMP filed an application to update its transmission rates to reflect an increase in total rate base of $21.9 million, which would increase revenues $2.9 million annually. The PUCT ALJ approved TNMP's interim transmission cost of service filing and rates went into effect with bills rendered on March 20, 2013.

On August 1, 2013, TNMP filed an application to further update its transmission rates to reflect an increase in total rate base of $18.1 million, which would increase revenues by $2.8 million annually. The PUCT ALJ approved TNMP's interim transmission cost of service filing and rates went into effect with bills rendered on September 17, 2013.

On January 21, 2014, TNMP filed an application to further update its transmission rates to reflect an increase in total rate base of $18.2 million, which would increase revenues by $2.9 million annually. The PUCT ALJ approved TNMP's interim transmission cost of service filing and rates went into effect with bills rendered on March 13, 2014.

On July 18, 2014, TNMP filed an application to further update its transmission rates to reflect an increase in total rate base of $25.2 million, which would increase revenues by $4.2 million annually. The PUCT ALJ approved TNMP's interim transmission cost of service filing and rates went into effect with bills rendered on September 8, 2014.

(13) Income Taxes

On January 3, 2013, the American Taxpayer Relief Act of 2012, which extended fifty percent bonus depreciation for 2013, was signed into law. Due to provisions in the act, taxes payable to the State of New Mexico for 2013 were reduced, which resulted in an impairment of New Mexico wind energy production tax credits. In accordance with GAAP, PNMR was required to record this impairment, which after federal income tax benefit amounted to $1.5 million, as additional income tax expense during the three months ended March 31, 2013. This impairment was reflected in PNMR's Corporate and Other segment.

On April 4, 2013, New Mexico House Bill 641 was signed into law. One of the provisions of the bill was to reduce the New Mexico corporate income tax rate from 7.6% to 5.9%. The rate reduction will be phased in from 2014 to 2018. In accordance with GAAP, PNMR and PNM adjusted accumulated deferred income taxes to reflect the tax rate at which the balances are expected to reverse during the period that includes the date of enactment, which was in three months ended June 30, 2013. At that time, the portion of the adjustment related to PNM's regulated activities was recorded as a reduction in deferred tax liabilities, which was offset by an increase in a regulatory liability, on the assumption that PNM will be required to return the benefit to customers over time. The increase in the regulatory liability was $23.9 million. In addition, the portion of the adjustment that is not related to PNM's regulated activities was recorded in PNMR's Corporate and Other segment as a reduction in deferred tax assets and an increase in income tax expense of $1.2 million during the three months ended June 30, 2013. Changes in the estimated timing of

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

reversals of deferred tax assets and liabilities will result in refinements of the impacts of this change in tax rates being recorded periodically until 2018, when the rate reduction is fully phased in. In the three months ended March 31, 2014, PNM's regulatory liability was reduced by $4.6 million, which increased deferred tax liabilities. Additionally, deferred tax assets not related to PNM's regulatory activities were reduced by $0.2 million, which increased income tax expense in the Corporate and Other segment.

The future reduction in taxes payable to the State of New Mexico resulting from the rate reduction in House Bill 641 and revisions in estimates of future taxable income resulted in a further impairment of New Mexico wind energy production tax credits. In accordance with GAAP, PNMR was required to record this impairment, which after federal income tax benefit amounted to $2.4 million, as additional income tax expense during the three months ended June 30, 2013. This impairment is reflected in PNMR's Corporate and Other segment.

In 2013, the FASB issued Accounting Standards Update 2013-11, which requires entities to present liabilities for uncertain tax positions as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such carryforward could be used to offset those liabilities upon settlement. The update was required to be applied prospectively for periods beginning after December 15, 2013, and early adoption was permitted. The Company elected not to adopt the change for 2013, but did adopt it for 2014 as required by the update. Had the Company applied the update at December 31, 2013, the effect would have been decreases in net operating loss deferred tax assets of $19.9 million for PNMR, $11.2 million for PNM, and $6.8 million for TNMP, along with the elimination of the corresponding assets and liabilities associated with uncertain tax positions. There was no impact to earning from adopting the update.

In June 2014, the Company settled the IRS examination of income tax years 2003 and 2005 through 2008 resulting in years prior to 2009 being closed to examination by federal taxing authorities. As a result of the settlement, the Company received net federal tax refunds of $2.0 million. The IRS examination resulted in the settlement of certain issues for which the Company had previously reflected liabilities related to uncertain tax positions. The settlement of the IRS examination, including the uncertain tax position matters, resulted in PNMR recording an income tax benefit of $0.2 million on a consolidated basis in the three months ended June 30, 2014. PNM recorded an income tax expense of $1.1 million, TNMP reflected no impact, and an income tax benefit of $1.3 million was recorded in PNMR's Corporate and Other segment. After the settlements, the liabilities related to uncertain tax positions for PNMR, PNM, and TNMP were $14.3 million, $11.5 million, and none.

(14) Related Party Transactions

PNMR, PNM, and TNMP are considered related parties as defined under GAAP. PNMR Services Company provides corporate services to PNMR and its subsidiaries in accordance with shared services agreements. The table below summarizes the nature and amount of related party transactions of PNMR, PNM, and TNMP:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Services billings:				
PNMR to PNM	$ 20,813	$ 22,241	$ 64,069	$ 65,729
PNMR to TNMP	6,471	6,731	20,695	20,948
PNM to TNMP	142	140	402	381
TNMP to PNMR	20	2	21	6
Interest billings:				
PNMR to TNMP	65	139	245	354
PNMR to PNM	1	—	55	1
PNM to PNMR	28	35	79	113
Income tax sharing payments:				
PNMR to PNM	—	—	—	45,000
PNMR to TNMP	—	—	—	—

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(15) Goodwill

The excess purchase price over the fair value of the assets acquired and the liabilities assumed by PNMR for its 2005 acquisition of TNP was recorded as goodwill and was pushed down to the businesses acquired. In 2007, the TNMP assets that were included in its New Mexico operations, including goodwill, were transferred to PNM.

GAAP requires the Company to evaluate its goodwill for impairment annually at the reporting unit level or more frequently if circumstances indicate that the goodwill may be impaired. PNMR's reporting units that have goodwill are PNM and TNMP. Application of the impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, and determination of the fair value of each reporting unit.

GAAP provides that in certain circumstances an entity may perform a qualitative analysis to conclude that the goodwill of a reporting unit is not impaired. Under a qualitative assessment an entity would consider macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, other relevant entity-specific events affecting a reporting unit, as well as whether a sustained decrease (both absolute and relative to its peers) in share price had occurred. An entity would consider the extent to which each of the adverse events and circumstances identified could affect the comparison of a reporting unit's fair value with its carrying amount. An entity should place more weight on the events and circumstances that most affect a reporting unit's fair value or the carrying amount of its net assets. An entity also should consider positive and mitigating events and circumstances that may affect its determination of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. An entity would evaluate, on the basis of the weight of evidence, the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative analysis is not required.

In other circumstances, an entity may perform a quantitative analysis to reach the conclusion regarding impairment with respect to a reporting unit. The first step of the quantitative impairment test requires an entity to compare the fair value of the reporting unit with its carrying value, including goodwill. If as a result of this analysis, the entity concludes there is an indication of impairment in a reporting unit having goodwill, the entity is required to perform the second step of the impairment analysis, determining the amount of goodwill impairment to be recorded. The amount is calculated by comparing the implied fair value of the goodwill to its carrying amount. This exercise would require the entity to allocate the fair value determined in step one to the individual assets and liabilities of the reporting unit. Any remaining fair value would be the implied fair value of goodwill on the testing date. To the extent the recorded amount of goodwill of a reporting unit exceeds the implied fair value determined in step two, an impairment loss would be reflected in results of operations.

An entity may choose to perform a quantitative analysis without performing a qualitative analysis and may perform a qualitative analysis for certain reporting units but a quantitative analysis for others. For the annual evaluations performed as of April 1, 2014 and 2013, PNMR utilized a qualitative analysis for the TNMP reporting unit and a quantitative analysis for the PNM reporting unit. For the PNM reporting unit, a discounted cash flow methodology was primarily used to estimate the fair value of the reporting unit. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of long-term growth rates for the business, and determination of appropriate weighted average cost of capital for each reporting unit. Changes in these estimates and assumptions could materially affect the determination of fair value and the conclusion of impairment.

The annual evaluations performed as of April 1, 2014 and 2013 did not indicate impairments of the goodwill of any of PNMR's reporting units. The April 1, 2014 and 2013 quantitative evaluations indicated the fair value of the PNM reporting unit, which has goodwill of $51.6 million, exceeded its carrying value by approximately 30% and 27%. The last quantitative evaluation performed for the TNMP reporting unit on April 1, 2012 indicated the fair value of the TNMP reporting unit, which has goodwill of $226.7 million, exceeded its carrying value by approximately 26%. Since the April 1, 2014 annual evaluation, there have been no indications that the fair values of the reporting units with recorded goodwill have decreased below the carrying values. Additional information concerning the Company's goodwill is contained in Note 21 of Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations for PNMR is presented on a combined basis, including certain information applicable to PNM and TNMP. The MD&A for PNM and TNMP is presented as permitted by Form 10-Q General Instruction H(2). This report uses the term "Company" when discussing matters of common applicability to PNMR, PNM, and TNMP. A reference to a "Note" in this Item 2 refers to the accompanying Notes to Condensed Consolidated Financial Statements (Unaudited) included in Item 1, unless otherwise specified. Certain of the tables below may not appear visually accurate due to rounding.

MD&A FOR PNMR

EXECUTIVE SUMMARY

Overview and Strategy

PNMR is a holding company with two regulated utilities serving approximately 751,000 residential, commercial, and industrial customers and end-users of electricity in New Mexico and Texas. PNMR's electric utilities are PNM and TNMP.

Strategic Goals

PNMR is focused on achieving the following strategic goals:

- Earning authorized returns on its regulated businesses
- Maintaining investment grade credit ratings
- Providing a top-quartile total return to investors

In conjunction with these goals, PNM and TNMP are dedicated to:

- Achieving industry-leading safety performance
- Maintaining strong plant performance and system reliability
- Delivering a superior customer experience
- Demonstrating environmental leadership in its business operations

Earning Authorized Returns on Regulated Businesses

PNMR's success in accomplishing its strategic goals is highly dependent on continued favorable regulatory treatment for its utilities and their strong operating performance. The Company has multiple strategies to achieve favorable regulatory treatment, all of which have as their foundation a focus on the basics: safety, operational excellence, and customer satisfaction, while engaging stakeholders to build productive relationships.

Both PNM and TNMP seek cost recovery for their investments through general rate cases and various rate riders. PNM anticipates filing a general rate case with the NMPRC by the end of 2014. The PUCT has approved mechanisms that allow TNMP to recover capital invested in transmission and distribution projects without having to file a general rate case, which allows for more timely recovery. The PUCT approved TNMP's requests for additional investments in transmission assets on March 13, 2014 and September 8, 2014. These approvals increase revenues by $7.1 million annually. The NMPRC has approved rate riders for renewable energy and energy efficiency that also allow for more timely recovery of investments and improve the ability to earn authorized returns from PNM's retail customers.

Recently, PNM completed rate proceedings for all of its FERC regulated transmission customers and for NEC, its largest wholesale generation services customer, which improved PNM's returns for providing those services. In addition, PNM currently has a pending case before FERC in which it is requesting an increase in rates charged to transmission customers based on a formula rate mechanism. However, the contract to provide power to Gallup, PNM's second largest customer for wholesale generation services ended on June 29, 2014. Additional information about rate filings is provided in Note 17 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K and in Note 12.

Fair and timely rate treatment from regulators is crucial to PNM and TNMP earning their allowed returns, which is critical for PNMR's ability to achieve its strategic goals. PNMR believes that if the utilities earn their allowed returns, it would be viewed positively by credit rating agencies and would further improve the Company's ratings, which could lower costs to utility customers. Also, earning allowed returns should result in increased earnings for PNMR, which would lead to increased total returns to investors.

PNM's 134 MW interest in PVNGS Unit 3 is currently excluded from NMPRC jurisdictional rates. The power generated from that interest is currently sold into the wholesale market and any earnings or losses are attributable to shareholders. While PVNGS Unit 3's financial results are not included in the authorized returns on its regulated business, it impacts PNM's earnings and has been demonstrated to be a valuable asset. As part of compliance with the requirements for BART at SJGS discussed below, PNM has requested NMPRC approval to include PVNGS Unit 3 as a jurisdictional resource in the determination of rates charged to customers in New Mexico beginning in 2018.

Maintaining Investment Grade Credit Ratings

PNM is committed to maintaining investment grade credit ratings. The credit ratings for PNMR, PNM, and TNMP were set forth under the heading Liquidity in the MD&A contained in the 2013 Annual Reports on Form 10-K. As discussed under the subheading Liquidity in MD&A – Liquidity and Capital Resources below, S&P raised the corporate credit ratings and senior debt ratings for PNMR, PNM, and TNMP, as well as the preferred stock rating for PNM, on April 5, 2013. S&P retained the outlook as stable for all entities. On June 21, 2013, Moody's changed the ratings outlook for PNMR, PNM, and TNMP to positive from stable. On January 30, 2014, Moody's raised the credit ratings for PNMR, PNM and TNMP by one notch, while maintaining the positive outlook. On April 30, 2014, S&P changed the outlook for PNMR, PNM, and TNMP to positive from stable. Currently, all of the credit ratings issued by both Moody's and S&P on the Company's debt are investment grade.

Providing Top-Quartile Total Returns to Investors

PNMR's strategic goal to provide top quartile total return to investors over the 2012 to 2016 period is based on five-year ongoing earnings per share growth plus five-year average dividend yield from a group of regulated electric utility companies with similar market capitalization. Top quartile total return currently is equal to an average annual rate of 10% to 13%.

PNMR targets a dividend payout ratio of 50% to 60% of its ongoing earnings. Ongoing earnings, which is a non-GAAP financial measure, excludes certain non-recurring, infrequent, and other items from earnings determined in accordance with GAAP. The annual common stock dividend was raised by 16% in February 2012, 14% in February 2013, and 12% in December 2013. PNMR expects to provide above-average dividend growth in the near-term and to manage the payout ratio to meet its long-term target. The Board will continue to evaluate the dividend on an annual basis, considering sustainability and growth, capital planning, and industry standards.

Business Focus

In addition to its strategic goals, PNMR's strategy and decision-making are focused on safely providing reliable, affordable, and environmentally responsible power to create enduring value for customers and communities. To accomplish this, PNMR works closely with customers, stakeholders, legislators, and regulators to ensure that resource plans and infrastructure investments benefit from robust public dialogue and balance the diverse needs of our communities.

Reliable and Affordable Power

PNMR and its utilities are aware of the important roles they play in enhancing economic vitality in their New Mexico and Texas service territories. Management believes that maintaining strong and modern electric infrastructure is critical to ensuring reliability and economic growth. When considering expanding or relocating to other communities, businesses consider energy affordability and reliability to be important factors. PNM and TNMP strive to balance service affordability with infrastructure investment to maintain a high level of electric reliability and to deliver a superior customer experience. The utilities also work to ensure that rates reflect actual costs of providing service.

Investing in PNM's and TNMP's infrastructure is critical to ensuring reliability and meeting future energy needs. Both utilities have long-established records of providing customers with reliable electric service.

In September 2011, TNMP began its deployment of smart meters in homes and businesses across its Texas service area. Through September 30, 2014, TNMP had completed installation of more than 170,000 smart meters, which is approximately 74% of the anticipated total. TNMP's deployment is expected to be completed in 2016.

As part of the State of Texas' long-term initiative to create a smart electric grid, installation of smart meters will ultimately give consumers more data about their energy consumption and help them make more informed decisions. TNMP is currently installing a new outage management system that will leverage capabilities of the smart meters to enhance TNMP's responsiveness to outages.

During the 2011 to 2013 period, PNM and TNMP together invested $937.5 million in utility plant, including substations, power plants, nuclear fuel, and transmission and distribution systems. In 2012, PNM announced plans for the 40 MW natural gas-fired La Luz peaking generating station to be located near Belen, New Mexico. In June 2014, the NMPRC approved construction of the La Luz plant. The facility is expected to go into service in late 2015. On July 17, 2014, PNM completed the purchase of Rio Bravo, formerly known as Delta, a 132 MW gas-fired peaking facility, which has served PNM jurisdictional needs under a 20-year PPA since 2000.

NMPRC rules require that investor owned utilities file an IRP every three years. The IRP is required to cover a 20-year planning period and contain an action plan covering the first four years of that period. PNM filed its 2014 IRP on July 1, 2014. The four-year action plan was consistent with the replacement resources identified in PNM's application to retire SJGS Units 2 and 3 discussed below. PNM indicated that it planned to meet its anticipated long-term load growth with a combination of additional renewable energy resources, energy efficiency, and natural gas-fired facilities.

Environmentally Responsible Power

PNMR has a long-standing record of environmental stewardship. PNMR's environmental focus has been in three key areas:

- Developing strategies to meet regional haze rules at the coal-fired SJGS as cost-effectively as possible while providing broad environmental benefits that also demonstrate progress in addressing proposed new federal regulations for CO_2 emissions from existing power plants
- Preparing to meet New Mexico's increasing renewable energy requirements as cost-effectively as possible
- Increasing energy efficiency participation

Another area of emphasis is the reduction of the amount of fresh water used during electricity generation at PNM's power plants. The fresh water used per MWh generated has dropped by 19% since 2002, primarily due to the growth of renewable energy sources, the expansion of Afton to a combined-cycle plant that has both air and water cooling systems, and the use of gray water for cooling at Luna. As discussed below, PNM has requested approval to shut down SJGS Units 2 and 3, which would reduce water consumption at that plant by about 50%. In addition to the above areas of focus, the Company is also working to reduce the amount of solid waste going to landfills through increased recycling and reduction of waste. The Company has performed well in this area in the past and expects to continue to do so in the future.

Renewable Energy

PNM's 2013 renewable procurement strategy almost doubled PNM's existing solar capacity with the addition of 21.5 MW of utility-owned solar capacity. In addition to the solar expansion, the 2013 plan included a 20-year agreement to purchase energy from a geothermal facility built near Lordsburg, New Mexico. The facility began providing power to PNM in January 2014. The current capacity of the facility is 4 MW and future expansion may result in up to 10 MW of generation capacity. PNM's 2014 renewable procurement strategy calls for the construction of an additional 23 MW of utility-owned solar capacity, a 20-year PPA for the output of an existing 102 MW wind energy center beginning in 2015, and the purchase of RECs in 2014 and 2015 to meet the RPS. PNM filed its 2015 renewable energy procurement plan on June 2, 2014. The plan meets RPS and diversity requirements within the RCT in 2015 and 2016. PNM's proposed new procurements include the construction of 40 MW of PNM-owned solar PV facilities in 2015, which are contemplated in PNM's application to retire SJGS Units 2 and 3 discussed below. PNM expects a decision late in 2014.

In addition to PNM's utility-owned PV solar facilities, PNM owns the 500 KW PNM Prosperity Energy Storage Project, which uses advanced batteries to store solar power and dispatch the energy either during high-use periods or when solar production is limited. The project features one of the largest combinations of battery storage and PV energy in the nation and involves extensive research and development of smart grid concepts. The facility was the nation's first solar storage facility fully integrated into a utility's power grid.

PNM also has a PPA for the output from a 204 MW wind facility and purchases power from a customer-owned distributed solar generation program that had an installed capacity of 30.5 MW at the end of 2013. These renewable resources are key means

for PNM to meet the RPS and related regulations, which require PNM to achieve prescribed levels of energy sales from renewable sources, if that can be accomplished without exceeding the RCT cost limit set by the NMPRC.

PNM makes renewable procurements consistent with the plans approved by the NMPRC. PNM believes its currently planned resources will enable it to comply with the NMPRC's diversity requirements. PNM will continue to procure renewable resources while balancing the bill impact to customers in order to meet New Mexico's escalating RPS requirements.

SJGS

PNM continues its efforts to comply with the EPA regional haze rule in a manner that minimizes the cost impact to customers while still achieving broad environmental benefits. Additional information about BART at SJGS is contained in Note 16 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K and in Note 11.

In August 2011, EPA issued a FIP for regional haze that would have required the installation of SCRs on all four units at SJGS by September 2016. Following approval by the majority of the other SJGS owners, PNM, NMED, and EPA agreed, on February 15, 2013, to pursue a revised plan that could provide a new BART path to comply with federal visibility rules at SJGS. The terms of the non-binding agreement would result in the retirement of SJGS Units 2 and 3 by the end of 2017 and the installation of SNCRs on Units 1 and 4 by the later of January 31, 2016 or 15 months after EPA approval of a RSIP from the State of New Mexico. The RSIP has been approved by the EIB and EPA.

In December 2013, PNM made a filing with the NMPRC requesting certain approvals necessary to effectuate the RSIP. On October 1, 2014, PNM filed a stipulation with the NMPRC that, if approved, would settle this case. The stipulation was agreed to by the staff of the NMPRC, the NMAG, NMIEC, and certain other intervenors. The stipulation was opposed by New Energy Economy and certain other intervenors.

Under the terms of the stipulation, PNM would:

- Retire SJGS Units 2 and 3 at December 31, 2017 and recover over 20 years 50% of their undepreciated book value at that date, after transferring $26 million to SJGS Unit 4, and earn a regulated return on those costs
- Acquire an additional 132 MW of SJGS Unit 4
- Include PNM's ownership of PVNGS Unit 3 as a resource to serve New Mexico retail customers effective January 1, 2018 at a value of $221.1 million ($1,650 per KW)
- Recover up to $90.6 million of costs for the installation of SNCR equipment and the additional equipment to comply with NAAQS requirements on SJGS Units 1 and 4
- Not recover approximately $20 million of increased operations and maintenance expenses and other costs incurred in connection with CAA compliance

There would be no initial cost for PNM to acquire the additional 132 MW of SJGS Unit 4 although PNM's share of capital improvements, including the costs of installing SNCRs, and operating expenses would increase to reflect the increased ownership.

The public hearing in the NMPRC case is scheduled to begin on January 5, 2015. PNM expects a decision from the NMPRC in the first quarter of 2015. PNM is unable to predict if the NMPRC will approve the stipulation. If the stipulation is approved as filed, PNM anticipates it would incur a regulatory disallowance that would include the write-off of 50% of the undepreciated investment in SJGS Units 2 and 3, the write-up of the investment in PVNGS Unit 3 to the amount allowed for recovery, and other impacts of the stipulation. As further described in Note 11, PNM currently estimates the net pre-tax regulatory disallowance would be between $60 million and $70 million.

The RSIP would achieve similar visibility improvements as the installation of SCRs on all four units at SJGS at a lower cost to PNM customers. It has the added advantage of reducing other emissions beyond NOx, including SO_2, particulate matter, CO_2, and mercury, as well as reducing water usage.

The December 20, 2013 filing also identified a new 177 MW natural gas fired generation source and 40 MW of new utility-scale solar generation to replace a portion of PNM's share of the reduction in generating capacity due to the retirement of SJGS Units 2 and 3. The additional solar capacity is included in PNM's 2015 renewable procurement strategy. A proposed stipulated settlement, which is pending approval before the NMPRC, would provide that the additional solar capacity be recovered in base rates rather than through the renewable energy rider. Specific approval for the additional gas facility and the treatment of associated costs will be addressed in future filings.

In connection with the implementation of the revised plan and the proposed retirement of SJGS Units 2 and 3, some of the SJGS participants have expressed a desire to exit their ownership in the plant. As a result, the SJGS participants are attempting to negotiate a restructuring of the ownership in SJGS, as well as addressing the obligations of the exiting participants for plant decommissioning, mine reclamation, environmental matters, and certain ongoing operating costs, among other items.

The non-binding resolution, approved by the SJGS Coordination Committee on June 26, 2014, identifies the participants who would be exiting active participation in SJGS effective December 31, 2017, and participants, including PNM, who would retain an interest in the ongoing operation of one or more units of SJGS. The non-binding resolution provides the essential terms of restructured ownership of SJGS between the exiting participants and the remaining participants and addresses other related matters. Also, on June 26, 2014, a non-binding term sheet was approved by all of the remaining participants that provides the essential terms of restructured ownership of SJGS among the remaining participants. The non-binding resolution and term sheet recognize that prior to executing a binding restructuring agreement, the remaining participants will need to have greater certainty in regard to the economic cost and availability of fuel for SJGS for the period after December 31, 2017. See Coal Supply in Note 11, for additional information. In September 2014, the SJGS participants executed a binding Fuel and Capital Funding Agreement to implement certain provisions of the above resolution, including payment by the remaining participants of capital costs for the Unit 4 SNCR project starting July 1, 2014, and acquisition by PNM of the exiting participants' coal inventory as of January 1, 2015. The Fuel and Capital Funding Agreement is subject to acceptance by FERC. Other definitive agreements among the participants are being negotiated. PNM cannot predict if final agreements will be executed.

A number of regulatory approvals are required to implement the proposed ownership restructuring of SJGS. Final binding agreements relating to the ownership restructuring are subject to the approval of each participant's board or other decision-making body and are subject to required regulatory approvals. PNM is unable to predict the outcome of the negotiations, whether definitive agreements will be reached among the owners, or whether required approvals will be obtained.

PNM, as the SJGS operating agent, presented the SNCR project to the participants in Unit 1 and Unit 4 for approval in late October 2013. The project was approved for Unit 1, but the Unit 4 project did not obtain the required percentage of votes for approval. Other capital projects related to Unit 4 were also not approved by the participants. PNM is authorized and obligated under the SJPPA to take reasonable and prudent actions necessary for the successful and proper operation of SJGS pending resolution by the participants. In March 2014 and again in June 2014, PNM requested that the owners of Unit 4 approve certain expenditures critical to being able to comply with the time frame in the RSIP with respect to Unit 4 project. The Unit 4 owners did not approve either of the requests. Thereupon, PNM issued "Prudent Utility Practice" notices that, under the SJPPA, PNM was continuing certain critical activities to keep the Unit 4 project on schedule.

In addition to the regional haze rule, SJGS is required to comply with other rules currently being developed or implemented that affect coal-fired generating units, including recently proposed rules on GHG under Section 111(d) of the CAA. Because of environmental upgrades completed in 2009, SJGS is well positioned to outperform the mercury limit imposed by EPA in the 2011 Mercury and Air Toxics Standards. The major environmental upgrades on each of the four units at SJGS have significantly reduced emissions of NOx, SO_2, particulate matter, and mercury. Since 2006, SJGS has reduced NOx emissions by 41%, SO_2 by 60%, particulate matter by 69%, and mercury by 99%.

Energy Efficiency

Energy efficiency also plays a significant role in helping to keep customers' electricity costs low while continuing to meet their energy needs. PNM's and TNMP's energy efficiency and load management portfolios continue to achieve robust results. In 2013, annual energy saved as a result of PNM's portfolio of energy efficiency programs was approximately 75 GWh. This is equivalent to the annual consumption of approximately 10,200 homes in PNM's service territory. PNM's load management and energy efficiency programs also help lower peak demand requirements. TNMP's energy efficiency programs in 2013 resulted in energy savings totaling an estimated 17 GWh. This is equivalent to the annual consumption of approximately 1,650 homes in TNMP's service territory.

Creating Value for Customers and Communities

The Company strives to deliver a superior customer experience by understanding the dynamic needs of its customers through ongoing market research, identifying and establishing best-in-class services and programs, and proactively communicating and engaging with customers at a regional and community level. In 2013, PNM refocused its efforts to improve the customer experience through an integrated marketing and communications strategy that encompassed brand repositioning and advertising,

customer service improvements, and strategic customer and stakeholder engagement. As part of this effort, in February 2014, PNM launched an updated website that provides an increase in self-service options for customers, as well as a mobile platform.

Integrated communication around known satisfaction drivers, including billing and payment options, bill redesign, energy efficiency, and environmental and community stewardship ensured PNM retained traction from prior efforts, as well as gained new ground in critical areas, notably corporate citizenship perceptions. PNM's perceived value to customers has also improved.

Recognizing the importance of environmental stewardship to customers and other stakeholders, PNM expanded engagement with environmental stakeholders to promote ongoing dialogue and input. Similarly, PNM also proactively communicated with communities about its efforts and plans related to environmental stewardship. Customers took note of PNM's efforts in this area. A nationally recognized customer satisfaction benchmark revealed gains in awareness of PNM's efforts to improve environmental impact, as well as customer perceptions around the commitment to preserving the environment now and for future generations.

PNM continues to expand its environmental stakeholder outreach, piloting small environmental stakeholder dialogue groups on key issues such as renewable energy and energy efficiency planning. PNM also employed proactive stakeholder outreach in two key projects – the development of PNM's renewable energy procurement plans that involved distributed solar energy developers early in the conversation and the siting of the gas-fired La Luz peaking generation facility near Belen, New Mexico, which featured in-depth community involvement and education early in the planning stages of the project. In both cases highly favorable outcomes were achieved, and controversial negative media coverage was avoided.

Through outreach, collaboration, and various community-oriented programs, PNMR has a demonstrated commitment to build productive relationships with stakeholders, including customers, regulators, legislators, and intervenors.

Building off work that began in 2008, PNM has continued outreach efforts to connect low-income customers with nonprofit community service providers offering support and help with such needs as utility bills, food, clothing, medical programs, services for seniors, and weatherization. In 2013, PNM hosted 22 community events throughout its service territory to assist low-income customers. Furthermore, the PNM Good Neighbor Fund provided $0.3 million of assistance with utility bills to 3,610 families in 2013. In 2013, PNM committed funding of $0.9 million to the PNM Good Neighbor Fund.

The PNM Resources Foundation helps nonprofits become more energy efficient through Reduce Your Use grants. In 2013, PNMR committed funding of $3.5 million to the PNM Resources Foundation. For 2013, the foundation awarded $0.2 million to support 56 projects in New Mexico to provide shade structure installations, window replacements, and efficient appliance purchases. Since the program's inception in 2008, Reduce Your Use grants have provided nonprofit agencies in New Mexico with a total of $1.4 million of support. In 2013, in connection with the PNM Resources Foundation's 30th anniversary, the foundation awarded thirty $10,000 environmental grants to nonprofit agencies. In 2014, the PNM Resources Foundation launched a new grant program designed to help nonprofit organizations build more vibrant communities. Power Up Grants in the aggregate amount of $500,000 were awarded to 24 nonprofits in New Mexico and Texas for projects ranging from creating community gathering spaces to revitalizing neighborhood parks to building a youth sports field.

In Texas, community outreach is centered first on local relationships, specifically with community leaders, nonprofit organizations and key customers in areas served by TNMP. Community liaisons serve in each of TNMP's three geographic business areas, reaching out and ensuring productive lines of communication between TNMP and its customer base.

TNMP maintains long-standing relationships with several key nonprofit organizations, including agencies that support children and families in crisis, food banks, environmental organizations, and educational nonprofits, through employee volunteerism and corporate support. TNMP also actively participates in safety fairs and demonstrations in addition to supporting local chambers of commerce in efforts to build their local economies.

TNMP's energy efficiency program provides unique offers to multiple customer groups, including residential, commercial, government, education, and nonprofit customers. These programs not only enable peak load and consumption reductions, particularly important when extreme weather affects Texas' electric system, but they also demonstrate TNMP's commitment to more than just delivering electricity by partnering with customers to optimize their energy usage.

Economic Factors

In the three and nine months ended September 30, 2014, PNM experienced decreases in weather normalized retail load of 0.2% and 1.9% compared to 2013. New Mexico's economy still lags the nation in post-recession recovery. In the three and

nine months ended September 30, 2014, TNMP's weather normalized retail load increased 1.8% and 3.2% compared to 2013. In recent years, New Mexico and Texas have fared better than the national average in unemployment although the unemployment rate in New Mexico exceeded the national average in September 2014. However, employment growth is a stronger predictor of load. Texas' employment growth rates are well above the national rate, while New Mexico's employment remains relatively flat.

Results of Operations

A summary of net earnings attributable to PNMR is as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
	(In millions, except per share amounts)					
Net earnings attributable to PNMR	$ 55.7	$ 54.6	$ 1.1	$ 97.3	$ 92.9	$ 4.4
Average diluted common and common equivalent shares	80.2	80.3	(0.1)	80.3	80.5	(0.2)
Net earnings attributable to PNMR per diluted share	$ 0.69	$ 0.68	$ 0.01	$ 1.21	$ 1.15	$ 0.06

The components of the change in earnings attributable to PNMR are:

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
	(In millions)	
PNM	$ (2.5)	$ (12.1)
TNMP	2.3	6.5
Corporate and Other	1.3	10.0
Net change	$ 1.1	$ 4.4

PNMR's operational results were affected by the following:

- Lower retail load at PNM partially offset by higher retail load in at TNMP
- Rate increases for PNM and TNMP – additional information about these rate increases is provided in Note 17 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K and Note 12
- Milder weather in 2014 than 2013
- Net unrealized gains and losses on mark-to-market economic hedges for sales and fuel costs not recoverable under PNM's FPPAC
- Higher prices for sales of power from PVNGS Unit 3
- Increased income tax expense in 2013 due to impairments of state tax credits and a tax rate change in New Mexico that did not recur in 2014 (Note 13)
- Other factors impacting results of operation for each segment are discussed under Results of Operations below

Liquidity and Capital Resources

The Company has revolving credit facilities that provide capacities for short-term borrowing and letters of credit of $300.0 million for PNMR and $400.0 million for PNM, both of which expire in October 2018. In addition, PNM has a $50.0 million revolving credit facility, which expires in January 2018, with banks having a significant presence in New Mexico and TNMP has a $75.0 million revolving credit facility, which expires in September 2018. Total availability for PNMR on a consolidated basis was $814.0 million at October 24, 2014. The Company utilizes these credit facilities and cash flows from operations to provide funds for both construction and operational expenditures. PNMR also has intercompany loan agreements with each of its subsidiaries.

The Company projects that its total capital requirements, consisting of construction expenditures and dividends, will total $2,608.5 million for 2014-2018, including amounts expended through September 30, 2014. The construction expenditures include estimated amounts related to environmental upgrades at SJGS to address regional haze and the identified sources of replacement capacity under the revised plan for compliance described in Note 11. The construction expenditures also include additional

renewable resources anticipated to be required to meet the RPS, additional peaking resources needed to meet needs outlined in PNM's current IRP, and environmental upgrades at Four Corners. In addition to internal cash generation, the Company anticipates that it will be necessary to obtain additional long-term financing in the form of debt refinancing, new debt issuances, and/or new equity in order to fund its capital requirements during the 2014-2018 period. The Company currently believes that its internal cash generation, existing credit arrangements, and access to public and private capital markets will provide sufficient resources to meet the Company's capital requirements.

RESULTS OF OPERATIONS

Segment Information

The following discussion is based on the segment methodology that PNMR's management uses for making operating decisions and assessing performance of its various business activities. See Note 3 for more information on PNMR's operating segments.

The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto. Trends and contingencies of a material nature are discussed to the extent known. Refer also to Disclosure Regarding Forward Looking Statements and to Part II, Item 1A. Risk Factors.

PNM

The following table summarizes the operating results for PNM:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
	(In millions)					
Electric operating revenues	$ 335.0	$ 326.0	$ 9.0	$ 873.4	$ 863.6	$ 9.8
Cost of energy	115.1	100.2	14.9	304.4	283.7	20.7
Margin	219.9	225.8	(5.9)	569.1	579.9	(10.8)
Operating expenses	101.8	104.7	(2.9)	315.7	311.4	4.3
Depreciation and amortization	27.5	25.9	1.6	81.6	77.8	3.8
Operating income	90.6	95.2	(4.6)	171.7	190.8	(19.1)
Other income (deductions)	3.7	4.5	(0.8)	15.0	14.8	0.2
Net interest charges	(20.1)	(20.1)	—	(59.9)	(60.0)	0.1
Segment earnings before income taxes	74.2	79.6	(5.4)	126.8	145.6	(18.8)
Income (taxes)	(25.1)	(27.7)	2.6	(42.3)	(49.2)	6.9
Valencia non-controlling interest	(3.7)	(4.1)	0.4	(11.1)	(10.9)	(0.2)
Preferred stock dividend requirements	(0.1)	(0.1)	—	(0.4)	(0.4)	—
Segment earnings	$ 45.2	$ 47.7	$ (2.5)	$ 73.0	$ 85.1	$ (12.1)

The following table summarizes the significant changes to electric operating revenues, cost of energy, and margin:

	2013/2014 Change					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	Electric Operating Revenues	Cost of Energy	Margin	Electric Operating Revenues	Cost of Energy	Margin
	(In millions)					
Customer usage	$ (0.3)	$ —	$ (0.3)	$ (9.3)	$ —	$ (9.3)
Weather	(3.0)	—	(3.0)	(8.7)	—	(8.7)
FPPAC	13.6	13.6	—	12.5	12.5	—
Economy service	1.5	1.5	—	6.0	5.8	0.2
Rio Bravo purchase	—	(1.3)	1.3	—	(1.3)	1.3
Gallup wholesale contract	(1.5)	(0.3)	(1.2)	(0.6)	(0.3)	(0.3)
Renewable energy rider	1.8	0.6	1.2	7.5	2.6	4.9
Energy efficiency rider	1.4	—	1.4	2.9	—	2.9
Unregulated margin	1.1	(0.2)	1.3	3.4	(2.3)	5.7
Net unrealized economic hedges	(4.3)	0.1	(4.4)	(5.2)	0.6	(5.8)
Other	(1.3)	0.9	(2.2)	1.3	3.1	(1.7)
Net change	$ 9.0	$ 14.9	$ (5.9)	$ 9.8	$ 20.7	$ (10.8)

The following table shows electric operating revenues by customer class and average number of customers:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
	(In millions, except customers)					
Residential	$ 127.2	$ 122.9	$ 4.3	$ 317.6	$ 319.8	$ (2.2)
Commercial	127.7	119.1	8.6	326.6	319.5	7.1
Industrial	21.3	21.2	0.1	54.4	57.7	(3.3)
Public authority	8.0	8.2	(0.2)	19.2	20.0	(0.8)
Economy service	9.3	7.8	1.5	29.9	23.9	6.0
Other retail	(1.2)	0.4	(1.6)	4.0	6.2	(2.2)
Transmission	9.5	10.5	(1.0)	28.3	28.5	(0.2)
Firm-requirements wholesale	8.1	10.1	(2.0)	30.0	31.0	(1.0)
Other sales for resale	21.9	18.2	3.7	63.5	52.0	11.5
Mark-to-market activity	3.2	7.6	(4.4)	(0.1)	5.0	(5.1)
	$ 335.0	$ 326.0	$ 9.0	$ 873.4	$ 863.6	$ 9.8
Average retail customers (thousands)	511.4	508.3	3.1	510.6	507.8	2.8

The following table shows GWh sales by customer class:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
			(Gigawatt hours)			
Residential	936.1	955.8	(19.7)	2,442.2	2,543.0	(100.8)
Commercial[1]	1,069.5	1,067.8	1.7	2,942.7	3,001.8	(59.1)
Industrial	254.6	272.2	(17.6)	737.2	798.8	(61.6)
Public authority	74.3	78.4	(4.1)	189.0	205.0	(16.0)
Economy service	188.8	174.9	13.9	572.4	528.6	43.8
Firm-requirements wholesale	105.7	157.6	(51.9)	415.9	484.8	(68.9)
Other sales for resale	602.0	564.2	37.8	1,725.0	1,592.4	132.6
	3,231.0	3,270.9	(39.9)	9,024.4	9,154.4	(130.0)

[1] 2013 numbers reflect an addition of 18.0 GWh, previously included in the three months ended September 30, 2013.

For the three and nine months ended September 30, 2014, retail sales were lower compared to 2013 reflecting a continued sluggish economy in New Mexico. In particular, the Albuquerque metropolitan area continues to lag the nation in economic recovery. Although New Mexico's economy was not hit as hard by the recession as some other states, it has been reported that Albuquerque is recovering the slowest among the nation's 100 largest metro areas. For the quarter, employment growth was flat for both New Mexico and Albuquerque and, after an increase in the New Mexico unemployment rate to 7.0% in the first quarter of 2014, the unemployment rate has decreased to 6.6%. In spite of the economic pressures, PNM experienced year to date average retail customer growth of 0.6%. PNM's weather normalized retail KWh sales were 0.2% and 1.9% lower for the three and nine months ended September 30, 2014 compared to 2013, which decreased revenues and margin $0.3 million and $9.3 million for the three and nine months ended September 2014. Weather negatively impacted revenues and margin by $3.0 million and $8.7 million during the three and nine months ended September 30, 2014 compared to 2013. Cooling degree days were 4.5% and 7.6% lower for the three and nine months ended September 30, 2014 compared to the same period in 2013. In addition, heating degree days were 13.8% lower for the three months ended March 31, 2014 than in 2013. Cooling degree days only have a minor impact on the first quarter of any year, whereas heating degree days only have a minor impact on the second and third quarter.

PNM implemented new rates for Gallup, its second largest wholesale customer, in July 2013 under a one-year agreement, which improved revenues and margins $0.9 million for the six months ended June 30, 2014 compared to 2013. On March 26, 2014, Gallup notified PNM that the contract for long-term power supply had been awarded to another utility. PNM's contract with Gallup ended on June 29, 2014. PNM's revenues for power sold under the Gallup contract decreased $3.4 million for the three months ended September 30, 2014 compared to 2013. PNM's revenues for power sold under the Gallup contract totaled $11.7 million during 2013. During the three months ended September 30, 2014, decreases in revenues for the Gallup power contract were partially offset with off-system sales of $1.9 million from the power that would have otherwise been used to serve Gallup and lower fuel expense of $0.3 million.

PNM closed on the acquisition of Rio Bravo, formerly known as Delta, on July 17, 2014. Prior to acquiring Rio Bravo, PNM had a 20 year PPA covering all of the output of the facility, which PNM accounted for as an operating lease and recorded fixed and variable costs in cost of energy. As a result of the Rio Bravo acquisition, cost of energy decreased and margin increased $1.3 million for the three months ended September 30, 2014 compared to 2013. The increase in margin is partially offset by increases in operating and depreciation expenses.

In August 2012, PNM implemented its renewable energy rider, which recovers renewable energy procurement costs to meet the RPS, including the 22 MW of PNM-owned solar PV facilities completed in 2011. In January 2014, PNM increased the rate charged under the rider to include the 21.5 MW of PNM-owned solar PV facilities completed in 2013. See Note 12. For the three and nine months ended September 30, 2014, this rider increased revenues by $1.8 million and $7.5 million. These revenues include a return on investment of $1.2 million and $3.7 million for the three and nine months ended September 30, 2014 compared to $0.7 million and $2.3 million for the three and nine months ended September 30, 2013. Cost of energy, reflecting purchase of RECs and purchase of geothermal power, increased $0.6 million and $2.6 million for the three and nine months ended September 30, 2014. Revenue and margin from PNM's energy efficiency rider increased $1.4 million and $2.9 million for the three months

and nine months ended September 30, 2014. Revenues from these riders also recover incremental operating, depreciation, and interest expenses applicable to these programs.

For the three and nine months ended September 30, 2014, unregulated revenue increased $1.1 million and $3.4 million and unregulated margins increased $1.3 million and $5.7 million. The increased revenues are due to higher market prices for power from PVNGS Unit 3. Lower fuel costs due to the discontinuance of DOE spent nuclear fuel charges for PVNGS Unit 3 decreased cost of energy $0.2 million for the three months ended September 30, 2014 compared to 2013. In addition, gas imbalance settlements lowered cost of energy $2.1 million for the nine months ended September 30, 2014 compared to 2013.

Changes in unrealized mark-to-market gains and losses resulted from economic hedges for sales and fuel costs not covered under the FPPAC, primarily associated with PVNGS Unit 3. Unrealized gains of $3.3 million for the three months ended September 30, 2014 compared to unrealized gains of $7.7 million for the three months ended September 30, 2013, decreased margin by $4.4 million. Unrealized gains of $0.1 million for the nine months ended September 30, 2014 compared to unrealized gains of $5.9 million for the nine months ended September 30, 2013, decreased margin by $5.8 million.

As discussed in Note 12, the NMPRC approved the continuation of PNM's FPPAC and authorized PNM to recover the remaining under-collected balance in its FPPAC balancing account over 18 months effective July 1, 2014. As a result PNM's revenues increased for the three and nine months ended September 30, 2014 compared to 2013. These revenues were offset in cost of energy with no impact on margin.

PNM provides economy energy services to a major customer. Although KWh sales to this customer increased for the three and nine months ended September 30, 2014 compared to 2013, there is only a minor impact in margin resulting from providing ancillary services. Other changes in revenues and cost of energy for this customer are a pass through with no impact to margin.

For the nine months ended September 30, 2014, other changes in revenue, cost of energy, and margin includes a $1.7 million increase in cost of energy and decrease in margin related to the resolution of issues covered by the arbitration with SJCC discussed in Note 11. As part of the approval of the continuation of PNM's FPPAC, PNM retains 10% of the revenue from off-system sales that would otherwise be passed through the FPPAC, effective as of July 1, 2013. PNM recorded revenue of $0.2 million and $1.4 million for the three and nine months ended September 30, 2014. The nine months ended September 30, 2014, includes amounts from July 1, 2013 through the NMPRC approval in April 2014. Other also includes the impacts of off-system purchases and sales that are not passed through PNM's FPPAC.

For the three months ended September 30, 2014, operating expenses decreased $2.9 million compared to 2013. Higher maintenance expenses for outages at Four Corners, PVNGS, and natural gas-fired plants of $0.8 million, $0.3 million and $0.6 million were partially offset by lower outage expenses of $0.3 million at SJGS. Lower labor and employee benefit expenses of $1.4 million and $0.5 million decreased operating expenses for the three months ended September 30, 2014 compared to 2013. Lower property and casualty claims of $0.4 million and lower bad debt expense of $0.3 million decreased operating expenses for the three months ended September 30, 2014 compared to 2013. Higher capitalized administrative and general expenses due to higher capital expenditures decreased operating expenses by $0.9 million. Higher energy efficiency expenses of $1.2 million for the three months ended September 30, 2014, which are recovered through rider revenue as described above, increased operating expenses. In addition, during the three months ended September 30, 2013, PNM concluded that certain costs that had been deferred as regulatory assets were no longer probable of recovery and recorded a regulatory disallowance of $1.7 million increasing operating expenses compared to 2014.

For the nine months ended September 30, 2014, operating expenses increased $4.3 million compared to 2013. Higher maintenance expenses for outages at Four Corners, PVNGS and natural gas-fired plants of $0.7 million, $0.8 million and $2.0 million were partially offset by lower maintenance expenses of $0.8 million at SJGS. Higher energy efficiency and renewable rider expenses of $2.4 million and $0.8 million increased operating expenses for the nine months ended September 30, 2014 compared to 2013. Higher property taxes of $2.0 million due to increased plant in service and higher assessed property values in Arizona and higher bad debt expense of $0.4 million increased operating expenses for the nine months ended September 30, 2014 compared to 2013. Process improvement initiatives increased operating expense $1.9 million for the nine months ended September 30, 2014 compared to 2013. These increases were partially offset by lower labor and employee benefit expenses of $1.6 million and $0.7 million decreasing operating expenses for the nine months ended September 30, 2014 compared to 2013. Lower property and casualty claims of $0.6 million decreased operating expenses for the nine months ended September 30, 2014 compared to 2013. Higher capitalized administrative and general expenses due to higher capital spend decreased operating expenses

$1.4 million for the nine months ended September 30, 2014 compared to 2013. The regulatory disallowance of $1.7 million in September 2013 further decreased operating expenses in 2014 compared to 2013.

Depreciation and amortization expense increased $1.6 million and $3.8 million for the three and nine months ended September 30, 2014 compared to 2013 due to additions to utility plant in service, including 21.5 MW of PNM-owned solar PV facilities. Depreciation on the PNM-owned solar PV facilities is recovered through the renewable energy rider discussed above.

Other income (deductions) decreased $0.8 million for the three months ended September 30, 2014 and increased $0.2 million for the nine months ended September 30, 2014 compared to 2013. Lower interest income on PVNGS lessor notes of $0.4 million and $1.4 million due to lower outstanding balances decreased interest income for the three and nine months ended September 30, 2014 compared to 2013. Other income (deductions) also reflects the performance of the trusts for nuclear decommissioning and coal mine reclamation, including investment income, gains or losses on sales of investments, management expenses, and taxes paid by the trusts. Pre-tax gains on available-for-sale securities decreased $1.2 million for the three months ended September 30, 2014 and increased $1.3 million for nine months ended September 30, 2014 compared to 2013. In addition, gains of $0.7 million on the disposition of property in 2013 decreased other income (deductions) for the nine months ended September 30, 2014 compared to 2013. PNM recorded expenses of $0.8 million and $1.0 million during the three and nine months ended September 30, 2013 for its commitments to support employment and other economic activities in the "four corners" area, including the Navajo Nation, which did not recur in 2014.

As discussed in Note 13, in September 2014, the Company settled the IRS examination of income tax years 2003 and 2005 through 2008, including the settlement of certain issues for which the Company had previously reflected liabilities related to uncertain tax positions. As a result of the settlement, PNM recorded an additional income tax expense of $1.1 million in June 2014. An income tax benefit of $1.3 million reflected in the Corporate and Other segment offsets this amount.

TNMP

The following table summarizes the operating results for TNMP:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
	(In millions)					
Electric operating revenues	$ 79.0	$ 73.7	$ 5.3	$ 215.6	$ 201.4	$ 14.2
Cost of energy	17.4	14.5	2.9	50.2	41.3	8.9
Margin	61.6	59.2	2.4	165.4	160.1	5.3
Operating expenses	22.3	23.1	(0.8)	63.7	67.3	(3.6)
Depreciation and amortization	13.4	13.9	(0.5)	37.3	37.8	(0.5)
Operating income	25.9	22.3	3.6	64.4	55.0	9.4
Other income (deductions)	0.8	0.7	0.1	1.5	1.4	0.1
Net interest charges	(6.9)	(6.7)	(0.2)	(20.1)	(20.7)	0.6
Segment earnings before income taxes	19.8	16.3	3.5	45.8	35.7	10.1
Income (taxes)	(7.4)	(6.2)	(1.2)	(17.1)	(13.6)	(3.5)
Segment earnings	$ 12.4	$ 10.1	$ 2.3	$ 28.7	$ 22.2	$ 6.5

The following table summarizes the significant changes to total electric operating revenues, cost of energy, and margin:

	2013/2014 Change					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	Electric Operating Revenues	Cost of Energy	Margin	Electric Operating Revenues	Cost of Energy	Margin
	(In millions)					
Rate increases	$ 1.6	$ —	$ 1.6	$ 4.5	$ —	$ 4.5
Customer usage	0.5	—	0.5	1.1	—	1.1
Customer growth	0.5	—	0.5	1.2	—	1.2
Weather	(1.3)	—	(1.3)	(1.2)	—	(1.2)
Recovery of third-party transmission costs	2.9	2.9	—	8.9	8.9	—
AMS surcharge	1.4	—	1.4	2.7	—	2.7
CTC surcharge	—	—	—	0.4	—	0.4
Hurricane Ike surcharge	(1.7)	—	(1.7)	(4.2)	—	(4.2)
Energy efficiency incentive	1.5	—	1.5	1.5	—	1.5
Other	(0.1)	—	(0.1)	(0.7)	—	(0.7)
Net change	$ 5.3	$ 2.9	$ 2.4	$ 14.2	$ 8.9	$ 5.3

The following table shows total electric operating revenues by retail tariff consumer class, including intersegment revenues, and average number of consumers:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
	(In millions, except consumers)					
Residential	$ 36.6	$ 36.4	$ 0.2	$ 89.5	$ 84.1	$ 5.4
Commercial	25.1	24.0	1.1	73.5	69.8	3.7
Industrial	3.9	3.2	0.7	11.1	9.6	1.5
Other	13.4	10.1	3.3	41.5	37.9	3.6
	$ 79.0	$ 73.7	$ 5.3	$ 215.6	$ 201.4	$ 14.2
Average consumers (thousands) [1]	238.9	235.3	3.6	237.7	234.7	3.0

[1] TNMP provides transmission and distribution services to REPs that provide electric service to consumers in TNMP's service territories. The number of consumers above represents the customers of these REPs. Under TECA, consumers in Texas have the ability to choose any REP to provide energy.

The following table shows GWh sales by retail tariff consumer class:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
	(Gigawatt hours)					
Residential	938.8	963.6	(24.8)	2,227.9	2,176.2	51.7
Commercial	731.6	714.7	16.9	1,926.7	1,854.2	72.5
Industrial	715.1	686.1	29.0	2,032.2	1,920.3	111.9
Other	26.5	27.6	(1.1)	75.9	77.3	(1.4)
	2,412.0	2,392.0	20.0	6,262.7	6,028.0	234.7

For the three and nine months ended September 30, 2014, revenues and margin increased by $1.6 million and $4.5 million compared to 2013 due to transmission rate increases in March 2013, September 2013, March 2014, and September 2014. See Note 12. TNMP experienced positive year to date average customer growth of 1.3%, increasing revenues and margin by $0.5 million and $1.2 million for the three and nine months ended September 30, 2014 compared to 2013. Higher weather normalized usage per customer increased revenues and margin by $0.5 million and $1.1 million for the three and nine months ended September 30, 2014 compared to 2013. TNMP's weather normalized retail KWh sales increased 1.8% and 3.2% for the three and nine months ended September 30, 2014 compared to 2013. Milder weather decreased revenues and margins by $1.3 million and $1.2 million for the three and nine months ended September 30, 2014 compared to 2013. For the three and nine months ended September 30, 2014 compared to 2013, cooling degree days were 4.0% and 3.4% lower. Due to the climate in TNMP's service territories, variances in cooling degree days have a much larger impact than variances in heating degree days.

Differences between revenues and costs charged by third party transmission providers are deferred and recovered through a transmission cost recovery factor resulting in no impact on margin. Higher transmission cost of energy resulting from rate increases from other transmission service providers within ERCOT increased cost of energy $2.9 million and $8.9 million for the three and nine months ended September 30, 2014 compared to 2013. These increases in cost of energy resulted in TNMP rate increases for the recovery of third party transmission costs increasing revenue by the same amounts.

The AMS surcharge increased revenues and margin by $1.4 million and $2.7 million for the three and nine months ended September 30, 2014 compared to 2013. The CTC surcharge increased revenues and margin by $0.4 million for the nine months ended September 30, 2014 compared to 2013, but was flat for the three months ended September 30. The Hurricane Ike surcharge decreased revenues and margin by $1.7 million and $4.2 million for the three and nine months ended September 30, 2014 compared to 2013. The Hurricane Ike surcharge was terminated in November of 2013 due to full recovery of costs associated with this item. Changes in revenues and margins from these surcharges are offset by changes in operating expenses and depreciation and amortization.

TNMP earned an energy efficiency incentive bonus for having achieved demand savings for the 2013 program year that exceeded its goal. This incentive was approved by the PUCT on September 11, 2014 and increased revenues and margin by $1.5 million for the three and nine months ended September 30, 2014. See Note 12.

Operating expenses decreased $0.8 million and $3.6 million for the three and nine months ended September 30, 2014 compared to 2013. Lower employee healthcare claims of $0.6 million and $1.7 million decreased operating expense for the three and nine months ended September 30, 2014 compared to 2013. Higher capitalization of administrative and general expenses related to higher levels of construction expenditures decreased operating expenses by $0.4 million and $1.4 million for the three and nine months ended September 30, 2014 compared to 2013. Property and casualty claims and vegetation management costs decreased $0.4 million and $0.3 million for the nine months ending September 30, 2014 compared to 2013, but were flat for the three months ended September 30. These decreases were partially offset by higher operating expenses associated with the AMS deployment, which are recovered through the AMS surcharge, of $0.3 million for the three and nine months ended September 30, 2014 compared to 2013.

Depreciation and amortization decreased $0.5 million for the three and nine months ended September 30, 2014 compared to 2013. Depreciation expense associated with the AMS deployment, which is recovered through the AMS surcharge, increased $0.6 million and $1.6 million for the three and nine months ended September 30, 2014 compared to 2013 due to increased AMS deployment. Amortization expense associated with the CTC, which is recovered through the CTC surcharge, increased $0.1 million and $0.6 million for the three and nine months ended September 30, 2014 compared to 2013. In addition, an increase in utility plant in service increased depreciation by $0.4 million and $1.2 million for the three and nine months ended September 30, 2014 compared to 2013. These increases were offset by lower amortization of the Hurricane Ike costs of $1.6 million and $3.9 million for the three and nine months ended September 30, 2014 compared to 2013.

Interest charges increased $0.2 million for the three months ended September 30, 2014 compared to 2013. The issuance of $80.0 million of long-term debt under the TNMP 2013 Bond Purchase Agreement on June 27, 2014 increased interest charges $0.8 million, offset by lower interest charge of $0.5 million due to the maturity of $50.0 million of debt under the TNMP 2011 Term Loan Agreement. See Note 9. Interest charges decreased $0.6 million for the nine months ended September 30, 2014 compared to 2013, primarily due to the April 2013 exchange of $93.2 million of TNMP's 9.5% First Mortgage Bonds for an equal amount of a new series of 6.95% First Mortgage Bonds offset by the impact of the June 2014 refinancing.

Corporate and Other

The table below summarizes the operating results for Corporate and Other:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
	(In millions)					
Total revenues	$ —	$ —	$ —	$ —	$ —	$ —
Cost of energy	—	—	—	—	—	—
Margin	—	—	—	—	—	—
Operating expenses	(3.7)	(3.3)	(0.4)	(10.2)	(10.2)	—
Depreciation and amortization	3.3	3.0	0.3	9.5	9.6	(0.1)
Operating income	0.3	0.3	—	0.7	0.6	0.1
Other income (deductions)	(0.6)	(3.5)	2.9	(1.6)	(7.5)	5.9
Net interest charges	(3.2)	(3.6)	0.4	(9.6)	(11.6)	2.0
Segment earnings (loss) before income taxes	(3.4)	(6.8)	3.4	(10.4)	(18.6)	8.2
Income (taxes) benefit	1.5	3.6	(2.1)	6.0	4.1	1.9
Segment earnings (loss)	$ (1.9)	$ (3.2)	$ 1.3	$ (4.4)	$ (14.4)	$ 10.0

Operating expenses for Corporate and Other are net of amounts allocated to PNM and TNMP under shared service agreements. Changes in depreciation and amortization are offset in operating expenses as a result of allocation of these costs to other business segments. Changes in depreciation and amortization primarily relate to the timing of the retirement and installation of certain items of computer software and changes in the allocation of certain items to PNM and TNMP.

The changes in other income (deductions) during the three and nine months ended September 30, 2014 compared to 2013 is due to amortization related to corporate investments that became fully amortized in 2013 and premiums paid on the 2013 repurchase of $23.8 million principal amount of PNMR's 9.25% Senior Unsecured Notes, Series A, due 2015 that did not recur in 2014. Net interest charges decreased primarily due to lower interest charges resulting from the 2013 debt repurchase. The remaining decrease in net interest charges is the result of lower borrowings and lower interest rates on short-term borrowings.

During the first six months of 2013, income (taxes) benefit for Corporate and Other included the impairment of New Mexico wind energy production tax credits of $3.9 million, after federal income tax benefits, and an expense of $1.2 million due to reductions in Corporate and Other's deferred tax assets resulting from legislation reducing New Mexico Corporate income tax rates. As discussed in Note 13, in June 2014, the Company settled the IRS examination of income tax years 2003 and 2005 through 2008, including the settlement of certain issues for which the Company had previously reflected liabilities related to uncertain tax positions. At that time, an income tax benefit of $1.3 million was reflected in Corporate and Other as a result of the settlement. An additional income tax expense of $1.1 million reflected in the PNM segment offsets this amount. The remaining change in income (taxes) benefit result from income tax benefits of $0.9 million related to amendments of state and federal income tax returns during the three months ended September 30, 2014, the expiration of certain tax credits in 2013, and lower tax benefits due to lower segment losses before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Statements of Cash Flows

The changes in PNMR's cash flows for the nine months ended September 30, 2014 compared to September 30, 2013 are summarized as follows:

	Nine Months Ended September 30,		
	2014	2013	Change
	(In millions)		
Net cash flows from:			
Operating activities	$ 326.2	$ 311.0	$ 15.2
Investing activities	(311.7)	(211.4)	(100.3)
Financing activities	11.3	(75.1)	86.4
Net change in cash and cash equivalents	$ 25.9	$ 24.5	$ 1.4

The decreases in PNMR's cash flow from operation activities relate primarily to $92.9 million lower net tax refunds in the nine months ended September 30, 2014 than in 2013 offset by $60.9 million lower contributions to the PNM and TNMP pension and other post retirement benefit plans in 2014 than in 2013. In addition, refunds to customers of $15.2 million in 2013 related to the settlement of PNM's transmission rate case did not recur in 2014. Lower retail load at PNM was offset by higher retail load and rate increases at TNMP and other changes in assets and liabilities resulting from normal operations.

The changes in PNMR's cash flows from investing activities relate primarily to an increase of $59.4 million in utility plant additions in the nine months ended September 30, 2014 compared to 2013. Utility plant additions at PNM were $35.1 million higher in the nine months ended September 30, 2014 compared to 2013, including increases in transmission and distribution additions of $31.2 million and nuclear fuel purchases of $6.8 million. These increases were offset by lower renewable plant additions of $3.1 million. TNMP utility plant additions increased $21.5 million in the nine months ended September 30, 2014 compared to 2013, including increases in transmission and distribution additions of $20.8 million and AMS additions of $0.7 million. Corporate plant additions increased by $2.8 million in 2014 which were partially offset by payments made in 2013 for renovations of the corporate headquarters building. Investing activities in 2014 also includes $36.2 million for the acquisition of Rio Bravo as discussed in Note 5.

The changes in PNMR's cash flows from financing activities include a $2.5 million reduction in net short-term borrowings in the nine months ended September 30, 2014 compared to 2013. Long-term borrowings in 2014 include the $175.0 million PNM 2014 Term Loan Agreement, which was used to repay amounts under the existing PNM Term Loan Agreement and other short-term borrowings. In addition, 2014 includes the issuance of $80.0 million in long-term debt at TNMP, which was used to repay amounts under the existing TNMP 2011 Term Loan Agreement and other short-term borrowings. In addition, cash paid of $13.0 million in connection with TNMP debt exchange in 2013 did not recur in 2014.

Financing Activities

See Note 6 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K and Note 9 for additional information concerning the Company's financing activities. PNM must obtain NMPRC approval for any financing transaction having a maturity of more than 18 months. In addition, PNM files its annual short-term financing plan with the NMPRC. The Company's ability to access the credit and capital markets at a reasonable cost is largely dependent upon its:

- Ability to earn a fair return on equity
- Results of operations
- Ability to obtain required regulatory approvals
- Conditions in the financial markets
- Credit ratings

On March 5, 2014, PNM entered into the $175.0 million PNM 2014 Term Loan Agreement and used a portion of the funds borrowed thereunder to repay all amounts outstanding under the existing $75.0 million PNM Term Loan Agreement. The funds

were also used to repay other short-term amounts outstanding. There were no prepayment penalties paid in connection with the termination of the PNM Term Loan Agreement. The PNM 2014 Term Loan Agreement includes customary covenants and conditions. The PNM 2014 Term Loan Agreement bears interest at a variable rate, which was 1.10% at September 30, 2014, and must be repaid on or before September 4, 2015. At September 30, 2014, the weighted average interest rate was 1.01% for borrowings outstanding under the twelve-month PNMR Term Loan Agreement, which matures in December 2014.

On June 27, 2014, TNMP issued $80.0 million aggregate principal amount of 4.03% first mortgage bonds, due 2024 pursuant to the TNMP 2013 Bond Purchase Agreement dated December 9, 2013. TNMP used $50.0 million of the proceeds to repay the full outstanding amount of the TNMP 2011 Term Loan Agreement and used the remaining $30.0 million of proceeds to reduce short-term debt.

PNMR, PNM, and TNMP are subject to debt-to-capital ratio requirements of less than or equal to 65%. These ratios for PNMR and PNM include the present value of payments under the PVNGS and EIP leases as debt.

Capital Requirements

Total capital requirements consist of construction expenditures and cash dividend requirements for PNMR common stock and PNM preferred stock. Key activities in PNMR's current construction program include:

- Upgrading generation resources, including expenditures for compliance with environmental requirements and for renewable energy resources
- Expanding the electric transmission and distribution systems
- Purchasing nuclear fuel

Projected capital requirements, including amounts expended through September 30, 2014, are:

	2014	2015-2018	Total
		(In millions)	
Construction expenditures	$ 509.3	$ 1,801.9	$ 2,311.2
Dividends on PNMR common stock	58.9	235.8	294.7
Dividends on PNM preferred stock	0.5	2.1	2.6
Total capital requirements	$ 568.7	$ 2,039.8	$ 2,608.5

The construction expenditure estimates are under continuing review and subject to ongoing adjustment, as well as to Board review and approval. The construction expenditures above include estimated amounts of $88.5 million related to environmental upgrades at SJGS to address regional haze and $268.3 million related to the identified sources of replacement capacity under the revised plan for compliance described in Note 11. The above construction expenditures also include additional renewable resources anticipated to be required to meet the RPS, additional peaking resources to meet needs outlined in PNM's current IRP, environmental upgrades at Four Corners of $80.3 million, the purchase of the leased portion of the EIP and the assets underlying three of the PVNGS Unit 2 leases at the expiration of those leases, and the purchase of Rio Bravo. Expenditures for the SJGS and Four Corners environmental upgrades are estimated to be $10.2 million in 2014. See Note 11 and Commitments and Contractual Obligations below. The ability of PNMR to pay dividends on its common stock is dependent upon the ability of PNM and TNMP to be able to pay dividends to PNMR. Note 5 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K describes regulatory and contractual restrictions on the payment of dividends by PNM and TNMP.

During the nine months ended September 30, 2014, PNMR met its capital requirements and construction expenditures through cash generated from operations, as well as its liquidity arrangements and borrowings under the PNM 2014 Term Loan Agreement and the TNMP 2013 Bond Purchase Agreement.

In addition to the capital requirements for construction expenditures and dividends, the Company has long-term debt that must be paid or refinanced at maturity, including $158.1 million due in the second quarter of 2015 and $175.0 million due in the third quarter of 2015. Note 6 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K contains information about the maturities of long-term debt. The Company has from time to time refinanced or repurchased portions of its outstanding debt before scheduled maturity. Depending on market conditions, the Company may refinance other debt issuances, make additional debt repurchases, or enter into other liquidity arrangements in the future.

Liquidity

PNMR's liquidity arrangements include the PNMR Revolving Credit Facility and the PNM Revolving Credit Facility that both expire in October 2018 and the TNMP Revolving Credit Facility that expires in September 2018. The PNMR Revolving Credit Facility has a financing capacity of $300.0 million, the PNM Revolving Credit Facility has a financing capacity of $400.0 million, and the TNMP Revolving Credit Facility has a financing capacity of $75.0 million. On January 8, 2014, PNM entered into the $50.0 million PNM New Mexico Credit Facility, which expires on January 8, 2018. The Company believes the terms and conditions of its facilities are consistent with those of other investment grade revolving credit facilities in the utility industry. Each of the credit facilities contains one financial covenant that requires the maintenance of debt-to-capital ratios of less than or equal to 65%. For PNMR and PNM, these ratios reflect the present value of payments under the PVNGS and EIP leases as debt.

The revolving credit facilities and the PNM New Mexico Credit Facility provide short-term borrowing capacity. The revolving credit facilities also allow letters of credit to be issued. Letters of credit reduce the available capacity under the facilities. The Company utilizes these credit facilities and cash flows from operations to provide funds for both construction and operational expenditures. The Company's business is seasonal with more revenues and cash flows from operations being generated in the summer months. In general, the Company relies on the credit facilities to be the initial funding source for construction expenditures. Accordingly, borrowings under the facilities may increase over time. Depending on market and other conditions, the Company will periodically sell long-term debt and use the proceeds to reduce the borrowings under the credit facilities. Borrowings under the PNMR Revolving Credit Facility ranged from zero to $14.5 million during the three months ended September 30, 2014 and from zero to $21.1 million during the nine months ended September 30, 2014. Borrowings under the PNM Revolving Credit Facility ranged from zero to $32.6 million during the three months ended September 30, 2014 and from zero to $82.0 million during the nine months ended September 30, 2014. Borrowings under the PNM New Mexico Credit Facility ranged from zero to $15.0 million during the three months ended September 30, 2014 and from zero to $25.0 million during the nine months ended September 30, 2014. TNMP had no borrowings under the TNMP Revolving Credit Facility during the three months ended September 30, 2014 and borrowings ranged from zero to $30.0 million during the nine months ended September 30, 2014. At September 30, 2014, there were no borrowings under any of these facilities. At September 30, 2014, PNM had $6.5 million and TNMP had $19.1 million in borrowings from PNMR under their intercompany loan agreements.

The Company currently believes that its capital requirements can be met through internal cash generation, existing or new credit arrangements, and access to public and private capital markets. To cover the difference in the amounts and timing of internal cash generation and cash requirements, the Company intends to use short-term borrowings under its current and future liquidity arrangements. However, if difficult market conditions experienced during the recent recession return, the Company may not be able to access the capital markets or renew credit facilities when they expire. Should that occur, the Company would seek to improve cash flows by reducing capital expenditures and exploring other available alternatives. Also, PNM could consider seeking authorization for the issuance of first mortgage bonds to improve access to the capital markets.

In addition to its internal cash generation, the Company anticipates that it will be necessary to obtain additional long-term financing to fund its capital requirements during the 2014-2018 period. This could include debt refinancing, new debt issuances, and/or new equity.

The credit ratings for PNMR, PNM, and TNMP were set forth under the heading Liquidity in the MD&A contained in the 2013 Annual Reports on Form 10-K. On January 30, 2014, Moody's raised the senior unsecured rating for PNMR, the senior unsecured and issuer ratings for PNM, and the senior secured and issuer ratings for TNMP. Moody's continued to maintain the ratings outlook for PNMR, PNM, and TNMP as positive. On April 30, 2014, S&P changed the outlook for PNMR, PNM, and TNMP to positive from stable. As of October 24, 2014, ratings on the Company's securities were as follows:

	PNMR	PNM	TNMP
S&P			
Senior secured debt	*	*	A-
Senior unsecured debt	BBB-	BBB	*
Preferred stock	*	BB+	*
Moody's			
Senior secured debt	*	*	A2
Senior unsecured debt	Baa3	Baa2	*
Preferred stock	*	Ba2	*

* Not applicable

Investors are cautioned that a security rating is not a recommendation to buy, sell, or hold securities, that it is subject to revision or withdrawal at any time by the assigning rating organization, and that each rating should be evaluated independently of any other rating.

A summary of liquidity arrangements, which do not include the PNMR Term Loan Agreement or the PNM 2014 Term Loan Agreement, as of October 24, 2014 is as follows:

	PNMR Separate	PNM Separate	TNMP Separate	PNMR Consolidated
		(In millions)		
Financing capacity:				
Revolving credit facility	$ 300.0	$ 400.0	$ 75.0	$ 775.0
PNM New Mexico Credit Facility	—	50.0	—	50.0
Total financing capacity	$ 300.0	$ 450.0	$ 75.0	$ 825.0
Amounts outstanding as of October 24, 2014:				
Revolving credit facility	$ —	$ —	$ —	$ —
PNM New Mexico Credit Facility	—	—	—	—
Letters of credit	7.7	3.2	0.1	11.0
Total short-term debt and letters of credit	7.7	3.2	0.1	11.0
Remaining availability as of October 24, 2014	$ 292.3	$ 446.8	$ 74.9	$ 814.0
Invested cash as of October 24, 2014	$ 23.1	$ —	$ —	$ 23.1

The above table excludes intercompany debt. As of October 24, 2014, PNM had $7.4 million and TNMP had $25.7 million in borrowings from PNMR under their intercompany loan agreements. The remaining availability under the revolving credit facilities at any point in time varies based on a number of factors, including the timing of collections of accounts receivables and payments for construction and operating expenditures.

PNMR can offer new shares of common stock through the PNM Resources Direct Plan under a SEC shelf registration statement that expires in August 2015. PNM has a shelf registration statement for up to $500.0 million of senior unsecured notes that expires in May 2017.

Off-Balance Sheet Arrangements

PNMR's off-balance sheet arrangements include PNM's operating lease obligations for PVNGS Units 1 and 2 and the EIP transmission line. These arrangements help ensure PNM the availability of lower-cost generation needed to serve customers. Rio Bravo, formerly known as Delta, was an off-balance sheet arrangement prior to its acquisition in July 2014. See MD&A – Off-Balance Sheet Arrangements and Notes 7 and 9 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K. See Note 5 and Note 6 for additional information concerning the PVNGS Leases and Rio Bravo.

Commitments and Contractual Obligations

PNMR, PNM, and TNMP have contractual obligations for long-term debt, operating leases, construction expenditures, purchase obligations, and certain other long-term obligations. See MD&A – Commitments and Contractual Obligations in the 2013 Annual Reports on Form 10-K.

Contingent Provisions of Certain Obligations

As discussed in the 2013 Annual Reports on Form 10-K, PNMR, PNM, and TNMP have a number of debt obligations and other contractual commitments that contain contingent provisions. Some of these, if triggered, could affect the liquidity of the Company. In the unlikely event that the contingent requirements were to be triggered, PNMR, PNM, or TNMP could be required to provide security, immediately pay outstanding obligations, or be prevented from drawing on unused capacity under certain credit agreements. The contingent provisions also include contractual increases in the interest rate charged on certain of the Company's short-term debt obligations in the event of a downgrade in credit ratings. The Company believes its financing

arrangements are sufficient to meet the requirements of the contingent provisions. No conditions have occurred that would result in any of the above contingent provisions being implemented.

Capital Structure

The capitalization tables below include the current maturities of long-term debt, but do not include short-term debt and do not include operating lease obligations as debt.

	September 30, 2014	December 31, 2013
PNMR		
PNMR common equity	47.7%	48.8%
Preferred stock of subsidiary	0.3%	0.3%
Long-term debt	52.0%	50.9%
Total capitalization	100.0%	100.0%
PNM		
PNM common equity	47.2%	48.2%
Preferred stock	0.4%	0.4%
Long-term debt	52.4%	51.4%
Total capitalization	100.0%	100.0%
TNMP		
Common equity	58.5%	59.9%
Long-term debt	41.5%	40.1%
Total capitalization	100.0%	100.0%

OTHER ISSUES FACING THE COMPANY

Climate Change Issues

Background

According to EPA, gases that trap heat in the atmosphere are called greenhouse gases. The four primary greenhouse gases are CO_2, methane, nitrous oxide, and fluorinated gases, including chlorofluorocarbons such as Freon. In 2013, GHG associated with PNM's interests in its generating plants were approximately 7.0 million metric tons of CO_2, which comprises the vast majority of PNM's GHG. By comparison, the total GHG in the United States in 2012, the latest year for which EPA has published this data, were approximately 6.5 billion metric tons, of which approximately 5.4 billion metric tons were CO_2.

PNM has several programs underway to reduce or offset GHG from its resource portfolio, thereby reducing its exposure to climate change regulation. See Note 12. In 2011, PNM completed construction of 22 MW of utility-scale solar generation located at five sites on PNM's system throughout New Mexico. In 2013, PNM expanded its renewable energy portfolio by constructing 21.5 MW of utility-scale solar generation. On December 18, 2013, the NMPRC approved PNM's 2014 renewable energy procurement plan that includes construction of an additional 23 MW of utility-scale solar generation. This additional generation is anticipated to be online by the end of 2014. Since 2003, PNM has purchased the entire output of New Mexico Wind, which has an aggregate capacity of 204 MW, and will purchase the full output of Red Mesa Wind, which has an aggregate capacity of 102 MW, beginning in January 2015. PNM has signed a 20-year PPA for the output of Lightning Dock Geothermal, which began providing power to PNM in January 2014. The current capacity of the facility is 4 MW and future expansion may result in up to 10 MW of generation capacity. Additionally, PNM has a customer distributed solar generation program that represented 30.5 MW at the end of 2013 and is expected to grow to over 39 MW by the end of 2014. Once fully subscribed, the distributed solar programs will reduce PNM's production from fossil-fueled electricity generation by 117 GWh per year. PNM offers its customers a comprehensive portfolio of energy efficiency and load management programs, with a 2014 budget of $22.5 million. PNM estimates these programs saved approximately 75 GWh of electricity in 2013. Over the next 20 years, PNM projects the expanded energy efficiency and load management programs will provide the equivalent of approximately 13,565 GWh of electricity,

which will avoid at least 6.8 million metric tons of CO_2 based upon projected emissions from PNM's system-wide resources. These estimates are subject to change because of the high uncertainty of many of the underlying variables, including changes in demand for electricity, and complex interrelationships between those variables.

Management periodically updates the Board on implementation of the corporate environmental policy and the Company's environmental management systems, promotion of energy efficiency, and use of renewable resources. The Board is also advised of the Company's practices and procedures to assess the sustainability impacts of operations on the environment. The Board considers associated issues around climate change, the Company's GHG exposures, and financial consequences that might result from potential federal and/or state regulation of GHG.

As of December 31, 2013, approximately 74.7% of PNM's generating capacity, including resources owned, leased, and under PPAs, all of which is located within the United States, consisted of coal or gas-fired generation that produces GHG. Based on current forecasts, the Company does not expect its output of GHG from existing sources to increase significantly in the near-term. Many factors affect the amount of GHG emitted. For example, if new natural gas-fired generation resources are added to meet increased load as anticipated in PNM's current IRP, GHG would be incrementally increased. In addition, plant performance could impact the amount of GHG emitted. If PVNGS experienced prolonged outages, PNM might be required to utilize other power supply resources such as gas-fired generation, which could increase GHG. As described in Note 11, on February 15, 2013, PNM, NMED, and EPA agreed to pursue a strategy to address the regional haze requirements of the CAA at the coal-fired SJGS, which would include the shutdown of SJGS Units 2 and 3. The shutdown of Units 2 and 3 would result in a reduction of GHG of approximately 50% at SJGS. That agreement also contemplates that gas-fired generation would be built to partially replace the retired capacity. Although replacement power strategies potentially include some gas-fired generation, the reduction in GHG from the retirement of the coal-fired generation would be far greater than the increase in GHG from replacement generation. In September 2013, the EIB approved a RSIP submitted by NMED that encompassed the February 15, 2013 agreement and the RSIP was submitted to EPA for approval on October 18, 2013. Final rules approving the RSIP and withdrawing the FIP were published in the Federal Register on October 9, 2014 and will become effective on November 10, 2014. Because of PNM's dependence on fossil-fueled generation, any legislation or regulation that imposes a limit or cost on GHG could impact the cost at which electricity is produced. While PNM expects to recover that cost through rates, the timing and outcome of proceedings for cost recovery are uncertain. In addition, to the extent that any additional costs are recovered through rates, customers may reduce their usage, relocate facilities to other areas with lower energy costs, or take other actions that ultimately will adversely impact PNM.

Given the geographic location of its facilities and customers, PNM generally has not been exposed to the extreme weather events and other physical impacts commonly attributed to climate change, with the exception of periodic drought conditions. PNM's service areas also experience high winds, forest fires, and severe thunderstorms periodically. Climate changes are generally not expected to have material consequences in the near-term. Drought conditions in northwestern New Mexico could impact the availability of water for cooling coal-fired generating plants. Water shortage sharing agreements have been in place since 2004, although no shortage has been declared due to sufficient precipitation in the San Juan River basin. PNM also has a supplemental water contract in place with the Jicarilla Apache Nation to help address any water shortages from primary sources. The contract expires on December 31, 2016. TNMP has operations in the Gulf Coast area of Texas, which experiences periodic hurricanes and drought conditions. In addition to potentially causing physical damage to TNMP-owned facilities, which disrupt the ability to transmit and/or distribute energy, hurricanes can temporarily reduce customers' usage and demand for energy.

EPA Regulation

In April 2007, the United States Supreme Court held that EPA has the authority to regulate GHG under the CAA. This decision heightened the importance of this issue for the energy industry. In December 2009, EPA released its endangerment finding stating that the atmospheric concentrations of six key greenhouse gases (CO_2, methane, nitrous oxides, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride) endanger the public health and welfare of current and future generations. In May 2010, EPA released the final PSD and Title V Greenhouse Gas Tailoring Rule (the "Tailoring Rule") to address GHG from stationary sources under the CAA permitting programs. The purpose of the rule was to "tailor" the applicability of two programs, PSD and Title V operating permit programs, to avoid impacting millions of small GHG emitters. The rule focused on the largest sources of GHG, including fossil-fueled electric generating units. This program covered new construction projects that emit GHG of at least 100,000 tons per year (even if PSD is not triggered for other pollutants). In addition, modifications at existing facilities that increase GHG by at least 75,000 tons per year would be subject to PSD permitting requirements, even if they did not significantly increase emissions of any other pollutant. As a result, PNM's fossil-fueled generating plants were more likely to trigger PSD permitting requirements because of the magnitude of GHG. However as discussed below, a recent court case has now limited the extent of the Tailoring Rule.

On June 26, 2012, the D.C. Circuit rejected challenges to EPA's 2009 GHG endangerment finding, GHG standards for light-duty vehicles, PSD Interpretive Memorandum (EPA's so-called GHG "Timing Rule"), and the Tailoring Rule. The Court found that EPA's endangerment finding and its light-duty vehicle rule "are neither arbitrary nor capricious," that "EPA's interpretation of the governing CAA provisions is unambiguously correct," and that "no petitioner has standing to challenge the Timing and Tailoring Rules." On October 15, 2013, the United States Supreme Court granted a petition for a Writ of Certiorari regarding the permitting of stationary sources that emit GHG. The Supreme Court limited the question that it would review to: "Whether EPA permissibly determined that its regulation of greenhouse gas emissions from new motor vehicles triggered permitting requirements under the Clean Air Act for stationary sources that emit greenhouse gases." Specifically, the case deals with whether EPA's determination that regulation of GHG from motor vehicles required EPA to regulate stationary sources under the PSD and Title V permitting programs. The petitioners argued that EPA's determination that it was required to regulate GHG under the PSD and Title V Programs was unlawful as it violates Congressional intent.

On June 23, 2014, the United States Supreme Court issued its opinion on the above case. The Supreme Court largely reversed the D.C. Circuit. First, the Supreme Court found the CAA does not compel or permit EPA to adopt an interpretation of the act that requires a source to obtain a PSD or Title V permit on the sole basis of its potential GHG. Second, EPA had argued that even if it was not required to regulate GHGs under the PSD and Title V programs, the Tailoring Rule was nonetheless justified on the grounds that it was a reasonable interpretation of the CAA. The Supreme Court rejected this argument. Third, the Supreme Court found EPA lacked authority to "tailor" the CAA's unambiguous numerical thresholds of 100 or 250 tons per year. Fourth, the Supreme Court found that it would be reasonable for EPA to interpret the CAA to limit the PSD program for GHGs to "anyway" sources – those sources that have to comply with the PSD program for other non-GHG pollutants. The Supreme Court said that EPA needed to establish a *de minimis* level below which BACT would not be required for "anyway" sources.

On March 27, 2012, EPA issued its proposed carbon pollution standards, under Section 111(b) of the CAA, for GHG from new fossil-fueled EGUs larger than 25 MW. The proposed limit was based on the performance of natural gas combined cycle technology. Therefore, coal-fired power plants would only be able to comply with the standard by using carbon capture and sequestration technology. The proposed rule included an exemption for new simple cycle EGUs. EPA accepted comment on the proposed rule through June 25, 2012, during which EPA received over 2.5 million comments. As a result of the comments, EPA reproposed the EGU NSPS as discussed below.

On June 25, 2013, President Obama announced the President's Climate Action Plan which outlines how his administration plans to cut GHG in the United States, prepare the country for the impacts of climate change, and lead international efforts to combat and prepare for global warming. The plan proposes actions that would lead to the reduction of GHG by 17% below 2005 levels by 2020. The President also issued a Presidential Memorandum to EPA to continue development of the GHG NSPS regulations for electric generators. The Presidential Memorandum establishes a timeline for the reproposal and issuance of a GHG NSPS for new sources and a timeline for the proposal and final rule for developing carbon pollution standards, regulations, or guidelines for GHG reductions from existing sources under Section 111(d) of the CAA.

The Presidential Memorandum further directs EPA to allow the use of "market-based instruments" and "other regulatory flexibilities" to ensure standards will allow for continued reliance on a range of energy sources and technologies and that they are developed and implemented in a manner that provides for reliable and affordable energy and to undertake the rulemaking through direct engagement with states, "as they will play a central role in establishing and implementing standards for existing power plants," and with utility leaders, labor leaders, non-governmental organizations, tribal officials, and other stakeholders.

EPA met the President's timeline for the reproposal of the GHG NSPS for new sources (under Section 111(b) of the CAA) by releasing the draft rule on September 20, 2013. In accordance with the Presidential Memorandum, EPA will issue a final rule in "a timely fashion thereafter." The projected release date of the final rule is January of 2015.

EPA's reproposed GHG NSPS for new sources applies only to new fossil-fired EGUs. The reproposed standards, based on the size of the unit, would revise requirements for new fossil-fired utility boilers, integrated gasification combined cycle units, combined and simple cycle turbines, and new sources meeting certain other criteria. New coal-fired facilities would only be able to meet the standard by using partial carbon capture and sequestration technology. The reproposed GHG NSPS removed the blanket exemption for simple-cycle turbines and instead provided an exemption for units that sell to the transmission grid less than one-third of their potential electric output over a three-year rolling average.

The Presidential Memorandum directed EPA to issue the proposed GHG NSPS for modified and existing EGUs by June 1, 2014 and to issue the final rule by June 1, 2015. On June 2, 2014, EPA released the proposed rule under Section 111(d) of the

CAA to establish GHG performance standards for existing EGUs. The proposed rule would require state-specific CO_2 emission reduction goals based on EPA's finding of the best system of emissions reductions ("BSER"). States would be required to meet both an interim goal from 2020 to 2029 and a final goal beginning in 2030. The proposed BSER is based on four "building blocks": 1) a 6% heat rate improvement to coal-fired generation units; 2) a shift in electrical generation from coal-fired and oil/gas-fired EGUs to natural gas combined cycle units ("NGCCs") such that the NGCCs are at a 70% utilization rate; 3) substitution of fossil fuel generation with renewable resources and new nuclear facilities, and extension of life of about 6% of existing nuclear plants that may be retired; and 4) increases to demand-side energy efficiency programs. States would be required to develop SIPs to reach the CO_2 emission reduction goals. The SIPs would need to include enforceable CO_2 emission limits that apply to the affected EGUs within the state. EPA is proposing to allow flexibility in how each state achieves the goal including an option to use either a rate-based or mass-based standard and to develop multi-state compliance plans. State SIPs would be due June 30, 2016 with the possibility of an extension to 2017 if a state needs additional time or 2018 if states choose to enter a multi-state approach. Comments on the proposed rule were originally due on or before October 16, 2014, which has been extended to December 1, 2014.

Also on June 2, 2014, EPA proposed carbon pollution standards for modified and reconstructed EGUs. Under the proposal rule there are two alternatives for EGUs: 1) a CO_2 emission limit based on the unit's best historic annual CO_2 emissions plus an additional 2% reduction or 2) an emission limit dependent on when the unit is modified. Sources modified before becoming subject to a section 111(d) plan would be required to meet an emission limit determined by the unit's best historical annual CO_2 emission rate plus an additional 2% emission reduction. Units modified after becoming subject to a section 111(d) plan would be required to meet a unit-specific emission limit determined by the section 111(b) implementing authority.

On October 28, 2014, EPA issued a supplemental rule proposing CO_2 emission rates for U.S. territories and areas of Indian country with existing fossil fuel-fired EGUs, as well as guidelines for plans to achieve those rates. The supplemental proposal would apply to Four Corners, which is located on the Navajo Nation. With respect to this plant, EPA applied the four building blocks described in its June 18, 2014 CAA Section 111(d) proposal to establish interim and final goals, expressed as CO_2 emission rates. APS has indicated that if the rule is finalized as proposed, it is unlikely that additional emission reductions would be required as a result of the plant's past and future actions to comply with the requirements for BART.

EPA regulation of GHG from large stationary sources will impact PNM's fossil-fueled EGUs. Impacts could involve investments in additional renewables, efficiency improvements, and/or control technologies at the fossil-fueled EGUs. In setting existing source standards, EPA has historically used technology-based performance standards on emission rates. The only end-of-pipe emission control technology for coal and gas fired power plants available for GHG reduction is carbon capture and sequestration, which is not yet a commercially demonstrated technology. There are limited efficiency enhancement measures that may be available to a subset of the existing EGUs; however, such measures would provide only marginal GHG improvements. Additional GHG control technologies for existing EGUs may become viable in the future. The costs of such improvements or technologies could impact the economic viability of some plants.

The ultimate impact of EPA's regulation of GHG to PNM is unknown because the regulatory requirements, including NSPS requirements, are in draft form and since existing power plants will be regulated by state plans that will not be finalized for several years. PNM estimates that implementation of the RSIP for BART at SJGS, which requires the installation of SNCRs on Units 1 and 4 by the later of January 2016 or 15 months after EPA approval of the RSIP and the retirement of SJGS Units 2 and 3 by the end of 2017, should provide a significant step towards compliance with Section 111(d). PNM is currently reviewing the proposed Section 111(d) rule and is unable to predict the impact of this rule on its fossil fueled generation.

Federal Legislation

Prospects for enactment of legislation imposing a new or enhanced regulatory program to address climate change in Congress are unlikely in 2014 or 2015, although there is growing interest among some policymakers in addressing climate change and there may be legislation in the future. Instead, EPA is the primary venue for GHG regulation in the near future, especially for coal-fired units. PNM has assessed, and continues to assess, the impacts of potential climate change legislation or regulation on its business. This assessment is ongoing and future changes arising out of the legislative or regulatory process could impact the assessment significantly. PNM's assessment includes assumptions regarding the specific GHG limits, the timing of implementation of these limits, the possibility of a cap and trade program including the associated costs and the availability of offsets, the development of technologies for renewable energy and to reduce emissions, and provisions for cost containment. Moreover, the assessment assumes various market reactions such as the price of coal and gas and regional plant economics. These assumptions, at best, are preliminary and speculative. However, based upon these assumptions, the enactment of climate change legislation could, among other things, result in significant compliance costs, including large capital expenditures by PNM, and could jeopardize

the economic viability of certain generating facilities. See Note 11. In turn, these consequences could lead to increased costs to customers and affect results of operations, cash flows, and financial condition if the incurred costs are not fully recovered through regulated rates. Higher rates could also contribute to reduced usage of electricity. PNM's assessment process is ongoing, but too preliminary and speculative at this time for the meaningful prediction of financial impact.

State and Regional Activity

Pursuant to New Mexico law, each utility must submit an IRP to the NMPRC every three years to evaluate renewable energy, energy efficiency, load management, distributed generation, and conventional supply-side resources on a consistent and comparable basis. The IRP is required to take into consideration risk and uncertainty of fuel supply, price volatility, and costs of anticipated environmental regulations when evaluating resource options to meet supply needs of the utility's customers. The NMPRC requires that New Mexico utilities factor a standardized cost of carbon emissions into their IRPs using prices ranging between $8 and $40 per metric ton of CO_2 emitted and escalating these costs by 2.5% per year. Under the NMPRC order, each utility must analyze these standardized prices as projected operating costs. Reflecting the developing nature of this issue, the NMPRC order states that these prices may be changed in the future to account for additional information or changed circumstances. However, PNM is required to use these prices for purposes of its IRP, and the prices may not reflect the costs that it ultimately will incur. PNM's IRP filed with the NMPRC on July 1, 2014 showed that consideration of carbon emissions costs impacted the projected in-service dates of some of the identified resources.

In recent years, New Mexico adopted regulations, which have since been repealed, that would directly limit GHG from larger sources, including EGUs, through a regional GHG cap and trade program and that would cap GHG from larger sources such as EGUs. Although these rules have been repealed, PNM cannot rule out future state legislative or regulatory initiatives to regulate GHG.

On August 2, 2012, thirty-three New Mexico organizations representing public health, business, environmental, consumers, Native American, and other interested parties filed a petition for rulemaking with the NMPRC. The petition asked the NMPRC to issue a NOPR regarding the implementation of an Optional Clean Energy Standard for electric utilities located in New Mexico. The proposed standard would have utilities that elect to participate reduce their CO_2 emissions by 3% per year. Utilities that opt into the program would be assured recovery of their reasonable compliance costs. On October 4, 2012, the NMPRC held a workshop to discuss the proposed standard and whether it has authority to proceed with the NOPR. On August 28, 2013, the petitioners amended the August 2, 2012 petition and requested that the NMPRC issue a NOPR to implement a "Carbon Risk Reduction Rule" for electric utilities in New Mexico. The proposed rule would require affected utilities to demonstrate a 3% per year CO_2 emission reduction from a three-year average baseline period between 2005 and 2012. The proposed rule would use a credit system that provides credits for electricity production based on how much less than one metric ton of CO_2 per MWh the utility emits. Credits would be retired such that 3% per year reductions are achieved from the baseline year until 2035 unless a participating utility elects to terminate the program at the end of 2023. Credits would not expire and could be banked. An advisory committee of interested stakeholders would monitor the program. In addition, utilities would be allowed to satisfy their obligations by funding NMPRC approved energy efficiency programs. There has been no further action on this matter at the NMPRC.

International Accords

The United Nations Framework Convention on Climate Change ("UNFCCC") is an international environmental treaty that was produced at the United Nations Conference on Environment and Development (informally known as the Earth Summit). Since the UNFCCC entered into force in March 1994, the parties, including the United States, have been meeting annually in Conferences of the Parties ("COP") to assess progress in dealing with climate change and, beginning in the mid-1990s, to negotiate the Kyoto Protocol to establish legally binding obligations for developed countries to reduce their GHG. Specifically, the objective is to "stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system." The Company monitors the proceedings of the UNFCCC, including the annual COP meetings, to determine potential impacts to its business activities. At the COP meeting in 2011, participating nations, including the United States, agreed that in 2015, they would sign an international treaty requiring all nations to begin reducing carbon emissions by 2020. Known as the Durban Platform for Enhanced Action, the new treaty would supplant the Kyoto Protocol, which was adopted in 1997, that targeted only industrialized nations for mandatory climate emission reductions. The Obama administration plans to release its commitment in March of 2015 and the treaty is scheduled to be finalized in late 2015. PNM will continue to monitor the United States participation in international accords. However, the Company believes that the Obama administration's target will be based on EPA's current proposals to regulate carbon and that implementation of the RSIP for BART at SJGS should provide a significant step towards compliance with the requirements.

Transmission Issues

At any given time, FERC has various notices of inquiry and rulemaking dockets related to transmission issues pending. Such actions may lead to changes in FERC administrative rules or ratemaking policy, but have no time frame in which action must be taken or a docket closed with no further action. Further, such notices and rulemaking dockets do not apply strictly to PNM, but will have industry-wide effects in that they will apply to all FERC-regulated entities. PNM monitors and often submits comments taking a position in such notices and rulemaking dockets or may join in larger group responses. PNM often cannot determine the full impact of a proposed rule and policy change until the final determination is made by FERC and PNM is unable to predict the outcome of these matters.

On November 24, 2009, FERC issued Order 729 approving two Modeling, Data, and Analysis Reliability Standards ("Reliability Standards") submitted by NERC – MOD-001-1 (Available Transmission System Capability) and MOD-029-1 (Rated System Path Methodology). Both MOD-001-1 and MOD-029-1 require a consistent approach, provided for in the Reliability Standards, to measuring the total transmission capability ("TTC") of a transmission path. The TTC level established using the two Reliability Standards could result in a reduction in the available transmission capacity currently used by PNM to deliver generation resources necessary for its jurisdictional load and for fulfilling its obligations to third-party users of the PNM transmission system.

During the first quarter of 2011, at the request of PNM and other southwestern utilities, NERC advised all transmission owners and transmission service providers that the implementation of portions of the MOD-029 methodology for "Flow Limited" paths has been delayed until such time as a modification to the standard can be developed that will mitigate the technical concerns identified by the transmission owners and transmission service providers. PNM and other western utilities filed a Standards Action Request with NERC in the second quarter of 2012.

NERC initiated an informal development process to address directives in Order No. 729 to modify certain aspects of the MOD standards, including MOD-001 and MOD-029. The modifications to this standard would retire MOD-029 and require each transmission operator to determine and develop methodology for TTC values for MOD-001.

A final ballot for MOD-001-2 concluded on December 20, 2013 and received sufficient affirmative votes for approval. On February 10, 2014, NERC filed with FERC a petition for approval of MOD-001-2 and retirement of reliability standards MOD-001-1a, MOD-004-1, MOD-008-1, MOD-028-2, MOD-029-1a, and MOD-030-2. On June 19, 2014, FERC issued a NOPR to approve a new reliability standard. The MOD-001-2 standard will become effective on the first day of the calendar quarter that is 18 months after the date the standard is approved by FERC. MOD-001-2 will replace multiple existing reliability standards and will remove the risk of reduced TTC for PNM and other western utilities.

In July 2011, FERC issued Order 1000 adopting new requirements for transmission planning, cost allocation, and development. Order 1000 calls for significant changes to the transmission process of WestConnect, an organization of utility companies providing transmission of electricity in the western region that includes PNM. On October 11, 2012, PNM and other WestConnect participants filed modified versions of Attachment K to their transmission tariffs to meet Order 1000 regional compliance requirements. Thirteen intervention motions were filed, with several objecting to and/or protesting various provisions of the filings submitted by the WestConnect participants. On December 17, 2012, the WestConnect participants filed responses to the issues raised by the intervenors. On March 22, 2013, FERC issued its order regarding PNM's and six other WestConnect FERC jurisdictional utilities compliance filings. FERC partially accepted many aspects of the filings including the governance structure that gives the transmission owners a veto authority over the regional plan and cost allocations. A major change directed by FERC is the requirement that the cost allocations be binding on identified beneficiaries and that a process be created that will result in a qualified developer being selected. PNM and the other WestConnect FERC jurisdictional entities submitted their regional compliance filings on September 20, 2013 to address and comply with the March 22, 2013 FERC order. On July 11, 2013, the WestConnect participants submitted their cost allocation and inter-regional coordination plan compliance filing between WestConnect and other regions. On September 18, 2014, FERC issued its order regarding PNM's and six other WestConnect FERC jurisdictional utilities' compliance filings. The WestConnect members are evaluating the order and will be required to make a compliance filing on or before November 17, 2014 to address its requirements.

Financial Reform Legislation

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Reform Act"), enacted in July 2010, includes provisions that will require certain over-the-counter derivatives, or swaps, to be centrally cleared and executed through an exchange or other approved trading facility. It also includes provisions related to swap transaction reporting and record keeping

and may impose margin requirements on swaps that are not centrally cleared. The United States Commodity Futures Trading Commission ("CFTC") has published final rules defining several key terms related to the act and has set compliance dates for various types of market participants. The Dodd-Frank Reform Act provides exemptions from certain requirements, including an exception to the mandatory clearing and swap facility execution requirements for commercial end-users that use swaps to hedge or mitigate commercial risk. PNM expects to qualify for this exception. PNM also expects to be able to comply with its requirements under the Dodd-Frank Reform Act and related rules within the time frames required by the CFTC. However, as a result of the Dodd-Frank Reform Act and related rules, PNM's swap activities could be subject to increased costs, including from higher margin requirements. In addition, implementation of, and compliance with, the swaps provisions of the Dodd-Frank Reform Act and related rules by PNM's swap counterparties could result in increased costs. At this time, PNM cannot predict the ultimate impact the Dodd-Frank Reform Act may have on PNM's financial condition, results of operations, cash flows, or liquidity.

Other Matters

On March 25, 2013, a petition was filed by IBEW Local 66 with the National Labor Relations Board seeking to certify a union at TNMP for utility workers. On April 12, 2013, a second petition was filed by IBEW Local 66 with the National Labor Relations Board seeking to certify a union at TNMP for meter technicians, who were not included in the original petition. Approximately 200 employees were covered by the petitions. Elections to determine whether the IBEW would represent the employees were held in May 2013. The employees voted to unionize through both petitions and contract negotiations have begun. Subsequently, on June 25, 2013, a third petition was filed by IBEW Local 66 with the National Labor Relations Board seeking to include a group of three relay technicians, who were not included in the original petition. In August 2013, the relay technicians voted to unionize and contract negotiations have begun. As of September 30, 2014, TNMP had 190 employees represented by IBEW Local 66. The parties are still in negotiations on a collective bargaining agreement.

See Notes 11 and 12 herein and Notes 16 and 17 of the Notes to Consolidated Financial Statements in the 2013 Annual Reports on Form 10-K for a discussion of commitments and contingencies and rate and regulatory matters.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires Company management to select and apply accounting policies that best provide the framework to report the results of operations and financial position for PNMR, PNM, and TNMP. The selection and application of those policies requires management to make difficult, subjective, and/or complex judgments concerning reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. As a result, there exists the likelihood that materially different amounts would be reported under different conditions or using different assumptions.

As of September 30, 2014, there have been no significant changes with regard to the critical accounting policies disclosed in PNMR's, PNM's, and TNMP's 2013 Annual Reports on Forms 10-K. The policies disclosed included unbilled revenues, regulatory accounting, impairments, decommissioning and reclamation costs, derivatives, pension and other postretirement benefits, accounting for contingencies, income taxes, and market risk.

MD&A FOR PNM

RESULTS OF OPERATIONS

PNM operates in only one reportable segment, as presented above in Results of Operations for PNMR.

MD&A FOR TNMP

RESULTS OF OPERATIONS

TNMP operates in only one reportable segment, as presented above in Results of Operations for PNMR.

DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

Statements made in this filing that relate to future events or PNMR's, PNM's, or TNMP's 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 flows, 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, including treatment of SJGS Units 2 and 3 at the date of their proposed early retirement as contemplated in the stipulated settlement pending before the NMPRC in connection with the RSIP to comply with the regional haze provisions of the CAA
- The ability of the Company to successfully forecast and manage its operating and capital expenditures
- State and federal regulation or legislation relating to environmental matters, including the RSIP for SJGS's compliance with the CAA, the resultant costs of compliance, and other impacts on the operations and economic viability of PNM's generating plants
- Uncertainty surrounding the status of PNM's participation in jointly-owned generation projects resulting from the scheduled expiration of the operational agreements for SJGS and Four Corners, as well as the fuel supply agreement for SJGS, including potential restructuring and approval issues at SJGS and Four Corners necessary for operational and environmental compliance matters
- Physical and operational risks related to climate change and potential financial risks resulting from climate change litigation and legislative and regulatory efforts to limit GHG
- 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, competition, and other changes in supply and demand
- State and federal regulatory, legislative, and judicial decisions and actions on ratemaking, tax, and other matters
- 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 performance of generating units, transmission systems, and distribution systems, which could be negatively affected by operational issues, unplanned outages, extreme weather conditions, terrorism, cybersecurity breaches, and other catastrophic events
- 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, including the ability of the mines supplying coal to PNM's coal-fired generating units and the companies involved in supplying nuclear fuel to provide adequate quantities of fuel
- 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
- The risk that reliability standards regarding available transmission capacity and other FERC rulemakings may negatively impact the operation of PNM's transmission system
- 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 decommissioning, reclamation, pension benefits, and other post employment benefits
- Commodity and counterparty credit risk transactions and the effectiveness of risk management
- The outcome of legal proceedings, including the extent of insurance coverage
- Changes in applicable accounting principles or policies

Any material changes to risk factors occurring after the filing of PNMR's, PNM's, and TNMP's 2013 Annual Reports on Form 10-K are disclosed in Item 1A, Risk Factors, in Part II of this Form 10-Q.

For information about the risks associated with the use of derivative financial instruments, see Item 3. "Quantitative and Qualitative Disclosures About Market Risk."

SECURITIES ACT DISCLAIMER

Certain securities described or cross-referenced in this report have not been registered under the Securities Act of 1933, as amended, or any state securities laws and may not be reoffered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. This Form 10-Q does not constitute an offer to sell or the solicitation of an offer to buy any securities.

WEBSITES

The PNMR website, www.pnmresources.com, is an important source of Company information. New or updated information for public access is routinely posted. PNMR encourages analysts, investors, and other interested parties to register on the website to automatically receive Company information by e-mail. This information includes news releases, notices of webcasts, and filings with the SEC. Participants can unsubscribe at any time and will not receive information that was not requested.

Our Internet addresses are:

- PNMR: www.pnmresources.com
- PNM: www.pnm.com
- TNMP: www.tnmp.com

The contents of these websites are not a part of this Form 10-Q. The SEC filings of PNMR, PNM, and TNMP, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are accessible free of charge on the PNMR website as soon as reasonably practicable after they are filed with, or furnished to, the SEC. These reports are also available in print upon request from PNMR free of charge.

Also available on the Company's website at www.pnmresources.com/investors/governance.cfm and in print upon request from any shareholder are our:

- Corporate Governance Principles
- Code of Ethics (*Do the Right Thing – Principles of Business Conduct*)
- Charters of the Audit and Ethics Committee, Nominating and Governance Committee, Compensation and Human Resources Committee, and Finance Committee

The Company will post amendments to or waivers from its code of ethics (to the extent applicable to the Company's executive officers and directors) on its website.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company manages the scope of its various forms of risk through a comprehensive set of policies and procedures with oversight by senior level management through the RMC. The Board's Finance Committee sets the risk limit parameters. The RMC has oversight over the risk control organization. The RMC is assigned responsibility for establishing and enforcing the policies, procedures and limits and evaluating the risks inherent in proposed transactions on an enterprise-wide basis. The RMC's responsibilities include:

- Establishing policies regarding risk exposure levels and activities in each of the business segments
- Approving the types of derivatives entered into for hedging
- Reviewing and approving hedging risk activities
- Establishing policies regarding counterparty exposure and limits
- Authorizing and delegating transaction limits
- Reviewing and approving controls and procedures for derivative activities
- Reviewing and approving models and assumptions used to calculate mark-to-market and market risk exposure
- Proposing risk limits to the Board's Finance Committee for its approval
- Quarterly reporting to the Board's Audit and Finance Committees on these activities

To the extent an open position exists, fluctuating commodity prices, interest rates, equity prices, and economic conditions can impact financial results and financial position, either favorably or unfavorably. As a result, the Company cannot predict with

certainty the impact that its risk management decisions may have on its businesses, operating results, or financial position.

Commodity Risk

Information concerning accounting for derivatives and the risks associated with commodity contracts is set forth in Note 7, including a summary of the fair values of mark-to-market energy related derivative contracts included in the Condensed Consolidated Balance Sheets. During the nine months ended September 30, 2014 and the year ended December 31, 2013, the Company had no commodity derivative instruments designated as cash flow hedging instruments.

Commodity contracts, other than those that do not meet the definition of a derivative under GAAP, and those derivatives designated as normal purchases and normal sales, are recorded at fair value on the Condensed Consolidated Balance Sheets. The following table details the changes in PNMR's net asset or liability balance sheet position for mark-to-market energy transactions.

	Nine Months Ended September 30,	
	2014	2013
Economic Hedges	(In thousands)	
Sources of fair value gain (loss):		
Net fair value at beginning of period	$ 3,273	$ 1,204
Amount realized on contracts delivered during period	2,005	(306)
Changes in fair value	(1,938)	6,164
Net mark-to-market change recorded in earnings	67	5,858
Net change recorded as regulatory assets and liabilities	(166)	601
Net fair value at end of period	$ 3,174	$ 7,663

The following table provides the maturity of PNMR's net assets (liabilities), giving an indication of when these mark-to-market amounts will settle and generate (use) cash.

Fair Value of Mark-to-Market Instruments at September 30, 2014

	Settlement Dates		
	2014	2015	2016
	(In thousands)		
Economic hedges			
Prices actively quoted	$ —	$ —	$ —
Prices provided by other external sources	586	2,963	(375)
Prices based on models and other valuations	—	—	—
Total	$ 586	$ 2,963	$ (375)

PNM measures the market risk of its long-term contracts and wholesale activities using a Monte Carlo VaR simulation model to report the possible loss in value from price movements. VaR is not a measure of the potential accounting mark-to-market loss. The quantitative risk information is limited by the parameters established in creating the model. The Monte Carlo VaR methodology employs the following critical parameters: historical volatility estimates, market values of all contractual commitments, a three-day holding period, seasonally adjusted and cross-commodity correlation estimates, and a 95% confidence level. The instruments being evaluated may trigger a potential loss in excess of calculated amounts if changes in commodity prices exceed the confidence level of the model used.

PNM measures VaR for the positions in its wholesale portfolio (not covered by the FPPAC). For the nine months ended September 30, 2014, the high, low, and average VaR amounts were $1.3 million, $0.6 million, and $0.9 million. For the year ended December 31, 2013, the high, low, and average VaR amounts were $1.4 million, $0.6 million, and $0.9 million. At September 30, 2014 and December 31, 2013, the VaR amounts for the PNM wholesale portfolio were $0.9 million and $0.6 million.

The VaR limits, which were not exceeded during the nine months ended September 30, 2014 or the year ended December 31, 2013, represent an estimate of the potential gains or losses that could be recognized on the Company's portfolios, subject to market

risk, given current volatility in the market, and are not necessarily indicative of actual results that may occur, since actual future gains and losses will differ from those estimated. Actual gains and losses may differ due to actual fluctuations in market prices, operating exposures, and the timing thereof, as well as changes to the underlying portfolios during the year.

Credit Risk

The Company is exposed to credit risk from its retail and wholesale customers, as well as the counterparties to derivative instruments. The Company conducts counterparty risk analysis across business segments and uses a credit management process to assess the financial conditions of counterparties. The following table provides information related to PNMR's credit exposure by the credit worthiness (credit rating) and concentration of credit risk for counterparties to derivative transactions. All credit exposures at September 30, 2014 will mature in less than two years.

Schedule of Credit Risk Exposure
September 30, 2014

Rating [1]	Credit Risk Exposure[2]	Number of Counter-parties >10%	Net Exposure of Counter-parties >10%
	(Dollars in thousands)		
External ratings:			
Investment grade	$ 7,408	1	$ 6,436
Non-investment grade	—	—	—
Internal ratings:			
Investment grade	145	—	—
Non-investment grade	121	—	—
Total	$ 7,674		$ 6,436

(1) The rating "Investment Grade" is for counterparties, or a guarantor, with a minimum S&P rating of BBB- or Moody's rating of Baa3. The category "Internal Ratings – Investment Grade" includes those counterparties that are internally rated as investment grade in accordance with the guidelines established in the Company's credit policy.

(2) The Credit Risk Exposure is the gross credit exposure, including long-term contracts (other than firm-requirements wholesale customers), forward sales, and short-term sales. The exposure captures the amounts from receivables/payables for realized transactions, delivered and unbilled revenues, and mark-to-market gains/losses. Gross exposures can be offset according to legally enforceable netting arrangements but are not reduced by posted credit collateral. At September 30, 2014, PNMR held $0.2 million of cash collateral to offset its credit exposure.

Net credit risk for the Company's largest counterparty as of September 30, 2014 was $6.4 million.

The PVNGS lessor notes are not exposed to credit risk, since the notes are repaid as PNM makes payments on the underlying leases. Other investments have no significant counterparty credit risk.

Interest Rate Risk

The majority of the Company's long-term debt is fixed-rate debt and does not expose earnings to a major risk of loss due to adverse changes in market interest rates. However, the fair value of PNMR's consolidated long-term debt instruments would increase by 2.0%, or $41.5 million, if interest rates were to decline by 50 basis points from their levels at September 30, 2014. In general, an increase in fair value would impact earnings and cash flows to the extent not recoverable in rates if all or a portion of debt instruments were acquired in the open market prior to their maturity. At October 24, 2014, PNMR, PNM, and TNMP had no short term debt outstanding under their revolving credit facilities, which allow for a maximum aggregate borrowing capacity of $300.0 million for PNMR, $400.0 million for PNM, and $75.0 million for TNMP. PNM had no borrowings under its $50.0 million PNM New Mexico Credit Facility at October 24, 2014. The revolving credit facilities, the PNM New Mexico Credit Facility, the $175.0 million PNM 2014 Term Loan Agreement, and the $100.0 million PNMR Term Loan Agreement bear interest

at variable rates, which averaged 1.01% for the PNMR Term Loan Agreement and 1.10% for the PNM 2014 Term Loan Agreement on October 24, 2014, and the Company is exposed to interest rate risk to the extent of future increases in variable interest rates.

The investments held by PNM in trusts for decommissioning and reclamation had an estimated fair value of $235.9 million at September 30, 2014, of which 42.0% were fixed-rate debt securities that subject PNM to risk of loss of fair value with movements in market interest rates. If interest rates were to increase by 50 basis points from their levels at September 30, 2014, the decrease in the fair value of the fixed-rate securities would be 3.5%, or $3.5 million.

PNM does not directly recover or return through rates any losses or gains on the securities, including equity investments discussed below, in the trusts for decommissioning and reclamation. However, the overall performance of these trusts does enter into the periodic determinations of expense and funding levels, which are factored into the rate making process to the extent applicable to regulated operations. PNM is at risk for shortfalls in funding of obligations due to investment losses, including those from the equity market risks discussed below to the extent not ultimately recovered through rates charged to customers.

Equity Market Risk

The investments held by PNM in trusts for decommissioning and reclamation include certain equity securities at September 30, 2014. These equity securities expose PNM to losses in fair value should the market values of the underlying securities decline. Equity securities comprised 56.6% of the securities held by various trusts as of September 30, 2014. A hypothetical 10% decrease in equity prices would reduce the fair values of these funds by $13.4 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As of the end of the period covered by this quarterly report, each of PNMR, PNM, and TNMP conducted an evaluation under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer of each of PNMR, PNM, and TNMP concluded that the disclosure controls and procedures are effective.

Changes in internal controls

There have been no changes in each of PNMR's, PNM's, and TNMP's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, each of PNMR's, PNM's, and TNMP's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Notes 11 and 12 for information related to the following matters, for PNMR, PNM, and TNMP, incorporated in this item by reference.

Note 11

- The Clean Air Act – Regional Haze – SJGS
- The Clean Air Act – Regional Haze – Four Corners
- The Clean Air Act – Four Corners BART FIP Challenge
- The Clean Air Act – Regional Haze Challenges
- The Clean Air Act – Citizen Suit Under the Clean Air Act
- The Clean Air Act – Four Corners Clean Air Act Lawsuit
- WEG v. OSM NEPA Lawsuit
- Navajo Nation Environmental Issues
- Santa Fe Generating Station

- Continuous Highwall Mining Royalty Rate
- SJCC Arbitration
- Four Corners Severance Tax Assessment
- PVNGS Water Supply Litigation
- San Juan River Adjudication
- Rights-of-Way Matter
- Complaint Against Southwestern Public Service Company
- Navajo Nation Allottee Matters

Note 12

- PNM – Renewable Portfolio Standard
- PNM – Energy Efficiency and Load Management
- PNM – FPPAC Continuation Application
- PNM – Integrated Resource Plan
- PNM – Applications for Approvals to Purchase Rio Bravo
- PNM – Application for Approval of La Luz Generating Station
- PNM – San Juan Generating Station Units 2 and 3 Retirement
- PNM – Formula Transmission Rate Case
- TNMP – Advanced Meter System Deployment
- TNMP – Energy Efficiency
- TNMP – Transmission Cost of Service Rates

See also Climate Change Issues under Other Issues Facing the Company in MD&A. The third paragraph under State and Regional Activity is incorporated in this item by reference.

ITEM 1A. RISK FACTORS

As of the date of this report, there have been no material changes with regard to the Risk Factors disclosed in PNMR's, PNM's, and TNMP's Annual Reports on Form 10-K for the year ended December 31, 2013.

ITEM 6. EXHIBITS

3.1	PNMR	Articles of Incorporation of PNMR, as amended to date (incorporated by reference to Exhibit 3.1 to PNMR's Current Report on Form 8-K filed November 21, 2008)
3.2	PNM	Restated Articles of Incorporation of PNM, as amended through May 31, 2002 (incorporated by reference to Exhibit 3.1.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002)
3.3	TNMP	Articles of Incorporation of TNMP, as amended through July 7, 2005 (incorporated by reference to Exhibit 3.1.2 to TNMP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005)
3.4	PNMR	Bylaws of PNMR, with all amendments to and including December 8, 2009 (incorporated by reference to Exhibit 3.1 to PNMR's Current Report on Form 8-K filed December 11, 2009)
3.5	PNM	Bylaws of PNM, with all amendments to and including May 31, 2002 (incorporated by reference to Exhibit 3.1.2 to PNM's Report on Form 10-Q for the fiscal quarter ended June 30, 2002)
3.6	TNMP	Bylaws of TNMP, with all amendments to and including June 18, 2013 (incorporated by reference to Exhibit 3.6 to TNMP's Current Report on Form 8-K filed June 20, 2013)
10.1	PNM	Amendment No. Six to Underground Coal Sales Agreement executed October 2, 2014 among San Juan Coal Company, PNM, and Tucson Electric Power Company and acknowledged by San Juan Transportation Company

10.2	PNM	San Juan Generation Station Fuel and Capital Funding Agreement dated September 12, 2014 among PNM, Tucson Electric Power Company, The City of Farmington, New Mexico, M-S-R Public Power Agency, The Incorporated County of Los Alamos, New Mexico, Southern California Public Power Authority, City of Anaheim, Utah Associated Municipal Power Systems, and Tri-State Generation and Transmission Association, Inc.
12.1	PNMR	Ratio of Earnings to Fixed Charges
12.2	PNM	Ratio of Earnings to Fixed Charges
12.3	TNMP	Ratio of Earnings to Fixed Charges
31.1	PNMR	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	PNMR	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	PNM	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4	PNM	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.5	TNMP	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.6	TNMP	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	PNMR	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	PNM	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.3	TNMP	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	PNMR, PNM, and TNMP	XBRL Instance Document
101.SCH	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Schema Document
101.CAL	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

PNM RESOURCES, INC.
PUBLIC SERVICE COMPANY OF NEW MEXICO
TEXAS-NEW MEXICO POWER COMPANY

(Registrants)

Date: October 31, 2014

/s/ Thomas G. Sategna

Thomas G. Sategna
Vice President and Corporate Controller
(Officer duly authorized to sign this report)

530 Schedule Q04 – Reports to Securities and Exchange Commission

December 31, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2013

Commission File Number	Names of Registrants, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
001-32462	PNM Resources, Inc. (A New Mexico Corporation) 414 Silver Ave. SW Albuquerque, New Mexico 87102-3289 (505) 241-2700	85-0468296
001-06986	Public Service Company of New Mexico (A New Mexico Corporation) 414 Silver Ave. SW Albuquerque, New Mexico 87102-3289 (505) 241-2700	85-0019030
002-97230	Texas-New Mexico Power Company (A Texas Corporation) 577 N. Garden Ridge Blvd. Lewisville, Texas 75067 (972) 420-4189	75-0204070

Securities Registered Pursuant To Section 12(b) Of The Act:

Registrant	Title of Each Class	Name of Each Exchange on Which Registered
PNM Resources, Inc.	Common Stock, no par value	New York Stock Exchange

Securities Registered Pursuant To Section 12(g) Of The Act:

Registrant	Title of Each Class
Public Service Company of New Mexico	1965 Series, 4.58% Cumulative Preferred Stock ($100 stated value without sinking fund)

Indicate by check mark whether each registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

PNM Resources, Inc. ("PNMR")	YES ✓	NO __
Public Service Company of New Mexico ("PNM")	YES __	NO ✓
Texas-New Mexico Power Company ("TNMP")	YES __	NO ✓

Indicate by check mark if each registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

PNMR	YES __	NO ✓
PNM	YES __	NO ✓
TNMP	YES ✓	NO __

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

PNMR	YES ✓	NO _
PNM	YES ✓	NO _
TNMP	YES _	NO ✓

(NOTE: As a voluntary filer, not subject to the filing requirements, TNMP filed all reports under Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months.)

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

PNMR	YES ✓	NO _
PNM	YES ✓	NO _
TNMP	YES ✓	NO _

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S–K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10–K or any amendment to this Form 10–K. _

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Act).

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller Reporting Company
PNMR	✓	—	—	—
PNM	—	—	✓	—
TNMP	—	—	✓	—

Indicate by check mark whether the registrants are a shell company (as defined in Rule 12b-2 of the Exchange Act). YES _ NO ✓

As of February 21, 2014, shares of common stock outstanding were:

PNMR	79,653,624
PNM	39,117,799
TNMP	6,358

On June 28, 2013, the aggregate market value of the voting common stock held by non-affiliates of PNMR as computed by reference to the New York Stock Exchange composite transaction closing price of $22.19 per share reported by The Wall Street Journal, was $1,767,513,917. PNM and TNMP have no common stock held by non-affiliates.

PNM AND TNMP MEET THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS (I) (1) (a) AND (b) OF FORM 10-K AND ARE THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION (I) (2).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following document are incorporated by reference into Part III of this report:

Proxy Statement to be filed by PNMR with the SEC pursuant to Regulation 14A relating to the annual meeting of stockholders of PNMR to be held on May 15, 2014.

This combined Form 10-K is separately filed by PNMR, PNM, and TNMP. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants. When this Form 10-K is incorporated by reference into any filing with the SEC made by PNMR, PNM, or TNMP, as a registrant, the portions of this Form 10-K that relate to each other registrant are not incorporated by reference therein.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

INDEX

	Page
GLOSSARY	iv
PART I	
ITEM 1. BUSINESS	A- 1
THE COMPANY	A- 1
WEBSITES	A- 1
OPERATIONS AND REGULATION	A- 2
REGULATED OPERATIONS	
PNM	A- 2
TNMP	A- 4
EXIT FROM COMPETITIVE BUSINESSES	
First Choice	A- 5
Optim Energy	A- 6
CORPORATE AND OTHER	A- 6
SOURCES OF POWER	A- 6
FUEL AND WATER SUPPLY	A- 9
ENVIRONMENTAL MATTERS	A- 11
COMPETITION	A- 11
EMPLOYEES	A- 11
DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS	A- 12
SECURITIES ACT DISCLAIMER	A- 13
ITEM 1A. RISK FACTORS	A- 13
ITEM 1B. UNRESOLVED STAFF COMMENTS	A- 20
ITEM 2. PROPERTIES	A- 20
ITEM 3. LEGAL PROCEEDINGS	A- 21
ITEM 4. MINE SAFETY DISCLOSURES	A- 21
SUPPLEMENTAL ITEM – EXECUTIVE OFFICERS OF PNM RESOURCES, INC.	A- 22
PART II	
ITEM 5. MARKET FOR PNMR'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	A- 23
ITEM 6. SELECTED FINANCIAL DATA	A- 24
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	A- 28
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK	A- 57
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	B- 1
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	C- 1
ITEM 9A. CONTROLS AND PROCEDURES	C- 1
ITEM 9B. OTHER INFORMATION	C- 2
PART III	
ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERANCE	C- 2
ITEM 11. EXECUTIVE COMPENSATION	C- 2
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	C- 2
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	C- 2
ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES	C- 2
PART IV	
ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES	D- 1
SIGNATURES	E-1

GLOSSARY

Definitions:

ABO	Accumulated Benefit Obligation
Afton	Afton Generating Station
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
AMS	Advanced Meter System
AOCI	Accumulated Other Comprehensive Income
APBO	Accumulated Postretirement Benefit Obligation
APS	Arizona Public Service Company, which is the operator and a co-owner of PVNGS and Four Corners
ARO	Asset Retirement Obligation
BACT	Best Available Control Technology
BART	Best Available Retrofit Technology
BHP	BHP Billiton, Ltd, the parent of SJCC
Board	Board of Directors of PNMR
BTU	British Thermal Unit
CAA	Clean Air Act
Cascade	Cascade Investment, L.L.C.
CCB	Coal Combustion Byproducts
CCN	Certificate of Convenience and Necessity
CO_2	Carbon Dioxide
CTC	Competition Transition Charge
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
Delta	Delta-Person Generating Station
DOE	United States Department of Energy
DOI	United States Department of Interior
ECJV	ECJV Holdings, LLC
EGU	Electric Generating Unit
EIB	New Mexico Environmental Improvement Board
EIP	Eastern Interconnection Project
EPA	United States Environmental Protection Agency
EPE	El Paso Electric
ERCOT	Electric Reliability Council of Texas
ESA	Endangered Species Act
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIP	Federal Implementation Plan
First Choice	FCP Enterprises, Inc. and Subsidiaries
Four Corners	Four Corners Power Plant
FPL	FPL Energy New Mexico Wind, LLC
FPPAC	Fuel and Purchased Power Adjustment Clause
GAAP	Generally Accepted Accounting Principles in the United States of America
Gallup	City of Gallup, New Mexico
GHG	Greenhouse Gas Emissions
GWh	Gigawatt hours
IBEW	International Brotherhood of Electrical Workers
IRP	Integrated Resource Plan
IRS	Internal Revenue Service

KW	Kilowatt
KWh	Kilowatt Hour
LIBOR	London Interbank Offered Rate
Lightning Dock Geothermal	Lightning Dock geothermal power facility, also known as the Dale Burgett Geothermal Plant
Lordsburg	Lordsburg Generating Station
Luna	Luna Energy Facility
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MMBTU	Million BTUs
Moody's	Moody's Investor Services, Inc.
MW	Megawatt
MWh	Megawatt Hour
NAAQS	National Ambient Air Quality Standards
Navajo Acts	Navajo Nation Air Pollution Prevention and Control Act, Navajo Nation Safe Drinking Water Act, and Navajo Nation Pesticide Act
NDT	Nuclear Decommissioning Trusts for PVNGS
NEC	Navopache Electric Cooperative, Inc.
NERC	North American Electric Reliability Council
New Mexico Wind	New Mexico Wind Energy Center
Ninth Circuit	United States Court of Appeals for the Ninth Circuit
NMAG	New Mexico Attorney General
NMED	New Mexico Environment Department
NMIEC	New Mexico Industrial Energy Consumers Inc.
NMPRC	New Mexico Public Regulation Commission
NOx	Nitrogen Oxides
NOI	Notice of Inquiry
NOPR	Notice of Proposed Rulemaking
NRC	United States Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NSR	New Source Review
OCI	Other Comprehensive Income
OPEB	Other Post Employment Benefits
Optim Energy	Optim Energy, LLC, a limited liability company, formerly known as EnergyCo, LLC
OSM	United States Office of Surface Mining Reclamation and Enforcement
PBO	Projected Benefit Obligation
PCRBs	Pollution Control Revenue Bonds
PG&E	Pacific Gas and Electric Co.
PNM	Public Service Company of New Mexico and Subsidiaries
PNM New Mexico Credit Facility	PNM's $50.0 Million Unsecured Revolving Credit Facility
PNM Revolving Credit Facility	PNM's $400.0 Million Unsecured Revolving Credit Facility
PNM Term Loan Agreement	PNM's $75.0 Million Unsecured Term Loan Facility
PNMR	PNM Resources, Inc. and Subsidiaries
PNMR Revolving Credit Facility	PNMR's $300.0 Million Unsecured Revolving Credit Facility
PNMR Term Loan Agreement	PNMR's $100.0 Million Unsecured Term Loan Facility
PPA	Power Purchase Agreement
PSD	Prevention of Significant Deterioration
PUCT	Public Utility Commission of Texas

PV	Photovoltaic
PVNGS	Palo Verde Nuclear Generating Station
RCRA	Resource Conservation and Recovery Act
RCT	Reasonable Cost Threshold
REA	New Mexico's Renewable Energy Act of 2004
REC	Renewable Energy Certificates
Red Mesa Wind	Red Mesa Wind Energy Center
REP	Retail Electricity Provider
RMC	Risk Management Committee
RPS	Renewable Energy Portfolio Standard
SCE	Southern California Edison Company
SCPPA	Southern California Public Power Authority
SCR	Selective Catalytic Reduction
SEC	United States Securities and Exchange Commission
SIP	State Implementation Plan
SJCC	San Juan Coal Company
SJGS	San Juan Generating Station
SJPPA	San Juan Project Participation Agreement
SNCR	Selective Non-Catalytic Reduction
SO_2	Sulfur Dioxide
SPS	Southwestern Public Service Company
SRP	Salt River Project
S&P	Standard and Poor's Ratings Services
TCEQ	Texas Commission on Environmental Quality
TECA	Texas Electric Choice Act
Tenth Circuit	United States Court of Appeals for the Tenth Circuit
TNMP	Texas-New Mexico Power Company and Subsidiaries
TNMP 2011 Term Loan Agreement	TNMP's $50.0 Million Secured Term Loan
TNMP Revolving Credit Facility	TNMP's $75.0 Million Secured Revolving Credit Facility
TNP	TNP Enterprises, Inc. and Subsidiaries
Tri-State	Tri-State Generation and Transmission Association, Inc.
Tucson	Tucson Electric Power Company
UAMPS	Utah Associated Municipal Power System
Valencia	Valencia Energy Facility
VaR	Value at Risk
WACC	Weighted Average Cost of Capital
WEG	WildEarth Guardians
WSPP	Western Systems Power Pool

PART I

ITEM 1. BUSINESS

THE COMPANY

Overview

PNMR is an investor-owned holding company of utilities providing electricity and electric services in New Mexico and Texas. With PNMR's exit from its unregulated businesses in 2011, PNMR is now positioned as a holding company of regulated electric utilities focused on achieving the following strategic goals:

- Earning authorized returns on its regulated businesses
- Continuing to improve credit ratings
- Providing a top quartile total return to investors

PNMR's success in accomplishing these strategic goals is highly dependent on continued favorable regulatory treatment for its regulated utilities. Both PNM and TNMP seek cost recovery for their investments through general rate cases and various rate riders. In Texas, the PUCT has approved mechanisms that allow for recovery of capital invested in transmission and distribution projects without having to file a general rate case. In 2011, PNM and TNMP completed general rate proceedings before their state regulators. In August 2012, PNM implemented a rate rider to collect renewable energy procurement costs that are not otherwise being collected in rates. On January 2, 2013, FERC approved a settlement for an increase in rates PNM charges its transmission customers and, in December 2012, PNM filed for an additional increase in rates charged to those customers based on a formula rate methodology, which is pending before FERC. In April 2013, PNM received FERC approval of a settlement for an increase in rates charged to NEC, its largest firm-requirements wholesale customer. PNM also reached agreement with Gallup, its second largest firm-requirements wholesale customer, to increase rates and extend the contract through June 30, 2014. TNMP received PUCT approvals to increase rates to reflect increases in its transmission cost of service in September 2012, March 2013, and September 2013. Additional information about rate filings is provided in Operations and Regulation below and in Note 17.

PNMR's common stock trades on the New York Stock Exchange under the symbol PNM. PNMR was incorporated in the State of New Mexico in 2000.

Other Information

These filings for PNMR, PNM, and TNMP include disclosures for each entity. For discussion purposes, this report uses the term "Company" when discussing matters of common applicability to PNMR, PNM, and TNMP. Discussions regarding only PNMR, PNM, or TNMP will be indicated as such. A reference to "MD&A" in this report refers to Part II, Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations. A reference to a "Note" refers to the accompanying Notes to Consolidated Financial Statements.

Financial information relating to amounts of revenue, net income, and total assets of reportable segments is contained in MD&A and Note 2.

WEBSITES

The PNMR website, www.pnmresources.com, is an important source of Company information. New or updated information for public access is routinely posted. PNMR encourages analysts, investors, and other interested parties to register on the website to automatically receive Company information by e-mail. This information includes news releases, notices of webcasts, and filings with the SEC. Participants can unsubscribe at any time and will not receive information that was not requested.

Our Internet addresses are:

- PNMR: www.pnmresources.com
- PNM: www.pnm.com
- TNMP: www.tnmp.com

The contents of these websites are not a part of this Form 10-K. The SEC filings of PNMR, PNM, and TNMP, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are accessible free of charge on the PNMR website as soon as reasonably practicable after they are filed with, or furnished to, the SEC. These reports are also available in print upon request from PNMR free of charge.

Also available on the Company's website at www.pnmresources.com/investors/governance.cfm and in print upon request from any shareholder are our:

- Corporate Governance Principles
- Code of Ethics (*Do the Right Thing-Principles of Business Conduct*)
- Charters of the Audit and Ethics Committee, Nominating and Governance Committee, Compensation and Human Resources Committee, and Finance Committee

The Company will post amendments to or waivers from its code of ethics (to the extent applicable to the Company's executive officers and directors) on its website.

OPERATIONS AND REGULATION

Regulated Operations

PNM

PNM is an electric utility that provides electric generation, transmission, and distribution service to its rate-regulated customers. In New Mexico, the utility's retail electric service territory covers a large area of north central New Mexico, including the cities of Albuquerque, Rio Rancho, and Santa Fe, and certain areas of southern New Mexico. PNM also provides electricity to firm-requirements wholesale customers in New Mexico and Arizona. Service to retail electric customers is subject to the jurisdiction of the NMPRC. Service to wholesale customers is regulated by FERC. Regulation encompasses the utility's electric rates, service, accounting, issuances of securities, construction of major new generation, types of generation resources, transmission and distribution facilities, and other matters.

Other services provided by PNM include transmission services to third parties as well as the generation and sale of electricity into the wholesale market, which services are regulated by FERC. The utility owns or leases transmission lines, interconnected with other utilities in New Mexico, Texas, Arizona, Colorado, and Utah. The largest retail electric customer served by PNM accounted for 3.8% of the utility's revenues for the year ended December 31, 2013. PNM was incorporated in the State of New Mexico in 1917.

Rate Proceedings

Customer rates for retail electric service are set by the NMPRC. PNM made a general rate case filing in June 2010. On August 8, 2011, the NMPRC issued a final order modifying a stipulation reached by PNM and other parties in this case. The modified stipulation provides:

- $72.1 million increase in annual non-fuel revenues for all New Mexico retail customers, implemented August 21, 2011
- Customers formerly served by TNMP prior to its acquisition by PNMR ("PNM South") being covered by the same FPPAC utilized for other retail customers of PNM ("PNM North")
- Subject to further NMPRC approvals, recovery of costs associated with NMPRC approved renewable energy procurement plans through a rate rider
- Limit on annual recovery of costs for fuel, renewable energy, and energy efficiency, with recovery of additional amounts deferred for collection to future periods

As permitted by the above NMPRC order, PNM filed an application in January 2012 for a rate rider to collect costs for renewable energy procurements incurred after December 31, 2010 that are not otherwise being collected in rates. These costs include the procurement of solar RECs from customers, wind resource procurements, and the revenue requirements for PNM-owned solar PV facilities and a solar battery storage demonstration project. On August 14, 2012, the NMPRC approved the rider, which PNM implemented on August 20, 2012. The rider will terminate upon a final order in PNM's next general rate case unless that order authorizes a continuation of the rider. Amounts that can be collected under the rider were capped at $18.0 million in 2012 and $24.6 million in 2013. Any amounts above the caps were to be deferred for future recovery without carrying costs. Collections under the rider during 2012 and 2013 were below the cap. As a separate component of the rider, if PNM's earned return on jurisdictional equity in 2013, adjusted for weather and other items not representative of normal operation, exceeded 10.5%, it would refund to customers during May through December 2014 the amount over 10.5%. PNM's earned return on jurisdictional equity in 2013 did not exceed 10.5%.

PNM has entered into firm-requirements wholesale contracts to provide electricity to various customers. These contracts contain both capacity charges and energy charges. Capacity charges are monthly payments for a commitment of resources to service the contract requirements. Energy charges are payments based on the amount of electricity delivered to the customer and are intended to compensate for the variable costs incurred to provide the energy. PNM's firm-requirements demand was 114 MW in 2013, and is expected, based solely on existing contracts and reflecting that the current contract with Gallup expires in 2014, to be 104 MW in 2014, 69 MW in 2015, and 69 MW in 2016. No firm-requirements customer of PNM accounted for more than 2.5% of PNM's revenues for the year ended December 31, 2013.

In September 2011, PNM filed with FERC to increase rates for electric service and ancillary services provided to NEC, PNM's largest firm-requirements wholesale customer. PNM also requested a traditional FPPAC and full recovery of certain third-party transmission charges. FERC issued an order allowing the increased rates to be collected beginning April 14, 2012, subject to refund. The parties agreed to a settlement providing for an increase in rates of $5.3 million, an extension of the contract for 10 years, and an agreement that PNM will be able to file an application for formula based rates to be effective in 2015. FERC approved the settlement in April 2013. PNM provides both energy and power services to Gallup, its second largest firm-requirements wholesale customer, under an electric service agreement that was to expire June 30, 2013. On May 1, 2013, PNM and Gallup agreed to extend the term of the agreement to June 30, 2014 and to increase rates by $3.1 million during the term of the amended agreement. In June 2013, FERC approved the amended agreement. In response to Gallup's request for proposals, PNM submitted a proposal for long term power supply in November 2013. On January 13, 2014, PNM was notified that it was not the highest ranked proposal. Gallup has stated they are negotiating a contract with the top-ranked bidder. See Results of Operations in MD&A and Note 17. PNM is unable to predict the outcome of this matter.

In October 2010, PNM filed a notice with FERC to increase its wholesale electric transmission rates for all of PNM's wholesale electric transmission service customers, which include other utilities, electric cooperatives, and entities that use PNM's transmission system to transmit power at the wholesale level. The proposed rates were implemented on June 1, 2011, subject to refund. On January 2, 2013, FERC approved a settlement among the parties providing for an increase in transmission service revenues of $2.9 million annually. In addition, the parties agreed that if PNM files for a formula based rate change within one year from FERC's approval of the settlement agreement, no party will oppose the general principle of a formula rate, although the parties may still object to particular aspects of the formula. The rate increase does not impact PNM's retail customers.

In December 2012, PNM filed a notice with FERC to increase its wholesale electric transmission rates for all of its transmission customers. The filing represents a formula based rate as contemplated by the approved settlement in the case described above. The proposed increase of $1.3 million, as updated, went into effect, subject to refund, on August 2, 2013. Settlement negotiations are ongoing concerning issues in this proceeding. PNM is unable to predict the outcome of this proceeding.

Operational Information

Weather-normalized retail electric KWh sales decreased by 1.8% in 2013 and 0.7% in 2012. The system peak demands for retail and firm-requirements customers increased year over year. The system peak demands were as follows:

System Peak Demands

	2013	2012	2011
		(Megawatts)	
Summer	2,008	1,948	1,938
Winter	1,576	1,523	1,709

PNM holds long-term, non-exclusive franchise agreements for its electric retail operations, with varying expiration dates. These franchise agreements allow the utility to access public rights-of-way for placement of its electric facilities. Franchise agreements have expired in some areas PNM serves, including Albuquerque, Rio Rancho, and Santa Fe. Because PNM remains obligated under New Mexico state law to provide service to customers in these areas, the expirations should not have a material adverse impact. The Albuquerque, Rio Rancho, and Santa Fe metropolitan areas accounted for 48.6%, 11.0%, and 9.7% of PNM's 2013 revenues and no other franchise area represents more than 5%. Although PNM is not required to collect or pay franchise fees in some areas it serves, the utility continues to collect and pay such fees in certain parts of its service territory, including Albuquerque, Rio Rancho, and Santa Fe. As discussed in Note 16, the County Commission of Bernalillo County, New Mexico passed an ordinance on January 28, 2014 that would require PNM to enter into a use agreement and pay a yet to be determined fee as a condition for installing, maintaining, and operating facilities on county rights-of-way. PNM and other utilities have filed a Complaint for Declaratory and Injunctive Relief in the United States District Court for the District of New Mexico challenging the validity of the ordinance. If the challenge to the ordinance is unsuccessful, PNM believes any fees paid pursuant to the ordinance

would be considered franchise fees and would be recoverable from customers. PNM is unable to predict the outcome of this matter.

PNM owns or leases 3,189 circuit miles of electric transmission lines that interconnect with other utilities in New Mexico, Arizona, Colorado, Texas, and Utah. There has been little development of new transmission facilities in recent years. Therefore, most of the capacity on PNM's transmission system is fully committed during peak hours, with very little to no additional access available on a firm commitment basis. These factors result in physical constraints on the system and limit the ability to wheel power into PNM's service area from outside of New Mexico.

PNM also generates and sells electricity into the wholesale market. Because PNM's 134 MW share of Unit 3 at PVNGS currently is excluded from retail rates, that unit's power is being sold in the wholesale market. PNM has contracted to sell 100% of PVNGS Unit 3 output through 2015, at market price plus a premium. PNM has established fixed rates for all of these sales through the end of 2014 through hedging arrangements that are accounted for as economic hedges. PNM is also partially hedged for 2015. As discussed in Note 16, PNM has requested NMPRC approval to include PVNGS Unit 3 as a jurisdictional resource to serve New Mexico retail customers as part of the revised plan to comply with the regional haze requirements of the CAA. Beyond the PVNGS contracts, PNM also engages in activities to optimize its existing jurisdictional assets and long-term purchase power agreements through spot market, hour ahead, day ahead, week ahead, and other sales of any excess generation not required to fulfill retail load and contractual commitments. Gains from these sales, other than those from PVNGS Unit 3, are credited to retail customers through the FPPAC.

Use of Future Test Year

Under New Mexico law, the NMPRC must set rates using the test period, including a future test year, that best reflects the conditions the utility will experience when new rates are anticipated to go into effect. In addition, the NMPRC must include certain construction work in progress ("CWIP") for environmental improvement, generation, and transmission projects in rate base. These provisions are designed to promote more timely recovery of reasonable costs of providing utility service.

The use of a future test year should help PNM mitigate the adverse effects of regulatory lag, which is inherent when using a historical test year. Accordingly, the utility's earnings should more closely reflect the rate of return allowed by the NMPRC. PNMR believes that achieving earnings that approximate its allowed rate of return is an important factor in attracting equity investors, as well as being considered favorably by credit rating agencies and financial analysts.

PNM anticipates filing a request for a general rate increase with the NMPRC by the end of 2014 that would likely be based on a 2016 future test year. As with any forward looking financial information, utilizing a future test year in a rate filing presents challenges that exist in the forecasting process. These include forecasts of both operating and capital expenditures that necessitate reliance on many assumptions concerning future conditions and operating results. In the rate making process, PNM's assumptions are subject to challenge by regulators and intervenors who may assert different interpretations or assumptions.

Renewable Portfolio Standard

The REA was enacted to encourage the development of renewable energy in New Mexico. The act establishes a mandatory RPS requiring a utility to acquire a renewable energy portfolio equal to 10% by 2011, 15% by 2015, and 20% by 2020. The act provides for streamlined proceedings for approval of utilities' renewable energy procurement plans, assures utilities recovery of costs incurred consistent with approved procurement plans, and requires the NMPRC to establish a RCT for the procurement of renewable resources to prevent excessive costs being added to rates. PNM files required renewable energy plans with the NMPRC annually and makes procurements consistent with the plans approved by the NMPRC. See Note 17.

TNMP

TNMP is a regulated utility operating in Texas. TNMP's predecessor was organized in 1925. TNMP is incorporated in the State of Texas.

TNMP provides transmission and distribution services in Texas under the provisions of TECA and the Texas Public Utility Regulatory Act. TNMP is subject to traditional cost-of-service regulation with respect to rates and service under the jurisdiction of the PUCT and certain municipalities. Because its transmission and distribution activities are solely within ERCOT, TNMP is not subject to traditional rate regulation by FERC. TNMP serves a market of small to medium sized communities, most of which have populations of less than 50,000. TNMP is the exclusive provider of transmission and distribution services in most areas it serves.

TNMP's service territory consists of three non-contiguous areas. One portion of this territory extends from Lewisville, which is approximately 10 miles north of the Dallas-Fort Worth International Airport, eastward to municipalities near the Red River, and to communities north, west, and south of Fort Worth. The second portion of its service territory includes the area along the Texas Gulf Coast between Houston and Galveston, and the third portion includes areas of far west Texas between Midland and El Paso. ERCOT is the independent system operator that is responsible for maintaining reliable operations for the bulk electric power supply system in its region.

TNMP provides transmission and distribution services at regulated rates to various REPs that, in turn, provide retail electric service to consumers within TNMP's service area. TNMP experienced annualized increases in weather-normalized retail KWh sales of 2.6% in 2013 and 3.7% in 2012. As of December 31, 2013, 97 active REPs receive transmission and distribution services from TNMP. The acquirer of First Choice, including the former First Choice operations, accounted for 17% of TNMP's revenues in 2013. Two other unaffiliated customers of TNMP accounted for operating revenues of 16% and 10% in 2013. No other customer accounted for more than 10% of revenues.

Regulatory Activities

In August 2010, TNMP filed with the PUCT for a general rate increase. On January 27, 2011, the PUCT approved a stipulation that settles the case. Key components of the settlement were:

- A revenue increase of $10.25 million, effective February 1, 2011
- A return on equity of 10.125%
- A target debt-equity capital structure of 55%/45%

In July 2011, the PUCT approved a settlement and authorized an AMS deployment plan that permits TNMP to collect $113.3 million in deployment costs through a surcharge over a 12-year period. TNMP began collecting the surcharge on August 11, 2011. Deployment of smart meters began in September 2011 and is scheduled to be completed over a 5-year period.

The PUCT approved interim adjustments to TNMP's transmission rates of $2.5 million on September 27, 2012, $2.9 million on March 20, 2013, and $2.8 million on September 17, 2013.

Franchise Agreements

TNMP holds long-term, non-exclusive franchise agreements for its electric transmission and distribution services. These agreements have varying expiration dates and some have expired. TNMP intends to negotiate and execute new or amended franchise agreements with municipalities where the agreements have expired or will be expiring. Since TNMP is the exclusive provider of transmission and distribution services in most areas that it serves, the need to renew or renegotiate franchise agreements should not have a material adverse impact. TNMP also earns revenues from service provided to facilities in its service area that lie outside the territorial jurisdiction of the municipalities with which TNMP has franchise agreements.

Exit from Competitive Businesses

First Choice

As discussed in Note 3, PNMR completed the sale of First Choice on November 1, 2011 receiving $270.0 million, plus $59.3 million for estimated working capital. The latter amount was subject to adjustment based on the actual amounts of certain components of working capital at October 31, 2011. PNMR recognized a pre-tax gain of $174.9 million on the sale in 2011. The parties could not agree on the working capital amount and, in accordance with the agreement for the sale, this matter was submitted to an independent party for a decision binding on the parties. A decision was received in August 2012 resulting in an additional pre-tax gain of $1.0 million in 2012. PNMR used the net proceeds from the sale of First Choice to repurchase some of PNMR's outstanding debt and equity and for other corporate purposes, including repayment of borrowings under the PNMR Revolving Credit Facility.

First Choice, operating as a certified REP in ERCOT, provided electricity to residential, small commercial and governmental customers. First Choice focused its competitive customer acquisition efforts in major Texas metropolitan areas open to electric choice within ERCOT, including Dallas-Fort Worth, Houston, Corpus Christi, and McAllen-Harlingen. Although First Choice was regulated in certain respects by the PUCT, its business was not subject to traditional rate of return regulation. Rates were negotiated by First Choice with each customer. No specific provisions existed for the recovery of First Choice's purchased power costs and changes in those costs affected operating results.

During the period it was a subsidiary of PNMR, First Choice's operating results were pressured by several factors. Due to the competitive nature of the Texas market, First Choice, similar to other REPs, experienced significant turnover in its customer base, which along with depressed economic conditions resulted in significant increases in the levels of uncollectible accounts and bad debt expense. First Choice's load fluctuated due to customer additions and losses, changes in customer usage, and seasonality of weather. First Choice experienced increased sales and operating revenues during the summer months as a result of increased air conditioner usage. First Choice monitored and revised its load forecast to account for changing customer loads and entered into hedging arrangements to cover forecasted sales.

Optim Energy

In January 2007, PNMR and ECJV, a wholly owned subsidiary of Cascade, which until late in 2011 was a large PNMR shareholder, created Optim Energy to serve expanding energy markets, principally the areas of Texas covered by ERCOT. Optim Energy's business consisted of development, operation, and ownership of diverse generation assets, complemented by wholesale marketing to optimize those assets. PNMR and ECJV each had a 50 percent ownership interest in Optim Energy, a limited liability company. Optim Energy had interests in three electric generating resources located within the ERCOT area.

Beginning in 2009, Optim Energy was affected by continuing adverse market conditions, primarily low natural gas and power prices. In response to those adverse conditions, Optim Energy changed its strategy to focus on utilizing cash flow from operations to reduce debt. Optim Energy also concentrated on optimizing generation assets as a stand-alone independent power producer.

As discussed in Note 20, PNMR determined its investment in Optim Energy was fully impaired at December 31, 2010 and reduced the carrying value of the investment to zero. PNMR, ECJV, and Cascade entered into agreements on September 23, 2011, whereby Optim Energy was restructured and ECJV made an equity contribution to Optim Energy in exchange for an increased ownership interest, which resulted in PNMR's ownership in Optim Energy being reduced from 50% to 1%. On January 4, 2012, ECJV exercised its option to acquire PNMR's remaining 1% ownership interest in Optim Energy at fair market value, which was determined to be zero. PNMR accounted for its investment in Optim Energy using the equity method of accounting through September 23, 2011 and used the cost method thereafter. In accordance with GAAP, PNMR did not record income or losses associated with its investment in Optim Energy in 2011.

Corporate and Other

The Corporate and Other segment includes PNMR holding company activities, primarily related to corporate level debt and PNMR Services Company. PNMR Services Company provides corporate services through shared services agreements to PNMR and all of PNMR's business units, including PNM and TNMP. These services are charged and billed at cost on a monthly basis to the business units. PNMR Services Company also provided corporate services under shared services agreements with First Choice and Optim Energy through their disposition and for limited periods thereafter under transition services agreements.

SOURCES OF POWER

PNM

Generation Capacity

As of December 31, 2013, the total net generation capacity of facilities owned or leased by PNM was 2,368 MW. PNM also obtains 204 MW of power under a long-term PPA for the power produced by New Mexico Wind.

PNM's capacity in electric generating facilities, which are owned, leased, or under PPAs, in commercial service as of December 31, 2013 is:

Type	Name	Location	Generation Capacity (MW)
Coal	SJGS	Waterflow, New Mexico	783
Coal	Four Corners	Fruitland, New Mexico	200
Gas	Reeves Station	Albuquerque, New Mexico	154
Gas	Afton (combined cycle)	La Mesa, New Mexico	230
Gas	Lordsburg	Lordsburg, New Mexico	80
Gas	Luna (combined cycle)	Deming, New Mexico	185
Gas/Oil	Delta	Albuquerque, New Mexico	132
Gas	Valencia	Belen, New Mexico	158
Nuclear	PVNGS	Wintersburg, Arizona	402
Solar	PNM-owned solar	Eight sites in New Mexico	44
Wind	New Mexico Wind	House, New Mexico	204
			2,572

Fossil-Fueled Plants

SJGS consists of four units operated by PNM. Units 1, 2, 3, and 4 at SJGS have net rated capacities of 340 MW, 340 MW, 497 MW and 507 MW. SJGS Units 1 and 2 are owned on a 50% shared basis with Tucson. SJGS Unit 3 is owned 50% by PNM, 41.8% by SCPPA, and 8.2% by Tri-State. SJGS Unit 4 is owned 38.457% by PNM, 28.8% by MSR Public Power Agency, 10.04% by the City of Anaheim, California, 8.475% by the City of Farmington, New Mexico, 7.2% by the County of Los Alamos, New Mexico, and 7.028% by UAMPS. See Note 16 for additional information about SJGS, including the potential shutdown of Units 2 and 3 on December 31, 2017 and the restructuring of the ownership interests in SJGS.

Four Corners Units 4 and 5 are 13% owned by PNM. Units 4 and 5 at Four Corners are jointly owned with APS, SRP, Tucson, and EPE and are operated by APS. PNM has no ownership interest in Four Corners Units 1, 2, or 3, which were shutdown by APS on December 30, 2013. The Four Corners plant site is leased from the Navajo Nation and is also subject to an easement from the federal government. APS, on behalf of the Four Corners participants, negotiated amendments to an existing facility lease with the Navajo Nation, which extends the Four Corners leasehold interest from 2016 to 2041. The Navajo Nation approved these amendments in March 2011. The effectiveness of the amendments also requires the approval of the DOI, as does a related federal rights-of-way grant, which the Four Corners participants are pursuing. A federal environmental review is underway as part of the DOI review process. APS will also require a PSD permit from EPA to install SCR technology at Four Corners. PNM cannot predict whether these federal approvals will be granted, and if so on a timely basis, or whether any conditions that may be attached to them will be acceptable to PNM and the other Four Corners owners. See Note 16 for additional information about Four Corners.

PNM owns 100% of *Reeves, Afton, and Lordsburg* and one-third of *Luna*. The remaining interests in Luna are owned equally by Tucson and Freeport McMoRan. PNM is entitled to the energy and capacity of *Delta* under a PPA that is deemed to be an operating lease. PNM has a PPA that entitles it to the entire output of *Valencia*. Valencia is a variable interest entity and is consolidated by PNM as required by GAAP. Therefore, Valencia is reflected in the above table as if it were owned. Reeves, Lordsburg, Delta, and Valencia are used primarily for peaking power and transmission support. See Note 9 for additional information about the Delta operating lease, including the potential purchase of Delta, and Valencia, including the potential purchase of 50% of Valencia.

Nuclear Plant

PNM is participating in the three units of *PVNGS*, also known as the Arizona Nuclear Power Project, with APS (the operating agent), SRP, EPE, SCE, SCPPA, and the Department of Water and Power of the City of Los Angeles. PNM is entitled to 10.2% of the power and energy generated by PVNGS. PNM has ownership interests of 2.3% in Unit 1, 4.6% in Unit 2, and 10.2% in Unit 3 and has leasehold interests of 7.9% in Unit 1 and 5.6% in Unit 2. The lease payments for the leased portions of PVNGS are recovered through retail rates approved by the NMPRC. See Note 7 for additional information concerning the PVNGS leases, including notices given in 2013 to the lessors under the PVNGS Unit 1 leases and one of the PVNGS Unit 2 leases that PNM would renew those leases and notices given in 2014 that PNM would exercise its fair market purchase option for the other

three Unit 2 leases. On February 25, 2014, PNM and one of the Unit 2 lessors agreed on the price to be paid upon PNM's exercise of the fair market value purchase option. See Note 16 for information on other PVNGS matters, including PNM's proposal to include PVNGS Unit 3 as a jurisdictional resource to serve New Mexico retail customers.

On March 11, 2011, a 9.0 magnitude earthquake occurred off the northeastern coast of Japan. The earthquake produced tsunamis that caused significant damage to the Fukushima Daiichi Nuclear Power Station in Japan. Following these events, the NRC established a task force to conduct a systematic and methodical review of NRC processes and regulations to determine whether the agency should make additional improvements to its regulatory system. In March 2012, the NRC issued the first regulatory requirements based on the recommendations of the task force. With respect to PVNGS, the NRC issued two orders requiring safety enhancements regarding: (1) mitigation strategies to respond to extreme natural events resulting in the loss of power at plants; and (2) enhancement of spent fuel pool instrumentation. The NRC has issued a series of interim staff guidance documents regarding implementation of these requirements. Due to the developing nature of these requirements, PNM cannot predict the financial or operational impacts on PVNGS; however, the NRC has directed nuclear power plants to implement the first tier of its recommendations. In response to these recommendations, PVNGS expects to spend approximately $100 million for capital enhancements to the plant over the next several years. PNM's share of these enhancements would be 10.2%, substantially all of which are included in PNM's current projection of capital expenditures.

Solar

In 2011, PNM completed its first major utility-owned renewable energy project aggregating 22 MW when five utility-scale solar facilities in New Mexico went online. In addition to these facilities, PNM completed its solar-storage demonstration project in Albuquerque, which has a generation capacity of 0.5 MW and is included in the above table. In 2013, PNM completed the installation of an additional 21.5 MW of utility-owned solar capacity at four sites, including expansion of capacity at two of the existing sites. In July 2013, PNM filed its 2014 renewable energy procurement that includes the construction by December 31, 2014 of an additional 23 MW of PNM-owned solar PV facilities at three additional sites.

Plant Operating Statistics

Equivalent availability of PNM's major base-load generating stations were:

Plant	Operator	2013	2012	2011
SJGS	PNM	77.6%	81.7%	86.9%
Four Corners	APS	72.9%	83.5%	81.5%
PVNGS	APS	89.4%	90.6%	89.1%

Joint Projects

SJGS, PVNGS, Four Corners, and Luna are joint projects each owned or leased by several different entities. Some participants in the joint projects are investor-owned entities, while others are municipally or co-operatively owned. Furthermore, participants in SJGS and Four Corners may have varying percentage interests in different generating units within the project. The primary operating or participation agreements for the joint projects expire in 2016 for Four Corners, 2022 for SJGS, and 2027 for PVNGS. In addition, SJGS and Four Corners are coal-fired generating plants that obtain their coal requirements from mines near the plants. The agreement for coal supply expires 2017 for SJGS. In late December 2013, the coal supply arrangement for Four Corners was extended through 2031. As described above, Four Corners is situated on land under a lease from the Navajo Nation. Portions of PNM's interests in PVNGS Units 1 and 2 are through leases that expire in 2015 and 2016, but contain certain fixed-rate renewal and fair market value purchase options. See Nuclear Plant above and Note 7 regarding PNM's actions related to these options. Several of the participants in the joint projects are located in California. There are legislative and regulatory mandates in California that may prohibit utilities from entering into new, or extending existing, arrangements for coal-fired generation. It is also possible that the participants in the joint projects have changed circumstances and objectives from those existing at the time of becoming participants. The status of these joint projects is further complicated by the uncertainty surrounding the form of potential legislation and/or regulation of CCBs,GHG, and other air emissions, as well as the impacts of the costs of compliance and operational viability of all or certain units within the joint projects. It is unclear how these factors will enter into discussion and negotiations concerning the status of the joint projects as the expiration of basic operational agreements approaches. PNM can provide no assurance that its participation in the joint projects will continue in the manner that currently exists. See Note 16 for a discussion of potential restructuring of SJGS ownership and developments with respect to Four Corners.

PPAs

In addition to generating its own power, PNM purchases power under long-term PPAs. PNM also purchases power in the forward, day-ahead, and real-time markets.

In 2002, PNM entered into an agreement with FPL to develop New Mexico Wind. PNM began receiving power from the project in June 2003. FPL owns and operates New Mexico Wind, which consists of 136 wind-powered turbines having an aggregate capacity of 204 MW on a site in eastern New Mexico. PNM has a contract to purchase all the power and RECs generated by New Mexico Wind for 25 years. The NMPRC has approved a voluntary tariff that allows PNM retail customers to buy wind-generated electricity for a small monthly premium. Power from New Mexico Wind is used to service load under the voluntary tariff and as part of PNM's electric supply mix for meeting retail load.

PNM's 2013 renewable energy procurement plan includes a 20-year agreement to purchase energy and RECs from the Lightning Dock Geothermal facility built near Lordsburg. The facility, which is the first geothermal project for the PNM system, began providing limited power to PNM on January 1, 2014. The current output of the facility is 4 MW and future expansion may result in up to 10 MW of generation capacity.

In June 2013, PNM entered into a 20 year PPA with Red Mesa Wind, LLC, a subsidiary of NextEra Energy Resources, LLC, to purchase all of the power and RECs produced by Red Mesa Wind beginning on January 1, 2015. Red Mesa Wind, LLC owns and operates the facility, which consists of 64 wind-powered turbines having an aggregate capacity of 102 MW on a site west of Albuquerque.

A summary of purchased power, excluding Delta and Valencia, but including power purchased under long-term contracts that have expired by their terms, is as follows:

	Year Ended December 31,		
	2013	2012	2011
Purchased under long-term PPAs			
MWh	490,539	546,321	794,867
Cost per MWh	$ 27.25	$ 27.25	$ 29.93
Other purchased power			
Total MWh	1,061,514	948,911	988,564
Cost per MWh	$ 35.64	$ 27.30	$ 31.47

TNMP

TNMP provides only transmission and distribution services and does not sell power.

First Choice

First Choice bought electricity and entered into hedging arrangements to purchase quantities of power to match the supply obligations to customers that were under fixed price contracts. Power was purchased long-term in the over-the-counter market or using futures. In the short term, hedges were adjusted to load changes by buying and selling power in the over-the-counter market or ERCOT day-ahead market.

FUEL AND WATER SUPPLY

PNM

The percentages of PNM's generation of electricity (on the basis of KWh), including Valencia and Delta, fueled by coal, nuclear fuel, and gas and oil, and the average costs to PNM of those fuels per MMBTU were as follows:

	Coal		Nuclear		Gas and Oil	
	Percent of Generation	Average Cost	Percent of Generation	Average Cost	Percent of Generation	Average Cost
2013	56.8%	$ 2.62	30.4%	$ 0.88	12.2%	$ 4.12
2012	59.2%	$ 2.99	31.3%	$ 0.88	9.0%	$ 3.25
2011	61.8%	$ 2.79	29.7%	$ 0.80	8.4%	$ 4.47

In 2013, 2012, and 2011, 0.6%, 0.5%, and 0.1% of PNM's generation was from utility owned solar, which has no fuel cost. The generation mix for 2014 is expected to be 61.4% coal, 28.9% nuclear, 8.8% gas and oil, and 0.9% utility owned solar. Due to locally available natural gas and oil supplies, the utilization of locally available coal deposits, and the generally adequate supply of nuclear fuel, PNM believes that adequate sources of fuel are available for its generating stations into the foreseeable future. See Sources of Power - PNM - PPAs for information concerning the cost of purchased power.

Coal

The coal supply contract that provides fuel for SJGS expires in 2017. Coal supply has not been arranged for periods after the existing contract expires. PNM believes there is adequate availability of coal resources to continue to operate SJGS although an extended or new contract could result in higher prices. In late December 2013, the expiration date of the coal supply contract for Four Corners was extended from 2016 to 2031. PNM estimates fuel costs for Four Corners will increase approximately 26% during the extension period. See Note 16 for additional information about PNM's coal supply.

Natural Gas

The natural gas used as fuel for the electric generating plants is procured on the open market and delivered by third party transportation providers. The supply of natural gas can be subject to disruptions due to extreme weather events and/or pipeline or facility outages. PNM's natural gas plants are generally used as peaking resources that are highly relied upon during periods of extreme weather, which also may be the times natural gas has the highest demand from other users.

Nuclear Fuel and Waste

PNM is one of several participants in PVNGS. The PVNGS participants are continually identifying their future nuclear fuel resource needs and negotiating arrangements to fill those needs. The PVNGS participants have contracted for all of PVNGS's requirements for uranium concentrates through 2017, 90% of its requirements for 2018, and 45% of its requirements through 2020. The participants have contracted for all of PVNGS's conversion services through 2016, 95% of its requirements in 2017 and 2018, and 45% of its requirements through 2020. The participants have contracted for all of PVNGS's enrichment services through 2014 and 95%-100% of its requirements through 2020. All of PVNGS's fuel assembly fabrication services are contracted through 2016.

The Nuclear Waste Policy Act of 1982 required the DOE to begin to accept, transport, and dispose of spent nuclear fuel and high level waste generated by the nation's nuclear power plants by 1998. The DOE's obligations are reflected in a contract with each nuclear power plant. The DOE failed to begin accepting spent nuclear fuel by 1998. APS (on behalf of itself and the other PVNGS participants) filed a lawsuit for DOE's breach in the United States Court of Federal Claims. The Court of Federal Claims ruled in favor of APS and in October 2010 awarded $30.2 million in damages to the PVNGS participants for costs incurred through December 2006. APS filed a subsequent lawsuit against DOE in the Court of Federal Claims on December 19, 2012. The lawsuit alleges that from January 1, 2007 through June 30, 2011, APS, as a co-owner of PVNGS, incurred additional damages due to DOE's continuing failure to remove spent nuclear fuel and high level waste from PVNGS. See Note 16.

The DOE had planned to meet its disposal obligations by designing, licensing, constructing, and operating a permanent geologic repository at Yucca Mountain, Nevada. In March 2010, the DOE filed a motion to dismiss with prejudice its Yucca Mountain construction authorization application that was pending before the NRC. Several interested parties have intervened in the NRC proceeding. Additionally, a number of interested parties have filed a variety of lawsuits in different jurisdictions around the country challenging the DOE's authority to withdraw the Yucca Mountain construction authorization application. None of these lawsuits has been conclusively decided by the courts. However, in August 2013, the D.C. Circuit ordered the NRC to resume its review of the application with available appropriated funds.

All spent nuclear fuel from PVNGS is being stored on-site. PVNGS has sufficient capacity at its on-site independent spent fuel storage installation ("ISFSI") to store all of the nuclear fuel that will be irradiated during the initial operating license periods, which end in November 2027. Additionally, PVNGS has sufficient capacity at its on-site ISFSI to store a portion of the fuel that will be irradiated during the extended license periods, which end in November 2047. If uncertainties regarding the United States government's obligation to accept and store spent fuel are not favorably resolved, the PVNGS participants will evaluate alternative storage solutions. These may obviate the need to expand the ISFSI to accommodate all of the fuel that will be irradiated during the extended license periods.

Water Supply

See Note 16 for information about PNM's water supply.

ENVIRONMENTAL MATTERS

Electric utilities are subject to stringent laws and regulations for protection of the environment by local, state, federal, and tribal authorities. In addition, PVNGS is subject to the jurisdiction of the NRC, which has the authority to issue permits and licenses and to regulate nuclear facilities in order to protect the health and safety of the public from radioactive hazards and to conduct environmental reviews pursuant to the National Environmental Policy Act. The liabilities under these laws and regulations can be material. In some instances, liabilities may be imposed without regard to fault, or may be imposed for past acts, whether or not such acts were lawful at the time they occurred. The construction expenditure projection includes environmental upgrades at SJGS and Four Corners aggregating $10.0 million in 2014 and $150.3 million in 2015 through 2018, as discussed in Note 16. See MD&A - Other Issues Facing the Company - Climate Change Issues for information on GHG. In addition, Note 16 contains information related to the following matters, incorporated in this item by reference:

- PVNGS Decommissioning Funding
- Nuclear Spent Fuel and Waste Disposal
- Environmental Matters under the caption "The Clean Air Act"
- WEG v. OSM NEPA Lawsuit
- Navajo Nation Environmental Issues
- Endangered Species Act
- Cooling Water Intake Structures
- Effluent Limitation Guidelines
- Santa Fe Generating Station
- Environmental Matters under the caption "Coal Combustion Byproducts Waste Disposal"
- Hazardous Air Pollutants ("HAPs") Rulemaking

COMPETITION

Regulated utilities are generally not subject to competition from other utilities in areas that are under the jurisdiction of state regulatory commissions. In New Mexico, PNM does not have direct competition for services provided to its retail electric customers. In Texas, TNMP is not currently in any direct retail competition with any other regulated electric utility. However, PNM and TNMP are subject to customer conservation and energy efficiency activities as well as initiatives to utilize alternative energy sources, including self-generation, or otherwise bypass the PNM and TNMP systems.

PNM is subject to varying degrees of competition in certain territories adjacent to or within the areas it serves. This competition comes from other utilities in its region as well as rural electric cooperatives and municipal utilities. PNM is involved in the generation and sale of electricity into the wholesale market. It is subject to competition from regional utilities and merchant power suppliers with similar opportunities to generate and sell energy at market-based prices and larger trading entities that do not own or operate generating assets.

EMPLOYEES

The following table sets forth the number of employees of PNMR, PNM, and TNMP as of December 31, 2013:

	PNMR	PNM	TNMP
Corporate [1]	446	—	—
PNM	1,127	1,127	—
TNMP	351	—	351
Total	1,924	1,127	351

[1] Represents employees of PNMR Services Company.

As of December 31, 2013, PNM had 614 employees in its power plant and operations areas that are currently covered by a collective bargaining agreement with the IBEW Local 611 that was entered into in July 2012 and expires April 30, 2015.

On March 25, 2013, a petition was filed by IBEW Local 66 with the National Labor Relations Board seeking to certify a union at TNMP for utility workers. On April 12, 2013, a second petition was filed by IBEW Local 66 with the National Labor Relations Board seeking to certify a union at TNMP for meter technicians, who were not included in the original petition. Approximately 200 employees were covered by the petitions. Elections to determine whether the IBEW would represent the employees were held in May 2013. The employees voted to unionize through both petitions and contract negotiations have begun.

Subsequently, on June 25, 2013, a third petition was filed by IBEW Local 66 with the National Labor Relations Board seeking to include a group of three relay technicians, who were not included in the original petition. In August 2013, the relay technicians voted to unionize and contract negotiations have begun. As of December 31, 2013, TNMP had 192 employees represented by IBEW Local 66. The parties are still in negotiations on a collective bargaining agreement.

DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

Statements made in this filing that relate to future events or PNMR's, PNM's, or TNMP's 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 flows, 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, including recovery of the net book value of SJGS Units 2 and 3 at the date of their proposed early retirement as contemplated in the revised SIP to comply with the regional haze provisions of the CAA
- The ability of the Company to successfully forecast and manage its operating and capital expenditures
- State and federal regulation or legislation relating to environmental matters, including the approval of the revised SIP for SJGS's compliance with the CAA, the resultant costs of compliance, and other impacts on the operations and economic viability of PNM's generating plants
- 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
- State and federal regulatory, legislative, and judicial decisions and actions on ratemaking, tax, and other matters
- Uncertainty surrounding the status of PNM's participation in jointly-owned generation projects resulting from the scheduled expiration of the operational agreements for the projects and fuel supply for SJGS, including potential restructuring and approval issues at SJGS and Four Corners necessary for operational and environmental compliance matters
- 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 performance of generating units, transmission systems, and distribution systems, which could be negatively affected by operational issues, extreme weather conditions, terrorism, and cybersecurity breaches
- 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, including the ability of the mines supplying coal to PNM's coal-fired generating units and the companies involved in supplying nuclear fuel to provide adequate quantities of fuel
- 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
- The risk that reliability standards regarding available transmission capacity and other FERC rulemakings may negatively impact the operation of PNM's transmission system
- 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 decommissioning, reclamation, pension benefits, 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
- Changes in applicable accounting principles

For information about the risks associated with the use of derivative financial instruments see Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk."

SECURITIES ACT DISCLAIMER

Certain securities described in this report have not been registered under the Securities Act of 1933, as amended, or any state securities laws and may not be reoffered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. This Form 10-K does not constitute an offer to sell or the solicitation of an offer to buy any securities.

ITEM 1A. RISK FACTORS

The business and financial results of PNMR, PNM, and TNMP are subject to a number of risks and uncertainties, including those set forth below and in MD&A, Note 16, and Note 17. TNMP provides transmission and distribution services to REPs that provide electric service to consumers in TNMP's service territories. References to customers in the risk factors discussed below also encompass the customers of these REPs who are the ultimate consumers of electricity transmitted and distributed through TNMP's facilities.

Regulatory Factors

The profitability of PNMR's utilities depends on being able to recover their costs through regulated rates and earn a fair return on invested capital. PNM and TNMP are facing a period of significant capital expenditures. While increased capital investments and other costs are placing upward pressure on rates, energy efficiency and a sluggish New Mexico economy are reducing usage by customers.

The rates PNM charges its customers are regulated by the NMPRC and FERC. TNMP is regulated by the PUCT. The Company is in a period requiring significant capital investment and is projecting total construction expenditures for the years 2014-2018 to be $2,267.2 million. See Note 14. The Company anticipates a trend toward increasing costs, for which it will have to seek regulatory recovery. These costs include or are related to:

- Environmental compliance expenditures
- The proposed early retirement of SJGS Units 2 and 3 as part of a revised plan to comply with the regional haze provisions of the CAA, including recovery of their net book value at the date of retirement and costs of generation capacity to replace those units
- New asset construction related to generation, transmission, and distribution systems necessary to provide electric service
- The regulatory mandate to acquire power from renewable resources
- Increased regulation related to nuclear safety
- Fuel costs
- Increased interest costs to finance capital investments
- Depreciation

At the same time the Company's costs are increasing, there are factors placing downward pressures on the demand for power, thereby reducing load growth and customer usage in the Company's service territories. These factors include:

- Changing customer behaviors, including increased emphasis on energy efficiency measures and utilization of alternative sources of power
- Reduced new sources of demand
- Reductions in costs of energy efficient technology
- Unpredictable weather patterns
- Adverse economic conditions

In 2013 and 2012, PNM experienced annualized decreases in weather-normalized, retail sales of 1.8% and 0.7%. The sales decreases reflect a continued sluggish economy in New Mexico. In particular, the Albuquerque metropolitan area continues to lag the nation in economic recovery. There is no clear indication regarding the future of New Mexico's economy. Encouraging signs such as growth in the housing industry, increased tax revenue in the Albuquerque metropolitan area, and unemployment rates below the national average are contrasted by indicators such as flat population growth and low job growth.

The combination of costs increasing relatively rapidly and the slowing of customer usage places upward pressure on the per unit prices that must be charged by the Company to recover its costs. This upward pressure on unit prices could result in additional efforts by customers to reduce consumption through energy efficiency or to pursue self-generation or other alternative

sources of power. Without timely cost recovery and the authorization to earn a reasonable return on invested capital, the Company's liquidity and results of operations could be negatively impacted.

Under New Mexico law, utilities may propose the use of a future test year in establishing rates. As with any forward looking financial information, a future test year presents challenges that are inherent in the forecasting process. Forecasts of both operating and capital expenditures necessitate reliance on many assumptions concerning future conditions and operating results. Accordingly, if PNM chooses to request rates based on a future test year, but cannot successfully support it, cash flows and results of operations may be negatively impacted. This could result from not being able to withstand challenges from regulators and intervenors regarding the utility's capability to make reasonable forecasts.

The coal supply contract that provides fuel for SJGS expires in 2017. Coal supply has not been arranged for periods after the existing contract expires. It is possible that an extended contract with the existing supplier or a new contract for coal from an alternative source could result in higher prices. In late December 2013, the expiration date of the coal supply contract for Four Corners was extended from 2016 to 2031. PNM estimates fuel costs for Four Corners will increase approximately 26% during the extension period. PNM currently recovers the cost of fuel for its generation facilities through its FPPAC. Although PNM believes costs under new or extended coal supply agreements would continue to be recovered through the FPPAC, there can be no assurance that full recovery would be allowed.

PNMR's utilities are subject to numerous federal, state, and local environmental laws and regulations that may significantly limit or affect their operations and financial results.

Compliance with federal, state, and local environmental laws and regulations, including those addressing climate change, air quality, CCBs, discharges of wastewater originating from fly ash and bottom ash handling facilities, cooling water, and other matters, may result in increased capital, operating, and other costs, particularly with regard to enforcement efforts focused on power plant emission obligations. These costs could include remediation, containment, civil liability, and monitoring expenses. PNMR, PNM, and TNMP cannot predict how they would be affected if existing environmental laws and regulations were to be revised or reinterpreted, or if new environmental statutes and rules were to be adopted. See Note 16 and the Climate Change Issues subsection of the Other Issues Facing the Company section of MD&A.

EPA has issued its BART determinations for both SJGS and Four Corners under the program to address regional haze in the "four corners" area, which would reduce the levels of NOx emitted at both plants. Significant capital expenditures would be required for the installation of control technology at both generating stations and operating costs would increase. On February 15, 2013, PNM, NMED, and EPA agreed to pursue a revised plan regarding SJGS, which is discussed in Note 16. PNM is taking actions to effectuate the revised plan, but there is no assurance that it will approved by EPA or that required approvals will be obtained from the NMPRC. In addition, the other participants in SJGS must approve the necessary expenditures required by the plan. As discussed below, certain of the participants in SJGS desire to exit their ownership and the participants are attempting to negotiate a restructuring of ownership. If all of these approvals are not obtained and appropriate relief cannot be obtained from EPA, PNM could be forced to temporarily cease operation of some or all of the SJGS units. If a shutdown was required, PNM would then have to acquire temporary replacement power through short-term or open-market purchases in order to serve the needs of its customers, which could increase costs and negatively impact earnings unless the increased costs are allowed to be recovered from customers.

EPA, environmental advocacy groups, other organizations, and some other federal and state agencies are predicted to focus considerable attention on GHG from power generation facilities, including the role of those facilities in climate change. PNM depends on fossil-fueled generation for a significant share of its electricity. Therefore, it could be exposed to possible future GHG regulations imposed by New Mexico and/or the federal government. For example, as discussed in the Climate Change Issues subsection of the Other Issues Facing the Company section of MD&A, EPA re-proposed its GHG NSPS rule for new sources in September 2013 and is scheduled to issue a draft of a GHG NSPS for modified and existing EGU's in June 2014. Any such proposals that become regulations could result in additional operating restrictions on facilities and increased generation and compliance costs.

CCBs from the operation of SJGS are currently being used in the reclamation of a surface coal mine. These CCBs consist of fly ash, bottom ash, and gypsum. Any new regulation that would affect the reclamation process, including CCBs being classified as hazardous waste by EPA, could significantly increase the costs of the disposal of CCBs and the costs of mine reclamation.

A regulatory body may identify a site requiring environmental cleanup and designate PNM or TNMP as a responsible party. There is also uncertainty in quantifying exposure under environmental laws that impose joint and several liability on all potentially responsible parties. Failure to comply with environmental laws and regulations, even if caused by factors beyond PNM's or TNMP's control, may result in the assessment of civil or criminal penalties and fines.

PNMR and its operating subsidiaries may underestimate the costs of environmental compliance, liabilities, and litigation due to the uncertainty inherent in these matters. Although there is uncertainty about the timing and form of regulations regarding climate change, CCBs, and other power plant emissions, such regulations could have a material impact on operations. The California entities that are participants in SJGS have indicated that, under California law, they may be prohibited from making significant capital improvements to SJGS, including those related to environmental compliance. Therefore, the California participants, along with one other participant, have expressed the intent to exit their ownership in SJGS no later than December 31, 2017. Negotiations have begun among the SJGS participants regarding arrangements that would allow the exit of ownership by those participants desiring to do so, including addressing continuing liabilities for reclamation, decommissioning, environmental, and other matters, but no agreements have been reached. It is possible that failure to reach a satisfactory agreement to restructure SJGS ownership, requirements to comply with the final BART determinations, combined with the financial impact of possible future climate change regulation or legislation, if any, other environmental regulations, the result of litigation, the adequacy and timeliness of cost recovery mechanisms, and other business considerations, could jeopardize the ability of individual participants to continue participation in SJGS, as well as the economic viability of the plant. Timely regulatory recovery of costs associated with any environmental-related regulations would be needed to maintain a strong financial and operational profile. The above factors could adversely affect the Company's business, financial position, results of operations, and liquidity.

PNMR, PNM, and TNMP are subject to complex government regulation unrelated to the environment, which may have a negative impact on their businesses, financial position and results of operations.

To operate their businesses, PNMR, PNM, and TNMP are required to have numerous permits and approvals from a variety of regulatory agencies. Regulatory bodies with jurisdiction over the utilities include the NMPRC, NMED, PUCT, TCEQ, ERCOT, FERC, NRC, EPA, and NERC. Oversight by these agencies cover many aspects of the Company's utility operations including: location, construction, and operation of facilities; the purchase of power under long-term contracts; conditions of service; the issuance of securities; and rates charged to customers.

FERC has issued a number of rules pertaining to preventing undue discrimination in transmission services and electric reliability standards. A rule issued in 2011 revised the determination of total transmission capability under the reliability standards for transmission systems. The order could potentially reduce the capacity of the transmission facilities used to deliver power from PNM's generation resources to its customers. Such reductions could require PNM to acquire additional transmission rights or assets, which could involve substantial investments and a significant amount of time to accomplish.

PNMR and its subsidiaries are unable to predict the impact on their business and operating results from future actions of any agency regulating the Company. Changes in existing regulations or the adoption of new ones could result in additional expenses and/or changes in business operations. In turn, operating results could be adversely impacted.

Operational Factors

Customer electricity usage could be reduced by increases in prices charged and other factors. This could result in underutilization of PNM's generating capacity, as well as the capacities of PNM's and TNMP's transmission and distribution systems. Should this occur, operating and capital costs might not be fully recovered, and financial performance could be negatively impacted.

A number of factors influence customers' electricity purchases. These factors include, but are not limited to:

- Rates charged by PNM and TNMP
- Rates charged by REPs utilizing TNMP's facilities to deliver power
- Energy efficiency initiatives
- Availability and cost of alternative sources of power
- National, regional, or local economic conditions

These factors and others may prompt customers to institute additional energy efficiency measures or take other actions that would result in lower power consumption. If customers bypass or underutilize the Company's facilities through self-generation, through renewable or other energy resources, technological change, or other measures, our revenues would be negatively impacted.

PNM's and TNMP's service territories include several military bases and federally funded national laboratories, as well as large industrial customers that have significant direct and indirect impacts on the local economies where they operate. The Company does not directly provide service to any of the military bases or national laboratories, but does provide service to large

industrial customers. The Company's business could be hurt from the impacts on the local economies associated with these customer groups, as well as directly from the large industrial customers, for a number of reasons, including:

- Federally-mandated base closures or significant curtailment of the activities at the bases or national laboratories
- Closure of industrial facilities or significant curtailment of their activities

Another factor that could negatively impact the Company is that initiatives are periodically undertaken in various localities to municipalize or otherwise take over Company facilities. If any such municipalization initiative is successful, the result could be a material reduction in the usage of the Company's facilities, a reduction in rate base, and reduced earnings.

Should any of the above factors result in the Company's facilities being underutilized, the Company's financial position, operational results, and cash flows could be significantly impacted.

Costs of decommissioning, remediation, and restoration of nuclear and fossil-fueled power plants, as well as related coal mines, could exceed the estimates of PNMR and PNM, which could negatively impact results of operations and liquidity.

PNM has interests in a nuclear power plant, two coal-fired power plants, and several natural gas-fired power plants. PNM is obligated to pay for the costs of decommissioning its share of the power plants. PNM is also obligated to pay for its share of the costs of decommissioning the mines that supply coal to the coal-fired power plants. Likewise, other owners or participants are responsible for their shares of the decommissioning obligations and it is important to PNM that those parties fulfill their obligations. Rates charged by PNM to its customers, as approved by the NMPRC, include a provision for recovery of certain costs of decommissioning, remediation, and restoration. The NMPRC has established a cap on the amount of decommissioning costs for the surface coal mines that may be recovered from customers. PNM records estimated liabilities for its share of the legal obligations for decommissioning and reclamation. These estimates include many assumptions about future events and are inherently imprecise. In the event any of these costs exceed current estimates, results of operations will be negatively impacted.

The financial performance of PNMR, PNM, and TNMP may be adversely affected if power plants and transmission and distribution systems do not operate reliably and efficiently.

The Company's financial performance depends on the successful operation of PNM's generation assets, as well as the transmission and distribution systems of PNM and TNMP. Unscheduled or longer than expected maintenance outages, breakdown or failure of equipment or processes due to aging infrastructure, temporary or permanent shutdowns to achieve environmental compliance, other performance problems with the electric generation assets, severe weather conditions, accidents and other catastrophic events, acts of war or terrorism, disruptions in the supply and delivery of fuel and water supplies, and other factors could result in PNM's load requirements being larger than available system generation capacity. Assured supplies of water are important for PNM's generating plants. Water in the southwestern United States is limited and there are conflicting claims regarding water rights. In addition, the "four corners" region where PNM's power plants are located is prone to drought conditions, which could potentially affect the plants' water supplies. In addition, unplanned outages of generating units and extensions of scheduled outages occur from time to time and are an inherent risk of the Company's business. If these were to occur, PNM would be required to purchase electricity in either the wholesale market or spot market at the then-current market price. There can be no assurance that sufficient electricity would be available at reasonable prices, or available at all. The failure of transmission or distribution facilities may also affect PNM's and TNMP's ability to deliver power. These potential generation, distribution, and transmission problems, and any service interruptions related to them, could result in lost revenues and additional costs.

PNMR, PNM, and TNMP are subject to information security breaches and risks of unauthorized access to their information and operational technology systems as well as physical threats to assets.

The Company faces the risk of physical and cyber attacks, both threatened and actual, against generation facilities, transmission and distribution infrastructure used to transport power, and information technology systems and network infrastructure, which could negatively impact the ability of the Company to generate, transport, and deliver power, or otherwise operate facilities in the most efficient manner or at all.

The Company functions in a highly regulated industry that requires the continued operation of sophisticated information technology systems and network infrastructure, some of which are deemed to be critical infrastructure under NERC guidelines. Certain of the Company's systems are interconnected with external networks. In the regular course of business, the utilities handle a range of sensitive security and customer information. PNM and TNMP are subject to the rules of various agencies concerning safeguarding and maintaining the confidentiality of this information.

In the event a party desires to disrupt the bulk power or transmission systems in the United States, the Company's computer and operating systems could be subject to physical or cyber attack. Although the Company has implemented security measures, critical infrastructure, including information and operational technology systems, are vulnerable to disability, failures, or unauthorized access. A successful physical or cyber attack or other similar failure of the systems could impact the reliability of PNM's generation and PNM's and TNMP's transmission and distribution systems, including the possible unauthorized shutdown of facilities. Such an event could lead to significant disruptions of business operations, including the Company's ability to generate, transport, and deliver power to serve customers, to bill customers, and to process other financial information. A major physical or cyber incident could lead to increased regulatory oversight, litigation, fines, other remedial action, and reputational damage. The costs incurred to investigate and remediate a physical or cyber security attack could be significant. If the Company's systems were to fail or be breached and not recovered in a timely way, critical business functions could be impaired and sensitive or confidential data could be compromised. A physical or cyber attack on the Company's critical infrastructure could have a material adverse impact on the operations and financial condition of PNMR, PNM, and TNMP.

There are inherent risks in the ownership and operation of nuclear facilities.

PNM has a 10.2% undivided interest in PVNGS, including interests in Units 1 and 2 held under leases. PVNGS represents 17.0% of PNM's total owned and leased generating capacity. PVNGS is subject to environmental, health, and financial risks, including, but not limited to:

- The ability to obtain adequate supplies of nuclear fuel and water
- The ability to dispose of spent nuclear fuel
- Decommissioning of the plant
- Securing the facilities against possible terrorist attacks
- Unscheduled outages due to equipment failures

PNM maintains trust funds designed to provide adequate financial resources for decommissioning at the end of the expected life of the PVNGS units. However, if the units are decommissioned before their planned date, these funds may prove to be insufficient. PNM also has external insurance coverage to minimize its financial exposure to some risks. However, it is possible that liabilities associated with nuclear operations could exceed the amount of insurance coverage. See Note 16.

The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. Events at nuclear facilities of other operators or impacting the industry generally may lead the NRC to impose additional requirements and regulations on all nuclear generation facilities, including PVNGS. As a result of the March 2011 earthquake and tsunamis that caused significant damage to the Fukushima Daiichi Nuclear Power Plant in Japan, various industry organizations are working to analyze information from the Japan incident and develop action plans for nuclear power plants in the United States. Additionally, the NRC has been performing its own independent review of the events at Fukushima Daiichi, including a review of the agency's processes and regulations in order to determine whether the agency should promulgate additional regulations and possibly make more fundamental changes to the NRC's system of regulation. PNM cannot predict when or if the NRC will complete its formal actions as a result of its review. As a result of the Fukushima Daiichi event, however, the NRC has directed nuclear power plants to implement the first tier its recommendations. In response to these recommendations, PVNGS expects to spend approximately $100 million for capital enhancements to the plant over the next several years of which PNM's share of these enhancements would be 10.2%, substantially all of which are included in PNM's current projection of capital expenditures. PNM cannot predict whether these amounts will increase or whether additional financial and/or operational requirements on PVNGS may be imposed.

In the event of noncompliance with its requirements, the NRC has the authority to impose a progressively increased inspection regime that could ultimately result in the shut-down of a unit or civil penalties, or both, depending upon the NRC's assessment of the severity of the situation, until compliance is achieved. Increased costs resulting from penalties, a heightened level of scrutiny, and/or implementation of plans to achieve compliance with NRC requirements could adversely affect the financial condition, results of operations, and cash flows of PNMR and PNM.

Demand for power could exceed supply capacity, resulting in increased costs for purchasing capacity in the open market or building additional generation facilities.

PNM is obligated to supply power to retail customers and certain wholesale customers. At peak times, power demand could exceed PNM's available generation capacity. Market or competitive forces may require PNM to purchase capacity on the open market or build additional generation capabilities. Regulators or market conditions may not permit PNM to pass all of these purchases or construction costs on to customers. If that occurs, PNM may not be able to fully recover these costs. Or, there may

be a lag between when costs are incurred and when regulators permit recovery in customers' rates. These situations could have negative impacts on results of operations and cash flows.

General Economic and Weather Factors

General economic conditions of the nation and/or specific areas can affect the Company's customers and suppliers. Economic recession or downturn may result in decreased consumption by customers and increased bad debt expense, and could also negatively impact suppliers, all of which could negatively impact the Company.

Economic activity is a key factor in PNMR subsidiaries' performance. Decreased economic activity can lead to declines in energy consumption, which could adversely affect future revenues, earnings, and growth. Higher unemployment rates, both in the Company's service territories and nationwide, could result in commercial customers ceasing operations and lower levels of income for residential customers. These customers might then be unable to pay their bills on time, which could increase bad debt expense and negatively impact results of operations and cash flows. Economic conditions also impact the supply and/or cost of commodities and materials needed to construct or acquire utility assets or make necessary repairs.

The operating results of PNMR and its operating subsidiaries fluctuate on a seasonal and quarterly basis as well as being affected by weather conditions, including regional drought.

Electric generation, transmission, and distribution are generally seasonal businesses that vary with the demand for power. With power consumption typically peaking during the hot summer months, revenues traditionally peak during that period. As a result, quarterly operating results of PNMR and its operating subsidiaries vary throughout the year. In addition, PNMR and its operating subsidiaries have historically had lower revenues resulting in lower earnings when weather conditions are milder. Unusually mild weather in the future could reduce the revenues, net earnings, and cash flows of the companies.

Drought conditions in New Mexico, especially in the "four corners" region, where SJGS and Four Corners are located, may affect the water supply for PNM's generating plants. If inadequate precipitation occurs in the watershed that supplies that region, PNM may have to decrease generation at these plants. This would require PNM to purchase power to serve customers and/or reduce the ability to sell excess power on the wholesale market and reduce revenues. Drought conditions or actions taken by regulators or legislators could limit PNM's supply of water, which would adversely impact PNM's and PNMR's business. Although PNM has in place supplemental contracts and voluntary shortage sharing agreements with tribes and other water users in the "four corners" region, PNM cannot be certain these contracts will be enforceable in the event of a major drought or that it will be able to renew these contracts in the future.

TNMP's service areas are exposed to extreme weather, including high winds, drought, flooding, and periodic hurricanes. Extreme weather conditions, particularly high winds and severe thunderstorms, also occur periodically in PNM's service areas. These severe weather events can physically damage TNMP's and PNM's owned facilities. Any such occurrence both disrupts the ability to deliver energy and increases costs. Extreme weather can also reduce customers' usage and demand for energy. These factors could negatively impact results of operations and cash flows.

Financial Factors

PNMR may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay dividends or distributions to PNMR.

PNMR is a holding company and has no operations of its own. PNMR's ability to meet its financial obligations and to pay dividends on its common stock primarily depends on the net income and cash flows of PNM and TNMP and their capacity to pay upstream dividends or distributions. Prior to providing funds to PNMR, PNM and TNMP have financial and regulatory obligations that must be satisfied, including among others, debt service and, in the case of PNM, preferred stock dividends.

The NMPRC has placed certain restrictions on the ability of PNM to pay dividends to PNMR, including that PNM cannot pay dividends that cause its debt rating to fall below investment grade. The NMPRC has also restricted PNM from paying dividends in any year, as determined on a rolling four-quarter basis, in excess of net earnings without prior NMPRC approval. PNM is permitted to pay dividends to PNMR from prior equity contributions made by PNMR. Additionally, PNM has various financial covenants that limit the transfer of assets, through dividends or other means.

Further, the ability of PNMR to declare dividends depends upon:

- The extent to which cash flows will support dividends
- The Company's financial circumstances and performance

- NMPRC's and PUCT's decisions in various regulatory cases currently pending and which may be docketed in the future
- Conditions imposed by the NMPRC or PUCT
- The effect of federal regulatory decisions and legislative acts
- Economic conditions in the United States and in the Company's service areas
- Future growth plans and the related capital requirements
- Other business considerations

Disruption in the credit and capital markets may impact the Company's growth strategy and ability to raise capital.

PNMR and its subsidiaries rely on access to both short-term and longer-term capital markets as sources of liquidity for any capital requirements not satisfied by cash flow from operations, including energy infrastructure investments and new projects. In general, the Company relies on its short-term credit facilities as the initial source to finance construction expenditures. This results in increased borrowings under the facilities over time. The Company is currently projecting total construction expenditures for the years 2014-2018 to be $2,267.2 million. If PNMR or its operating subsidiaries are not able to access capital at competitive rates, or at all, PNMR's ability to finance capital requirements and implement its strategy will be limited. Disruptions in the credit markets, which could negatively impact the Company's access to capital, could be caused by:

- An economic recession
- Declines in the health of the banking sector generally, and the failure of specific banks who are parties to the Company's credit facilities
- Deterioration in the overall health of the utility industry
- The bankruptcy of an unrelated energy company
- War, terrorist attacks or threatened attacks

If the Company's cash flow and credit and capital resources are insufficient to fund capital expenditure plans, the Company may be forced to delay important capital investments, sell assets, seek additional equity or debt capital, or restructure debt. In addition, insufficient cash flows and capital resources may result in reductions of credit ratings. This could negatively impact the Company's ability to incur additional indebtedness on acceptable terms and would result in an increase in the interest rates applicable under the Company's credit facilities. The Company's cash flow and capital resources may be insufficient to pay interest and principal on debt in the future. If that should occur, the Company's capital raising or debt restructuring measures may be unsuccessful or inadequate to meet scheduled debt service obligations. This could cause the Company to default on its obligations and further impair liquidity.

Reduction in credit ratings or changing rating agency requirements could materially and adversely affect the Company's growth, strategy, business, financial position, results of operations, and liquidity.

PNMR, PNM, and TNMP cannot be sure that any of their current ratings will remain in effect for any given period of time or that a rating will not be put under review for a downgrade, lowered, or withdrawn entirely by a rating agency. Downgrades or changing requirements could result in increased borrowing costs due to higher interest rates in future financings, a smaller potential pool of investors, and decreased funding sources. Such conditions also could require the provision of additional support in the form of letters of credit and cash or other collateral to various counterparties.

Declines in values of marketable securities held in trust funds for pension and other postretirement benefits and in the NDT could result in sustained increases in costs and funding requirements for those obligations, which may affect operational results.

The Company targets 21% of its pension trust funds and 70% of its trust funds for other postretirement benefits to be invested in marketable equity securities. Over one-half of funds held in the NDT are typically invested in marketable equity securities. Declines in market values could result in increased funding of the trusts as well as the recognition of losses as impairments for the NDT and additional expense for the benefit plans.

Impairments of goodwill and long-lived assets of PNMR, PNM, and TNMP could adversely affect the Company's business, financial position, liquidity, and results of operations.

PNMR, PNM, and TNMP annually evaluate their recorded goodwill for impairment. They also assess long-lived assets whenever indicators of impairment exist. Factors that affect the long-term value of these assets as well as other economic and market conditions could result in impairments. Significant impairments could adversely affect the Company's business, financial position, liquidity, and results of operations.

PNM's PVNGS leases describe certain events, including "Events of Loss" and "Deemed Loss Events", the occurrence of which could require PNM to take ownership of the underlying assets and pay the lessors for the assets.

The "Events of Loss" generally relate to casualties, accidents, and other events at PVNGS, including the occurrence of specified nuclear events, which would severely adversely affect the ability of the operating agent, APS, to operate, and the ability of PNM to earn a return on its interests in PVNGS. The "Deemed Loss Events" consist primarily of legal and regulatory changes (such as issuance by the NRC of specified violation orders, changes in law making the sale and leaseback transactions illegal, or changes in law making the lessors liable for nuclear decommissioning obligations). PNM believes that the probability of such "Events of Loss" or "Deemed Loss Events" occurring is remote for the following reasons: (1) to a large extent, prevention of "Events of Loss" and some "Deemed Loss Events" is within the control of the PVNGS participants through the general PVNGS operational and safety oversight process; and (2) other "Deemed Loss Events" would involve a significant change in current law and policy. PNM is unaware of any proposals pending or being considered for introduction in Congress, or in any state legislative or regulatory body that, if adopted, would cause any of those events. See Note 7.

Governance Factors

Provisions of PNMR's organizational documents, as well as several other statutory and regulatory factors, will limit another party's ability to acquire PNMR and could deprive PNMR's shareholders of the opportunity to receive a takeover premium for shares of PNMR's common stock.

PNMR's restated articles of incorporation and by-laws include a number of provisions that may have the effect of discouraging persons from acquiring large blocks of PNMR's common stock, or delaying or preventing a change in control of PNMR. The material provisions that may have such an effect include:

- Authorization for the Board to issue PNMR's preferred stock in series and to fix rights and preferences of the series (including, among other things, voting rights and preferences with respect to dividends and other matters)
- Advance notice procedures with respect to any proposal other than those adopted or recommended by the Board
- Provisions specifying that only a majority of the Board, the chairman of the Board, the chief executive officer, or holders of at least one-tenth of all of PNMR's shares entitled to vote may call a special meeting of stockholders

Under the New Mexico Public Utility Act, NMPRC approval is required for certain transactions that may result in PNMR's change in control or exercise of control, including ownership of 10% or more of PNMR's voting stock. Certain acquisitions of PNMR's outstanding voting securities also require FERC approval.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

PNMR

The significant properties owned by PNMR include those owned by PNM and TNMP and are disclosed below.

PNM

See Sources of Power in Part I, Item. 1 Business above for information on PNM's owned and leased capacity in electric generating stations. As of December 31, 2013, PNM owned, jointly owned, or leased, 3,189 circuit miles of electric transmission lines (including the EIP), 5,849 miles of distribution overhead lines, 5,669 cable miles of underground distribution lines (excluding street lighting), and 280 substations. PNM's electric transmission and distribution lines are generally located within easements and rights-of-way on public, private, and Native American lands. The EIP line is a 223 mile, 345 kilovolt line with a capacity of 200 MW. PNM leases interests in PVNGS Units 1 and 2 and related property, Delta, EIP and associated equipment, data processing, communication, office and other equipment, office space, vehicles, and real estate. PNM also owns and leases service and office facilities in Albuquerque and in other areas throughout its service territory. See Note 7 for additional information concerning leases, including notices given to the lessors under the PVNGS leases that PNM would renew certain of the leases and would exercise its option to purchase the assets underlying certain other leases at the expiration of the original lease terms. As discussed in Note 7, PNM agreed to exercise its option to purchase the leased portion of the EIP at expiration of the lease at fair market value. See Note 9 for additional information about the Delta operating lease and Valencia, including the potential purchase of Delta and 50% of Valencia.

TNMP

TNMP's facilities consist primarily of transmission and distribution facilities located in its service areas. TNMP also owns and leases service and office facilities in other areas throughout its service territory. As of December 31, 2013, TNMP owned 966 circuit miles of overhead electric transmission lines, 7,073 pole miles of overhead distribution lines, 1,098 circuit miles of underground distribution lines, and 108 substations. Substantially all of TNMP's property is pledged to secure its first mortgage bonds. See Note 6.

ITEM 3. LEGAL PROCEEDINGS

See Note 16 and Note 17 for information related to the following matters for PNMR, PNM, and TNMP, incorporated in this item by reference.

Note 16

- The Clean Air Act - Regional Haze – SJGS
- The Clean Air Act - Regional Haze – Four Corners
- The Clean Air Act - Four Corners BART FIP Challenge
- The Clean Air Act - Regional Haze Challenges
- The Clean Air Act - SJGS Operating Permit Challenge
- The Clean Air Act - Citizen Suit Under the Clean Air Act
- The Clean Air Act - Four Corners Clean Air Act Lawsuit
- WEG v. OSM NEPA Lawsuit
- Navajo Nation Environmental Issues
- Endangered Species Act
- Santa Fe Generating Station
- Coal Combustion Byproducts Waste Disposal - Sierra Club Allegations
- Continuous Highwall Mining Royalty Rate
- SJCC Arbitration
- Four Corners Severance Tax Assessment
- PVNGS Water Supply Litigation
- San Juan River Adjudication
- Conflicts at San Juan Mine Involving Oil and Gas Leaseholders
- Rights-of-Way Matter
- Complaint Against Southwestern Public Service Company
- Navajo Nations Allottee Matters

Note 17

- PNM - Renewable Portfolio Standard
- PNM - Renewable Energy Rider
- PNM - Energy Efficiency and Load Management
- FPPAC Continuation Application
- PNM - Emergency FFPAC
- PNM - Application for Approvals to Purchase Delta
- Application for Approval of La Luz Generating Station
- San Juan Generating Station Units 2 and 3 Retirement
- PNM - Transmission Rate Case
- PNM - Formula Transmission Rate Case
- TNMP - Advance Meter System Deployment
- TNMP - Transmission Cost of Service Rates

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

SUPPLEMENTAL ITEM - EXECUTIVE OFFICERS OF PNM RESOURCES, INC.

All officers are elected annually by the Board of PNMR. Executive officers, their ages as of February 21, 2014 and offices held with PNMR for the past five years, or other companies if less than five years with PNMR, are as follows:

Name	Age	Office	Initial Effective Date
P. K. Collawn	55	Chairman, President, and Chief Executive Officer	January 2012
		President and Chief Executive Officer	March 2010
		President and Chief Operating Officer	August 2008
C. N. Eldred	60	Executive Vice President and Chief Financial Officer	July 2007
P. V. Apodaca	62	Senior Vice President, General Counsel and Secretary	January 2010
		University Counsel, University of New Mexico	May 2006
R. E. Talbot	53	Senior Vice President and Chief Operating Officer	January 2012
		Chief Operating Officer, Power Supply and Power Delivery - Indianapolis Power and Light Company	June 2011
		Senior Vice President, Power Supply - Indianapolis Power and Light Company	February 2007
R. N. Darnell	56	Senior Vice President, Public Policy	December 2011
		Vice President, Regulatory Affairs	April 2008
T. G. Sategna	60	Vice President and Corporate Controller	October 2003

PART II

ITEM 5. MARKET FOR PNMR'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

PNMR's common stock is traded on the New York Stock Exchange (Symbol: PNM). Ranges of sales prices of PNMR's common stock, reported as composite transactions, and dividends declared on the common stock for 2013 and 2012, by quarters, are as follows:

Quarter Ended	Range of Sales Prices		Dividends Declared Per Share
	High	Low	
2013			
March 31	$ 23.29	$ 20.28	$ 0.165
June 30	24.01	21.35	0.165
September 30	24.29	21.25	0.165
December 31	24.28	22.21	0.185
Fiscal Year	24.29	20.28	0.680
2012			
March 31	$ 18.94	$ 17.52	$ 0.145
June 30	19.54	17.84	0.145
September 30	21.42	19.75	0.145
December 31	22.32	20.05	0.145
Fiscal Year	22.32	17.52	0.580

Dividends on PNMR's common stock are declared by its Board. The timing of the declaration of dividends is dependent on the timing of meetings and other actions of the Board. This has historically resulted in dividends considered to be attributable to the second quarter of each year being declared through actions of the Board during the third quarter of the year. The Board declared dividends on common stock considered to be for the second quarter of $0.145 per share in July 2012 and $0.165 per share in July 2013, which are reflected as being in the second quarter above. The Board declared dividends on common stock considered to be for the third quarter of $0.145 per share in September 2012 and $0.165 per share in September 2013, which are reflected as being in the third quarter above. On February 27, 2014, the Board declared a quarterly dividend of $0.185 per share. PNMR targets a long-term dividend payout ratio of 50% to 60% of consolidated earnings. During the period it was outstanding, PNMR's Series A convertible preferred stock was entitled to receive dividends equivalent to any dividends paid on PNMR common stock as if the preferred stock had been converted into common stock.

On February 21, 2014, there were 10,889 holders of record of PNMR's common stock. All of the outstanding common stock of PNM and TNMP is held by PNMR.

See Note 5 for a discussion on limitations on the payments of dividends and the payment of future dividends, as well as dividends paid by PNM and TNMP.

See Part III, Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Preferred Stock

PNM is not aware of any active trading market for its cumulative preferred stock. Quarterly cash dividends were paid on PNM's outstanding cumulative preferred stock at the stated rates during 2013 and 2012. PNMR purchased and retired all of its outstanding convertible preferred stock, Series A, effective September 23, 2011. TNMP does not have any preferred stock outstanding.

Sales of Unregistered Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data and comparative operating statistics for PNMR should be read in conjunction with the Consolidated Financial Statements and Notes thereto and MD&A. On January 30, 2009, PNM completed the sale of its gas operations, which are considered discontinued operations and excluded from continuing operations information in the table below. PNMR sold First Choice on November 1, 2011. First Choice is included in the following information through October 31, 2011. PNMR fully impaired its equity method investment in Optim Energy in 2010 and recorded no income or loss for that investment through September 23, 2011, when Optim Energy was restructured reducing PNMR's ownership to 1%.

PNM RESOURCES, INC. AND SUBSIDIARIES

	2013	2012	2011	2010	2009
	(In thousands except per share amounts and ratios)				
Total Operating Revenues from Continuing Operations	$ 1,387,923	$ 1,342,403	$ 1,700,619	$ 1,673,517	$ 1,647,744
Earnings (Loss) from Continuing Operations	$ 115,556	$ 120,125	$ 190,934	$ (31,124)	$ 65,933
Net Earnings (Loss)	$ 115,556	$ 120,125	$ 190,934	$ (31,124)	$ 136,734
Net Earnings (Loss) Attributable to PNMR	$ 100,507	$ 105,547	$ 176,359	$ (45,215)	$ 124,316
Earnings (Loss) from Continuing Operations Attributable to PNMR per Common Share					
Basic	$ 1.26	$ 1.32	$ 1.98	$ (0.49)	$ 0.58
Diluted	$ 1.25	$ 1.31	$ 1.96	$ (0.49)	$ 0.58
Net Earnings (Loss) Attributable to PNMR per Common Share					
Basic	$ 1.26	$ 1.32	$ 1.98	$ (0.49)	$ 1.36
Diluted	$ 1.25	$ 1.31	$ 1.96	$ (0.49)	$ 1.36
Cash Flow Data					
Net cash flows from operating activities	$ 386,587	$ 281,349	$ 292,240	$ 287,352	$ 87,706
Net cash flows from investing activities	$ (331,446)	$ (285,895)	$ 19,778	$ (275,906)	$ 379,726
Net cash flows from financing activities	$ (61,593)	$ (1,560)	$ (312,331)	$ (10,683)	$ (593,435)
Total Assets	$ 5,500,210	$ 5,372,583	$ 5,204,613	$ 5,225,083	$ 5,359,921
Long-Term Debt, including current installments	$ 1,745,420	$ 1,672,290	$ 1,674,013	$ 1,565,847	$ 1,567,331
Common Stock Data					
Market price per common share at year end	$ 24.12	$ 20.51	$ 18.23	$ 13.02	$ 12.65
Book value per common share at year end	$ 21.01	$ 20.19	$ 19.76	$ 17.90	$ 19.13
Tangible book value per share at year end	$ 17.52	$ 16.70	$ 16.27	$ 14.10	$ 15.33
Average number of common shares outstanding - diluted	80,431	80,417	89,757	91,557	91,671
Dividends declared per common share	$ 0.680	$ 0.580	$ 0.500	$ 0.500	$ 0.500
Capitalization					
PNMR common stockholders' equity	48.8%	48.9%	48.3%	47.8%	49.6%
Convertible preferred stock	—	—	—	3.1	3.0
Preferred stock of subsidiary, without mandatory redemption requirements	0.3	0.3	0.3	0.4	0.3
Long-term debt	50.9	50.8	51.4	48.7	47.1
	100.0%	100.0%	100.0%	100.0%	100.0%

Note: The book value per common share at year end, tangible book value per share at year end, average number of common shares outstanding, and return on average common equity reflect the Series A convertible preferred stock as if it was converted into common stock through September 23, 2011.

PNM RESOURCES, INC. AND SUBSIDIARIES
COMPARATIVE OPERATING STATISTICS

	2013	2012	2011	2010	2009
			(In thousands)		
PNM Revenues					
Residential	$ 411,579	$ 409,005	$ 390,380	$ 355,905	$ 320,965
Commercial	415,621	413,332	386,383	355,699	330,552
Industrial	74,552	78,637	73,742	65,358	62,699
Public authority	25,745	25,495	23,970	21,302	19,770
Economy service	32,909	25,354	21,141	20,218	16,841
Transmission	38,228	39,373	43,637	38,667	36,075
Firm-requirements wholesale	42,370	39,390	34,127	31,870	29,048
Other sales for resale	67,538	47,321	69,318	121,729	140,314
Mark-to-market activity	293	892	4,214	(3,599)	151
Other	7,477	13,465	10,377	9,979	11,594
Total PNM Revenues	$ 1,116,312	$ 1,092,264	$ 1,057,289	$ 1,017,128	$ 968,009
TNMP Revenues					
Residential	$ 111,373	$ 103,255	$ 100,290	$ 83,645	$ 74,739
Commercial	95,098	88,258	84,896	77,474	73,346
Industrial	13,084	13,405	13,065	12,342	12,113
Other	52,056	45,222	39,607	39,127	32,434
Total TNMP Revenues	$ 271,611	$ 250,140	$ 237,858	$ 212,588	$ 192,632
First Choice Revenues					
Residential	$ —	$ —	$ 260,161	$ 305,834	$ 349,629
Commercial	—	—	166,498	159,785	160,998
Trading gains (losses)	—	—	—	(4)	14
Other	—	—	12,791	17,588	18,177
Total First Choice Revenues	$ —	$ —	$ 439,450	$ 483,203	$ 528,818

Notes: Under TECA, consumers in Texas can choose any REP to provide energy. TNMP delivers energy to consumers within its service area regardless of the REP chosen. Therefore, TNMP earns revenue for energy delivery and REPs earn revenue on the usage of that energy by its customers. The revenues reported above for TNMP include $33.8 million, $39.1 million, and $41.3 million received from First Choice in 2011, 2010, and 2009.

PNM Gas, which was sold on January 30, 2009, is reported as discontinued operations and has been excluded from the above table.

First Choice is included through October 31, 2011, when it was sold by PNMR.

PNM RESOURCES, INC. AND SUBSIDIARIES
COMPARATIVE OPERATING STATISTICS

	2013	2012	2011	2010	2009
PNM MWh Sales					
Residential	3,304,350	3,323,544	3,402,842	3,361,472	3,264,378
Commercial	3,954,774	4,022,184	4,043,796	4,015,999	3,899,121
Industrial	1,041,160	1,136,011	1,132,110	1,073,475	1,071,955
Public authority	266,368	279,169	282,062	263,424	249,554
Economy service	719,342	635,305	428,757	376,458	382,525
Firm-requirements wholesale	654,135	651,972	650,356	677,508	689,740
Other sales for resale	2,061,851	1,652,225	2,076,869	2,203,787	3,996,317
Total PNM MWh Sales	12,001,980	11,700,410	12,016,792	11,972,123	13,553,590
TNMP MWh Sales					
Residential	2,796,661	2,714,511	2,862,337	2,699,601	2,582,555
Commercial	2,451,299	2,353,135	2,360,998	2,260,505	2,216,870
Industrial	2,598,442	2,727,126	2,578,877	2,241,452	1,983,165
Other	104,516	103,856	108,664	103,341	107,091
Total TNMP MWh Sales	7,950,918	7,898,628	7,910,876	7,304,899	6,889,681
First Choice MWh Sales					
Residential	—	—	2,006,437	2,267,836	2,441,550
Commercial	—	—	1,538,203	1,363,746	1,218,949
Total First Choice MWh Sales	—	—	3,544,640	3,631,582	3,660,499

Notes: The MWh reported above for TNMP include 836,599, 1,012,842, and 1,131,907 MWh for 2011, 2010, and 2009, used by consumers who chose First Choice as their REP. These MWh are also included in the First Choice MWh sales.

PNM Gas, which was sold on January 30, 2009, is reported as discontinued operations and has been excluded from the above table.

First Choice is included through October 31, 2011, when it was sold by PNMR.

PNM RESOURCES, INC. AND SUBSIDIARIES
COMPARATIVE OPERATING STATISTICS

	2013	2012	2011	2010	2009
PNM Customers					
Residential	453,218	450,507	448,979	447,789	445,637
Commercial	55,447	54,953	54,468	54,005	53,787
Industrial	251	250	251	259	269
Economy service	1	1	1	1	1
Other sales for resale	34	36	28	46	44
Other	928	952	983	1,003	991
Total PNM Customers	509,879	506,699	504,710	503,103	500,729
TNMP Consumers					
Residential	196,799	193,550	192,356	190,809	188,812
Commercial	37,460	36,819	37,208	37,356	37,728
Industrial	70	70	73	72	73
Other	2,070	2,037	2,092	2,099	2,059
Total TNMP Consumers	236,399	232,476	231,729	230,336	228,672
First Choice Customers					
Residential	—	—	176,577	172,506	183,605
Commercial	—	—	44,485	41,695	41,371
Total First Choice Customers	—	—	221,062	214,201	224,976
PNMR Generation Statistics					
Net Capability - MW, including PPAs	2,572	2,537	2,547	2,631	2,711
Coincidental Peak Demand - MW	2,008	1,948	1,938	1,973	1,866
Average Fuel Cost per MMBTU	$ 2.237	$ 2.308	$ 2.267	$ 2.064	$ 1.895
BTU per KWh of Net Generation	10,308	10,289	10,441	10,237	10,277

Notes: The consumers reported above for TNMP include 64,732, 70,366, and 80,718 consumers for 2011, 2010, and 2009, who chose First Choice as their REP. These TNMP customers are also included in the First Choice customers.

PNM Gas, which was sold on January 30, 2009, is reported as discontinued operations and has been excluded from the above table.

First Choice is as of October 31, 2011, when it was sold by PNMR.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations for PNMR is presented on a combined basis, including certain information applicable to PNM and TNMP. The MD&A for PNM and TNMP is presented as permitted by Form 10-K General Instruction I (2). A reference to a "Note" in this Item 7 refers to the accompanying Notes to Consolidated Financial Statements included in Part II, Item 8, unless otherwise specified. Certain of the tables below may not appear visually accurate due to rounding.

MD&A FOR PNMR

EXECUTIVE SUMMARY

Overview and Strategy

PNMR is a holding company with two regulated utilities serving approximately 746,000 residential, commercial, and industrial customers and end-users of electricity in New Mexico and Texas. In the latter part of 2011, PNMR exited both of its competitive businesses, First Choice and Optim Energy, and repositioned itself as a holding company solely operating its electric utilities, PNM and TNMP.

Strategic Goals

PNMR is focused on achieving the following strategic goals:

- Earning authorized returns on its regulated businesses
- Maintaining investment grade credit ratings
- Providing a top-quartile total return to investors

In conjunction with these goals, PNM and TNMP are dedicated to:

- Achieving industry-leading safety performance
- Maintaining strong plant performance and system reliability
- Delivering a superior customer experience
- Demonstrating environmental leadership in its business operations

Earning Authorized Returns on Regulated Businesses

PNMR's success in accomplishing its strategic goals is highly dependent on continued favorable regulatory treatment for its utilities and their strong operating performance. The Company has multiple strategies to achieve favorable regulatory treatment, all of which have as their foundation a focus on the basics: safety, operational excellence, and customer satisfaction, while engaging stakeholders to build productive relationships.

Both PNM and TNMP seek cost recovery for their investments through general rate cases and various rate riders. The PUCT has approved mechanisms that allow TNMP to recover capital invested in transmission and distribution projects without having to file a general rate case, which allows for more timely recovery. The NMPRC has approved rate riders for renewable energy and energy efficiency that also allow for more timely recovery of investments and improve the ability to earn authorized returns from PNM's retail customers. In 2012, PNM saw additional progress toward achieving authorized returns for its FERC regulated transmission and generation services. PNM currently has a pending case before FERC in which it is requesting an increase in rates charged to transmission customers based on a formula rate mechanism. Additional information about rate filings is provided in Note 17.

Fair and timely rate treatment from regulators is crucial to PNMR achieving its strategic goals because it leads to PNM and TNMP earning their allowed returns. PNMR believes that if the utilities earn their allowed returns, it would be viewed positively by credit rating agencies and would further improve the Company's ratings, which could lower costs to utility customers. Also, earning allowed returns should result in increased earnings for PNMR, which would lead to increased total returns to investors.

PNM's interest in PVNGS Unit 3 is currently excluded from NMPRC jurisdictional rates. While PVNGS Unit 3's financial results are not included in the authorized returns on its regulated business, it impacts PNM's earnings and has been demonstrated to be a valuable asset. Power generated from PNM's 134 MW interest in PVNGS Unit 3 is currently sold into the wholesale market and any earnings or losses are attributable to shareholders. PNM has requested NMPRC approval to include PVNGS Unit

3 as a jurisdictional resource in the determination of rates charged to customers in New Mexico beginning in 2018 as part of compliance with the requirements for BART at SJGS discussed below.

Maintaining Investment Grade Credit Ratings

PNM is committed to maintaining investment grade credit ratings. See the subheading Liquidity included in the full discussion of Liquidity and Capital Resources below for the specific credit ratings for PNMR, PNM, and TNMP. S&P raised the corporate credit ratings and senior debt ratings for PNMR, PNM, and TNMP, as well as the preferred stock rating for PNM, on April 5, 2013. S&P retained the outlook as stable for all entities. On June 21, 2013, Moody's changed the ratings outlook for PNMR, PNM, and TNMP to positive from stable. On January 30, 2014, Moody's raised the credit ratings for PNMR, PNM and TNMP by one notch, while maintaining the positive outlook. All of the Company's credit ratings are now investment grade by both Moody's and S&P.

Providing Top-Quartile Total Returns to Investors

PNMR's strategic goal to provide top quartile total return to investors over the 2012 to 2016 period is based on five-year ongoing earnings per share growth plus five-year average dividend yield from a group of regulated electric utility companies with similar market capitalization. Top quartile total return currently is equal to an average annual rate of 10 percent to 13 percent.

PNMR's long-term target is a dividend payout ratio of 50 percent to 60 percent of its ongoing earnings. Ongoing earnings, which is a non-GAAP financial measure, excludes certain non-recurring, infrequent, and other items from earnings determined in accordance with GAAP. The annual common stock dividend was raised by 16 percent in February 2012, 14 percent in February 2013, and 12 percent in December 2013. PNMR expects to provide above-average dividend growth in the near-term and to manage the payout ratio to meet its long-term target. The Board will continue to evaluate the dividend on an annual basis, considering sustainability and growth, capital planning, and industry standards.

Business Focus

In addition to its strategic goals, PNMR's strategy and decision-making are focused on safely providing reliable, affordable, and environmentally responsible power to create enduring value for customers and communities. To accomplish this, PNMR works closely with customers, stakeholders, legislators, and regulators to ensure that resource plans and infrastructure investments benefit from robust public dialogue and balance the diverse needs of our communities.

Reliable and Affordable Power

PNMR and its utilities are keenly aware of the roles they play in enhancing economic vitality in their New Mexico and Texas service territories. Management believes that maintaining strong and modern electric infrastructure is critical to ensuring reliability and economic growth. When considering expanding or relocating to other communities, businesses consider energy affordability and reliability to be important factors. PNM and TNMP strive to balance service affordability with infrastructure investment to maintain a high level of electric reliability and to deliver a superior customer experience. The utilities also work to ensure that rates reflect actual costs of providing service.

Investing in PNM's and TNMP's infrastructure is critical to ensuring reliability and meeting future energy needs. Both utilities have long-established records of providing customers with top-tier electric reliability.

In September 2011, TNMP began its deployment of smart meters in homes and businesses across its Texas service area. Through the end of 2013, TNMP had completed installation of more than 128,000 smart meters, which is approximately 56% of the anticipated total. TNMP's deployment is expected to be completed in 2016.

As part of the State of Texas' long-term initiative to create a smart electric grid, installation of smart meters will ultimately give consumers more data about their energy consumption and help them make more informed decisions. In 2014, TNMP will install a new outage management system that will leverage capabilities of the smart meters to enhance TNMP's responsiveness to outages.

During the 2011 to 2013 period, PNM and TNMP together invested $937.5 million in utility plant, including substations, power plants, and transmission and distribution systems. In 2012, PNM announced plans for the 40 MW natural gas-fired La Luz peaking generating station, to be located near Belen, New Mexico. PNM filed a request in May 2013 with the NMPRC for approval to construct the La Luz plant, which is expected to begin in 2014, with the facility going into service in 2016. PNM also announced an agreement to purchase Delta, a 132 MW gas-fired peaking facility, which has served PNM jurisdictional needs under a 20-year PPA since 2000. The purchase has been approved by the NMPRC and FERC. Closing on the Delta purchase will occur once certain environmental issues are resolved.

Environmentally Responsible Power

PNMR has a long-standing record of environmental stewardship. In 2012 and 2013, its environmental focus has been in three key areas:

- Developing strategies to meet regional haze rules at the coal-fired SJGS as cost-effectively as possible while providing broad environmental benefits
- Preparing to meet New Mexico's increasing renewable energy requirements as cost-effectively as possible
- Increasing energy efficiency participation

Another area of emphasis is the reduction of the amount of fresh water used during electricity generation at PNM's power plants. The fresh water used per MWh generated has dropped by 21.0% since 2002, primarily due to the growth of renewable energy sources, the expansion of Afton to a combined-cycle plant that has both air and water cooling systems, and the use of gray water for cooling at Luna. In addition to the above areas of focus, the Company is also working to reduce the amount of solid waste going to landfills through increased recycling and reduction of waste. The Company has performed well in this area in the past and has set goals for even further reductions.

Renewable Energy

PNM's 2013 renewable procurement strategy almost doubled PNM's existing solar capacity with the addition of 21.5 MW of utility-owned solar capacity. In addition to the solar expansion, the 2013 plan included a 20-year agreement to purchase energy from a geothermal facility built near Lordsburg, New Mexico. The facility began providing power to PNM in January 2014. The current output of the facility is 4 MW and future expansion may result in up to 10 MW of generation capacity. PNM's 2014 renewable procurement strategy calls for the construction of an additional 23 MW of utility-owned solar capacity, a 20 year PPA for the output of an existing 102 MW wind energy center, and the purchase of RECs in 2014 and 2015 to meet the RPS.

In addition to PNM's utility-owned PV solar facilities, PNM also owns the 500 KW PNM Prosperity Energy Storage Project, which uses advanced batteries to store solar power and dispatch the energy either during high-use periods or when solar production is limited. The project features one of the largest combinations of battery storage and PV energy in the nation and involves extensive research and development of smart grid concepts. The facility was the nation's first solar storage facility fully integrated into a utility's power grid.

PNM also purchases 204 MW of wind power and power from a customer-owned distributed solar generation program having an installed capacity of 30.5 MW at the end of 2013. These renewable resources are key means for PNM to meet the RPS and related regulations, which require PNM to achieve prescribed levels of energy sales from renewable sources, if that can be accomplished without exceeding the RCT cost limit set by the NMPRC.

In 2013, PNM made renewable procurements consistent with the 2013 plan approved by the NMPRC. PNM believes its currently planned resources will enable it to comply with the NMPRC's diversity requirements, as amended in December 2012. PNM will continue to procure renewable resources while balancing the bill impact to customers in order to meet New Mexico's escalating RPS requirements.

SJGS

PNM continues its efforts to comply with the EPA regional haze rule in a manner that minimizes the cost impact to customers while still achieving broad environmental benefits. Additional information about BART at SJGS is contained in Note 16.

In August 2011, EPA issued a FIP for regional haze that would require the installation of SCRs on all four units at SJGS by September 2016. Following approval by the majority of the other SJGS owners, PNM, NMED, and EPA agreed on February 15, 2013 to pursue a revised plan that could provide a new BART path to comply with federal visibility rules at SJGS. The terms of the non-binding agreement would result in the retirement of SJGS Units 2 and 3 by the end of 2017 and the installation of SNCRs on Units 1 and 4 by the later of January 31, 2016 or 15 months after EPA approval of a revised SIP from the State of New Mexico. The revised SIP has been approved by the EIB and submitted to EPA for its approval. EPA action is projected for late 2014.

Contemporaneously with the signing of the non-binding agreement, EPA indicated in writing that if the above plan does not move forward due to circumstances outside of the control of PNM and NMED, EPA will work with the State of New Mexico and PNM to create a reasonable FIP compliance schedule to reflect the time used to develop the new state plan.

On December 20, 2013, PNM made a filing with the NMPRC requesting certain approvals necessary to effectuate the revised SIP. In this filing, PNM requests authorization to:

- Retire SJGS Units 2 and 3 at December 31, 2017 and to recover over 20 years their net book value at that date along with a regulated return on those costs
- Include PNM's ownership of PVNGS Unit 3 as a resource to serve New Mexico retail customers effective January 1, 2018
- Allow cost recovery for the installation of SNCR equipment and the additional equipment to comply with NAAQS requirements on SJGS Units 1 and 4
- Exchange ownership of 78 MW of PNM's capacity in SJGS Unit 3 for 78 MW in SJGS Unit 4

PNM requested the NMPRC issue its final ruling on the application no later than December 2014. On February 11, 2014, PNM's application was determined to be complete. The Hearing Examiner indicated the NMPRC should proceed with the review of PNM's application and establish a schedule that would allow NMPRC action on the application by the end of 2014. The Hearing Examiner indicated that he will schedule a public hearing to begin on August 19, 2014.

The December 20, 2013 filing also identifies a new 177 MW natural gas fired generation source and 40 MW of new utility-scale solar generation to replace a portion of PNM's share of the reduction in generating capacity due to the retirement of SJGS Units 2 and 3. Specific approvals to acquire these facilities and the treatment of associated costs will be requested in future filings.

In connection with the implementation of the revised plan and the proposed retirement of SJGS Units 2 and 3, some of the SJGS participants have expressed a desire to exit their ownership in the plant. As a result, the SJGS participants are attempting to negotiate a restructuring of the ownership in SJGS, as well as addressing the obligations of the exiting participants for plant decommissioning, mine reclamation, environmental matters, and certain ongoing operating costs, among other items. The SJGS participants have engaged a mediator to assist in facilitating resolution of a number of outstanding matters among the owners. Although discussions are continuing, no agreements have been reached. Owners of the affected units also may seek approvals of their utility commissions or governing boards. PNM is unable to predict the outcome of the negotiations.

PNM, as the SJGS operating agent, presented the SNCR project to the participants in Unit 1 and Unit 4 for approval in late October 2013. The project was approved for Unit 1, but the Unit 4 project did not obtain the required percentage of votes for approval. Other capital projects related to Unit 4 were also not approved by the participants. The SJPPA provides that PNM is authorized and obligated to take reasonable and prudent actions necessary for the successful and proper operation of SJGS pending resolution by the participants. PNM is evaluating its responsibilities and obligations as operating agent under the SJPPA regarding the SJGS Unit 4 capital projects that were not approved by the participants and will take reasonable and prudent actions as it deems necessary. PNM cannot predict the outcome of this matter.

This revised BART plan would achieve similar visibility improvements as the installation of SCRs on all four units at SJGS. It has the added advantage of reducing other emissions beyond NOx, including SO_2, particulate matter, CO_2, and mercury, as well as reducing water usage. PNM has begun taking steps to prepare for the potential installation of SNCRs on Units 1 and 4. In May 2013, PNM entered into an SNCR equipment and related services contract with an SNCR technology provider, but has not yet entered into a construction and procurement contract. PNM can provide no assurance that the requirements of this plan will be accomplished at all or within the required timeframes.

In addition to the regional haze rule, SJGS is required to comply with other rules currently being developed or implemented that affect coal-fired generating units. Because of environmental upgrades completed in 2009, SJGS is well positioned to outperform the mercury limit imposed by EPA in the 2011 Mercury and Air Toxics Standards. The major environmental upgrades on each of the four units at SJGS have significantly reduced emissions of NOx, SO_2, particulate matter, and mercury. Since 2006, SJGS has reduced NOx emissions by 41 percent, SO_2 by 60 percent, particulate matter by 69 percent, and mercury by 99 percent.

Energy Efficiency

Energy efficiency also plays a significant role in helping to keep customers' electricity costs low while continuing to meet their energy needs. PNM's and TNMP's energy efficiency and load management portfolios continue to achieve robust results. In 2013, annual energy saved as a result of PNM's portfolio of energy efficiency programs was approximately 75 GWh. This is equivalent to the annual consumption of approximately 10,200 homes in PNM's service territory. PNM's load management and energy efficiency programs also help lower peak demand requirements. TNMP's energy efficiency programs in 2013 resulted in energy savings totaling an estimated 17.0 GWh. This is equivalent to the annual consumption of approximately 1,650 homes in TNMP's service territory.

Creating Value for Customers and Communities

The Company strives to deliver a superior customer experience by understanding the dynamic needs of its customers through ongoing market research, identifying and establishing best-in-class services and programs, and proactively communicating and engaging with customers at a regional and community level. In 2013, PNM refocused its efforts to improve the customer experience through an integrated marketing and communications strategy that encompassed brand repositioning and advertising, customer service improvements, and strategic customer and stakeholder engagement.

Integrated communication around known satisfaction drivers, including billing and payment options, bill redesign, energy efficiency, and environmental and community stewardship ensured PNM retained traction from the previous year, as well as gained new ground in critical areas, notably corporate citizenship perceptions. PNM's perceived value to customers has also improved.

Recognizing the importance of environmental stewardship to customers and other stakeholders, PNM expanded engagement with environmental stakeholders to promote ongoing dialogue and input. Similarly, PNM also proactively communicated with communities about its efforts and plans related to environmental stewardship. Customers took note of PNM's efforts in this area. A nationally recognized customer satisfaction benchmark revealed gains in awareness of PNM's efforts to improve environmental impact, as well as customer perceptions around the commitment to preserving the environment now and for future generations. Benchmark data also demonstrates positive movement in the communication component of the customer experience.

Through outreach, collaboration, and various community-oriented programs, PNMR has a demonstrated commitment to build productive relationships with stakeholders, including customers, regulators, legislators, and intervenors.

Building off work that began in 2008, PNM has continued outreach efforts to connect low-income customers with nonprofit community service providers offering support and help with such needs as utility bills, food, clothing, medical programs, services for seniors, and weatherization. In 2013, PNM hosted 22 community events throughout its service territory to assist low-income customers. Furthermore, the PNM Good Neighbor Fund provided $0.3 million of assistance with utility bills to 3,610 families in 2013. In 2013, PNM committed funding of $0.9 million to the PNM Good Neighbor Fund.

The PNM Resources Foundation helps nonprofits become more energy efficient through Reduce Your Use grants. In 2013, PNMR committed funding of $3.5 million to the PNM Resources Foundation. For 2013, the foundation awarded $0.2 million to support 56 projects in New Mexico to provide shade structure installations, window replacements, and efficient appliance purchases. Since the program's inception in 2008, Reduce Your Use grants have provided nonprofit agencies in New Mexico with a total of $1.4 million of support. In 2013, in connection with the PNM Resources Foundation's 30th anniversary, the foundation awarded thirty $10,000 environmental grants to nonprofit agencies.

PNM continues to expand its environmental stakeholder outreach, piloting small environmental stakeholder dialogue groups on key issues such as renewable energy and energy efficiency planning. PNM also employed proactive stakeholder outreach in two key projects - the development of PNM's renewable energy procurement plans that involved distributed solar energy developers early in the conversation and the siting of the planned gas-fired peaking generation facility near Belen, New Mexico, which featured in-depth community involvement and education early in the planning stages of the project. In both cases highly favorable outcomes were achieved, and controversial negative media coverage was virtually eliminated.

In Texas, community outreach has focused on supporting employee volunteerism, as well as customer education to address questions about the ongoing smart meter deployment. TNMP also offers energy efficiency programs specific to government buildings and schools and has successfully used the programs to improve customer relationships.

Economic Factors

In 2013 and 2012, PNM experienced annualized decreases in weather-normalized, retail load of 1.8% and 0.7%. TNMP experienced annualized increases in weather-normalized, retail load of 2.6% in 2013 and 3.7% in 2012. In recent years, New Mexico and Texas have fared better than the national average in unemployment. However, New Mexico's figures may be misleading due to people dropping out of the workforce. Employment growth is a stronger predictor of load. Texas' employment growth rates are well above the national rate, while New Mexico's employment remains relatively flat.

Results of Operations

A summary of net earnings attributable to PNMR is as follows:

	Year Ended December 31,			Change	
	2013	2012	2011	2013/2012	2012/2011
	(In millions, except per share amounts)				
Net earnings	$ 100.5	$ 105.5	$ 176.4	$ (5.0)	$ (70.9)
Average common and common equivalent shares	80.4	80.4	89.8	—	(9.4)
Net earnings per diluted share	$ 1.25	$ 1.31	$ 1.96	$ (0.06)	$ (0.65)

The components of the changes in earnings from continuing operations attributable to PNMR by segment are:

	Change	
	2013/2012	2012/2011
	(In millions)	
PNM	$ (3.4)	$ 37.0
TNMP	2.4	4.4
First Choice	—	(24.1)
Corporate and Other	(4.0)	(88.2)
Net change	$ (5.0)	$ (70.9)

PNMR's operational results were affected by the following:

- Rate increases for PNM and TNMP - Additional information about these rate increases is provided in Note 17
- Lower retail load at PNM partially offset by higher retail load in at TNMP
- Milder weather
- Fluctuating prices for sales of power from PVNGS Unit 3
- Increased income tax expense due to impairments of state tax credits and a change in state tax rate (Note 11)
- Exit from unregulated businesses - PNMR sold First Choice in 2011, resulting in a pre-tax gain of $174.9 million, which was included in the Corporate and Other segment. The results of operations only include First Choice through October 31, 2011.
- Decrease in the number of common and common equivalent shares, primarily due to PNMR's purchase of its equity as described in Note 6
- Other factors impacting results of operation for each segment are discussed under Results of Operations below

Liquidity and Capital Resources

The Company has revolving credit facilities that provide capacities for short-term borrowing and letters of credit of $300.0 million for PNMR and $400.0 million for PNM, both of which expire in October 2018. In addition, PNM has a $50.0 million revolving credit facility, which expires in January 2018, with banks having a significant presence in New Mexico and TNMP has a $75.0 million revolving credit facility, which expires in September 2018. Total availability for PNMR on a consolidated basis was $718.5 million at February 21, 2014. The Company utilizes these credit facilities and cash flows from operations to provide funds for both construction and operational expenditures. PNMR also has intercompany loan agreements with each of its subsidiaries.

The Company projects that its total capital requirements, consisting of construction expenditures and dividends, will total $2,564.5 million for 2014-2018. The construction expenditures include estimated amounts related to environmental upgrades at SJGS to address regional haze and the identified sources of replacement capacity under the revised plan for compliance described in Note 16. The construction expenditures also include additional renewable resources anticipated to be required to meet the RPS, additional peaking resources needed to meet needs outlined in PNM's current IRP, and environmental upgrades at Four Corners. In addition to internal cash generation, the Company anticipates that it will be necessary to obtain additional long-term financing in the form of debt refinancing, new debt issuances, and/or new equity in order to fund its capital requirements during the 2014-2018 period. The Company currently believes that its internal cash generation, existing credit arrangements, and access to public and private capital markets will provide sufficient resources to meet the Company's capital requirements.

RESULTS OF OPERATIONS

Segment Information

The following discussion is based on the segment methodology that PNMR's management uses for making operating decisions and assessing performance of its various business activities. See Note 2 for more information on PNMR's operating segments.

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto. Trends and contingencies of a material nature are discussed to the extent known. Refer also to Disclosure Regarding Forward Looking Statements in Part I, Item 1 and to Part II, Item 7A. Risk Factors.

PNM

The table below summarizes operating results for PNM:

	Year Ended December 31,			Change	
	2013	2012	2011	2013/2012	2012/2011
			(In millions)		
Electric operating revenues	$ 1,116.3	$ 1,092.3	$ 1,057.3	$ 24.0	$ 35.0
Cost of energy	374.7	353.6	362.2	21.1	(8.6)
Margin	741.6	738.6	695.1	3.0	43.5
Operating expenses	428.6	435.4	438.8	(6.8)	(3.4)
Depreciation and amortization	103.8	97.3	94.8	6.5	2.5
Operating income	209.2	205.9	161.4	3.3	44.5
Other income (deductions)	21.5	26.5	19.9	(5.0)	6.6
Net interest charges	(79.2)	(76.1)	(75.3)	(3.1)	(0.8)
Segment earnings before income taxes	151.5	156.3	106.0	(4.8)	50.3
Income (taxes)	(48.8)	(50.7)	(37.4)	1.9	(13.3)
Valencia non-controlling interest	(14.5)	(14.1)	(14.0)	(0.4)	(0.1)
Preferred stock dividend requirements	(0.5)	(0.5)	(0.5)	—	—
Segment earnings	$ 87.6	$ 91.0	$ 54.0	$ (3.4)	$ 37.0

The table below summarizes the significant changes to total revenues, cost of energy, and margin:

	2013/2012 Change			2012/2011 Change		
	Total Revenues	Cost of Energy	Margin	Total Revenues	Cost of Energy	Margin
			(In millions)			
Retail rate increases	$ —	$ —	$ —	$ 40.3	$ —	$ 40.3
Customer usage/load	(8.6)	—	(8.6)	(4.8)	—	(4.8)
Weather	(3.3)	—	(3.3)	(3.0)	—	(3.0)
Transmission	(1.6)	1.0	(2.6)	1.1	(0.2)	1.3
Wholesale rate increase	2.9	—	2.9	4.0	—	4.0
Unregulated margins	2.8	(2.7)	5.5	(5.9)	1.1	(7.0)
Energy efficiency rider	(2.1)	—	(2.1)	8.9	—	8.9
Renewable energy rider	14.7	6.3	8.4	6.9	2.0	4.9
Net unrealized economic hedges	(0.6)	(0.9)	0.3	(3.3)	(1.1)	(2.2)
Other	19.8	17.4	2.5	(9.2)	(10.4)	1.1
Net change	$ 24.0	$ 21.1	$ 3.0	$ 35.0	$ (8.6)	$ 43.5

The following table shows PNM operating revenues by customer class and average number of customers:

	Year Ended December 31,			Change	
	2013	2012	2011	2013/2012	2012/2011
	(In millions, except customers)				
Residential	$ 411.6	$ 409.0	$ 390.4	$ 2.6	$ 18.6
Commercial	415.6	413.3	386.4	2.3	26.9
Industrial	74.6	78.6	73.8	(4.0)	4.8
Public authority	25.7	25.5	24.0	0.2	1.5
Economy service	32.9	25.4	21.1	7.5	4.2
Transmission	38.2	39.4	43.6	(1.2)	(4.2)
Firm-requirements wholesale	42.4	39.4	34.1	3.0	5.3
Other sales for resale	67.5	47.4	69.3	20.1	(21.9)
Mark-to-market activity	0.3	0.9	4.2	(0.6)	(3.3)
Other	7.5	13.4	10.4	(5.9)	3.0
	$ 1,116.3	$ 1,092.3	$ 1,057.3	$ 24.0	$ 35.0
Average retail customers (thousands)	508.2	505.6	503.9	2.6	1.7

The following table shows PNM GWh sales by customer class:

	Year Ended December 31,			Change	
	2013	2012	2011	2013/2012	2012/2011
	(Gigawatt hours)				
Residential	3,304.3	3,323.5	3,402.8	(19.2)	(79.3)
Commercial	3,954.8	4,022.2	4,043.8	(67.4)	(21.6)
Industrial	1,041.2	1,136.0	1,132.1	(94.8)	3.9
Public authority	266.4	279.2	282.1	(12.8)	(2.9)
Economy Service	719.3	635.3	428.8	84.0	206.5
Firm-requirements wholesale	654.1	652.0	650.4	2.1	1.6
Other sales for resale	2,061.9	1,652.2	2,076.8	409.7	(424.6)
	12,002.0	11,700.4	12,016.8	301.6	(316.4)

On August 21, 2011, PNM implemented a $72.1 million annual non-fuel rate increase for its retail customers. This rate increase improved 2012 revenues and margins by $40.3 million. There was no retail rate increase in 2013. For 2013, retail sales were lower compared to 2012 reflecting a continued sluggish economy in New Mexico. In particular, the Albuquerque metropolitan area continues to lag the nation in economic recovery. PNM's weather normalized and leap-year adjusted retail KWh sales were lower in 2013 by 1.8%, which decreased margin $8.6 million compared to 2012 primarily due to the sluggish economy. In spite of the economic pressures, PNM experienced growth in average retail customers of 0.5% in 2013 compared to 2012. Weather negatively impacted revenues and margin by $3.3 million in 2013 as cooling degree days were 10.7% lower in 2013 than in 2012. In 2012, lower retail KWh sales, primarily in the residential and commercial customer classes, reflecting lower weather normalized and leap-year adjusted average usage per customer, decreased revenues and margins by $4.8 million. In addition, cooling degree days were 2.3% higher in 2012 compared to 2011, but were more than offset by lower heating degree days of 12.4%, resulting in lower revenue and margin of $3.0 million. There is no clear indication regarding the future of New Mexico's economy. Encouraging signs such as growth in the housing industry, increased tax revenue in the Albuquerque metropolitan area, and unemployment rates below the national average are contrasted by indicators such as flat population growth and low job growth.

In 2013, lower transmission revenues as a result of expiration of contracts combined with higher third-party transmission expenses incurred to deliver power to the retail customers reduced margins by $2.6 million. In 2012, higher transmission rates as a result of the June 1, 2011 rate increase improved revenues and margins. PNM implemented new rates for NEC, its largest wholesale firm-requirements customer, in April 2012 and for Gallup, its second largest wholesale customer, in July 2013. These increases improved revenues and margins $2.9 million in 2013 and $4.0 million in 2012. PNM has responded to Gallup's request for proposals for long-term power supply. On January 13, 2014, PNM was notified that its proposal was not the highest ranked and Gallup has stated that a contract is being negotiated with the top-ranked bidder. If a contract is executed with the top-ranked

bidder, PNM's contract with Gallup would expire on June 30, 2014. PNM's 2013 revenues for power sold under the Gallup contract were $11.7 million. See Note 17. If PNM does not continue to supply power to Gallup, costs currently being recovered under the Gallup contract would be reallocated and partially included in PNM's next retail rate case filing, which is expected to be filed by the end of 2014. In addition, PNM would consider opportunities to serve other FERC generation customers. PNM is unable to predict the outcome of this matter.

PNM offers several energy efficiency programs and initiatives to its retail customers regulated by the NMPRC. In addition, PNM is allowed to earn incentives on these programs based on energy savings of the programs. PNM recovers the energy efficiency program costs and incentives via a rate rider. Changes in energy efficiency revenues are offset by changes in operating expenses. In 2013, revenues and margins from the energy efficiency rider were lower by $2.1 million due to lower KWh sales and a decrease in the recovery rate. In 2012, revenues and margins were higher by $8.9 million, primarily related to increases in operating expenses for the energy efficiency programs.

On August 20, 2012, PNM implemented its renewable energy rider, a mechanism approved by the NMPRC, which recovers renewable energy procurement costs, including the investment in and an allowed return on the 22 MW of PNM-owned solar PV facilities constructed to meet the RPS. See Note 17. Revenues under this rider were $6.9 million in 2012 and increased by an additional $14.7 million in 2013. Related cost of energy, reflecting the purchase cost of RECs, was $2.0 million in 2012 and increased by an additional $6.3 million in 2013. Included in revenues is the earned return component on its investment of $1.2 million in 2012, which increased by $1.8 million in 2013. The remaining revenues from this rider recover renewable energy operating, depreciation, and interest expenses.

Unregulated revenues and margins are primarily associated with PVNGS Unit 3. In 2013, higher market power prices on sales offset by lower available generation increased revenue $2.8 million and margin $2.9 million. In 2012, lower market power prices and increases in nuclear fuel costs resulted in decreases in unregulated revenues of $5.9 million and margin of $5.0 million. In addition, PNM incurred cost of energy for gas imbalance settlements of $2.0 million in 2012 that did not recur in 2013.

Changes in unrealized mark-to-market gains and losses result from economic hedges for sales and fuel costs not covered under the FPPAC, primarily associated with PVNGS Unit 3. Unrealized gains of $1.9 million in 2013 compared to unrealized gains of $1.6 million for 2012 increased margin by $0.3 million, primarily due to gains on purchase power contracts of $0.8 million and gains on retail hedges of $0.1 million offset by PVNGS Unit 3 hedge losses of $0.6 million. Unrealized gains of $1.6 million in 2012 compared to unrealized gains of $3.8 million for 2011 decreased margin by $2.2 million due to higher losses on PVNGS Unit 3 hedging activities of $3.5 million, offset by settlement of natural gas hedges of $1.5 million.

Other impacts to revenue and margin include economy energy services to a major customer. In spite of the increase in KWh sales to this customer in 2013 and 2012 there is only a minor impact in margin resulting from providing ancillary services. Other changes in revenues and cost of energy are a pass through with no impact to margin. Other sales for resale revenues and KWh volumes increased in 2013 and decreased in 2012 primarily due to reduced off-system sales at SJGS in 2012 resulting from the fire incident at the mine providing coal to SJGS. See Note 16 for more discussion on the SJGS mine fire incident. Gains from other sales for resale are deferred under the FPPAC with no impact to margin. Lower cost of energy associated with coal mine decommissioning of $1.9 million increased margins in 2013 compared to 2012.

In 2013, operating expenses decreased compared to 2012 due to lower maintenance expenses related to planned outages at SJGS of $8.8 million and unplanned outages at SJGS, PVNGS, and PNM's natural gas plants of $0.9 million, $0.6 million and $2.1 million, partially offset by increased maintenance expense for unplanned outages at Four Corners of $2.3 million. Lower healthcare claims and lower pension and retiree medical expenses (see Note 12) reduced operating expense by $2.3 million in 2013. In addition, capitalized administrative and general expenses increased $3.0 million in 2013 due to increased capital spending, resulting in lower operating expenses compared to 2012. Also, lower energy efficiency expenses of $2.6 million, which are offset in revenues, reduced operating expenses. The allocation of corporate expenses in 2012 included $2.3 million related to business restructuring, which did not recur in 2013. Improved collection experience in 2013 decreased bad debt expense by $0.5 million further decreasing operating expenses. Higher incentive compensation expenses of $2.8 million and the $3.3 million allocation of the Company's contributions to the PNM Resources Foundation and additional financial support to the PNM Good Neighbor Fund increased operating expense in 2013. Property taxes increased $1.8 million due to increased plant in service and higher assessed values and a $0.7 million increase in regulatory, payroll, and gross receipts taxes increased operating expenses in 2013 compared to 2012. In addition, in 2013, PNM concluded that certain costs that were being deferred as regulatory assets were no longer probable of recovery and recorded regulatory disallowances of $12.2 million, including a write-off of $10.5 million of the under-collected balance of the FPPAC pursuant to a settlement in the FPPAC continuation matter discussed in Note 17. As discussed in Note 7, PNM recorded a lease abandonment loss of $6.2 million in operating expenses in 2012.

In 2012, operating expenses decreased by $2.1 million due to lower maintenance expense at PVNGS and $4.2 million resulting from process improvement initiatives implemented during 2011. In addition, retiree medical and employee health care costs were $1.2 million lower. These reductions in operating expenses were offset by higher expenses associated with planned maintenance outages at SJGS of $7.3 million and union labor negotiation expenses of $1.0 million. Operating expenses also increased in 2012 due to higher energy efficiency expenses of $11.4 million and renewable expenses of $1.0 million, which are offset in revenues, and the lease abandonment loss of $6.2 million, as discussed above. In addition, property taxes were higher by $2.2 million as the result of increased plant additions, higher property tax rates, and a settlement with a Native American pueblo. In 2011, operating expenses reflect a regulatory disallowance of $17.5 million resulting from PNM's 2010 Electric Rate Case. No regulatory disallowances were recorded in 2012. In addition, PNM incurred operating expenses of $6.7 million in 2011 to implement process improvement initiatives associated with reducing future costs.

Depreciation and amortization expense increased in 2013 and 2012 due to additions to utility plant in service, including 22 MW of PNM-owned solar PV facilities. Depreciation on the PNM-owned solar PV facilities is recovered through the renewable energy rate rider as discussed above.

For 2013, other income (deductions) was $5.0 million lower than in 2012, primarily related to lower income from investments held by the NDT of $2.5 million and lower interest income on the PVNGS lessor notes of $2.3 million due to lower outstanding balances. PNM made commitments of $1.0 million to support employment and other economic activities in the "four corners" area, including the Navajo Nation, which further decreased earnings. These decreases were partially offset by higher equity AFUDC of $0.4 million. In 2012, other income (deductions) increased $6.6 million compared to 2011, primarily related to higher income from investments held by the NDT of $5.9 million. In addition, higher equity AFUDC of $3.3 million improved other income in 2012, offset by lower interest income on the PVNGS lessor notes of $2.8 million due to lower outstanding balances.

Interest expense increased $3.1 million in 2013 primarily due to the deferral in 2012 of interest costs associated with the 22 MW of PNM-owned solar PV facilities, which are now being recovered through a renewable energy rate rider. In 2012, interest expense increased $7.0 million due to the issuance of $160.0 million of long-term debt in October 2011. This was partially offset by $5.6 million for the debt portion of AFUDC and $0.9 million of interest charges on PNM's investment in renewable resources that are deferred for recovery through the renewable energy rate rider.

TNMP

The table below summarizes the operating results for TNMP:

	Year Ended December 31,			Change	
	2013	2012	2011	2013/2012	2012/2011
			(In millions)		
Electric operating revenues	$ 271.6	$ 250.1	$ 237.9	$ 21.5	$ 12.2
Cost of energy	57.6	46.2	41.2	11.4	5.0
Margin	214.0	203.9	196.7	10.1	7.2
Operating expenses	91.6	87.1	88.2	4.5	(1.1)
Depreciation and amortization	50.2	49.3	44.6	0.9	4.7
Operating income	72.2	67.5	63.8	4.7	3.7
Other income (deductions)	1.9	2.7	1.6	(0.8)	1.1
Net interest charges	(27.4)	(28.2)	(29.3)	0.8	1.1
Segment earnings before income taxes	46.7	42.1	36.1	4.6	6.0
Income (taxes)	(17.6)	(15.4)	(13.9)	(2.2)	(1.5)
Segment earnings	$ 29.1	$ 26.7	$ 22.3	$ 2.4	$ 4.4

The table below summarizes the significant changes to total revenues, cost of energy, and margin:

	2013/2012 Change			2012/2011 Change		
	Total Revenues	Cost of Energy	Margin	Total Revenues	Cost of Energy	Margin
	(In millions)					
Rate increases	$ 4.8	$ —	$ 4.8	$ 1.4	$ —	$ 1.4
Customer usage/load	2.0	—	2.0	0.8	—	0.8
Customer growth	1.5	—	1.5	1.2	—	1.2
Demand based customers	3.6	—	3.6	—	—	—
Weather	(0.7)	—	(0.7)	(4.1)	—	(4.1)
Recovery of third-party transmission costs	11.8	11.4	0.4	4.9	5.0	(0.1)
AMS surcharge	2.7	—	2.7	6.9	—	6.9
CTC surcharge	(3.4)	—	(3.4)	(0.6)	—	(0.6)
1999 rate settlement	(1.6)	—	(1.6)	1.6	—	1.6
Other	0.8	—	0.8	0.1	—	0.1
Net change	$ 21.5	$ 11.4	$ 10.1	$ 12.2	$ 5.0	$ 7.2

The following table shows TNMP operating revenues by retail tariff consumer class, including intersegment revenues, and average number of consumers:

	Year Ended December 31,			Change	
	2013	2012	2011	2013/2012	2012/2011
	(In millions, except customers)				
Residential	$ 111.3	$ 103.3	$ 100.3	$ 8.0	$ 3.0
Commercial	95.1	88.3	84.9	6.8	3.4
Industrial	13.1	13.4	13.1	(0.3)	0.3
Other	52.1	45.1	39.6	7.0	5.5
	$ 271.6	$ 250.1	$ 237.9	$ 21.5	$ 12.2
Average consumers (thousands) [1]	235.1	233.0	231.3	2.1	1.7

[1] TNMP provides transmission and distribution services to REPs that provide electric service to customers in TNMP's service territories. The number of consumers above represents the customers of these REPs. Under TECA, consumers in Texas have the ability to choose any REP to provide energy. The average consumers reported above include 67,268 consumers of TNMP for 2011 that chose First Choice as their REP. These consumers are also included in the First Choice segment.

The following table shows TNMP GWh sales by retail tariff consumers class:

	Year Ended December 31,			Change	
	2013	2012	2011	2013/2012	2012/2011
	(Gigawatt hours)[1]				
Residential	2,796.7	2,714.5	2,862.3	82.2	(147.8)
Commercial	2,451.3	2,353.1	2,361.0	98.2	(7.9)
Industrial	2,598.4	2,727.1	2,578.9	(128.7)	148.2
Other	104.5	103.9	108.7	0.6	(4.8)
	7,950.9	7,898.6	7,910.9	52.3	(12.3)

[1] The GWh sales reported above include 836.6 GWhs for 2011 used by consumers of TNMP who have chosen First Choice as their REP. These GWhs are also included below in the First Choice segment.

Implementation of rate increases in September 2012, March 2013, and September 2013 increased revenues and margins by $4.8 million in 2013 compared to 2012. See Note 17. In 2013, TNMP experienced average customer growth of 0.9% further

increasing revenues and margins by $1.5 million. Higher weather normalized and leap-year adjusted usage per customer increased revenues and margin by $2.0 million in 2013 compared to 2012. Milder weather in 2013 compared to 2012, decreased revenues and margins by $0.7 million. TNMP's weather normalized and leap-year adjusted retail KWh sales increased 2.6% for the year ended 2013 compared to 2012. Rate increases implemented in February 2011 and September 2012 increased revenues and margins by $1.4 million in 2012 compared to 2011. Higher weather normalized and leap-year adjusted usage per customer increased margin $0.8 million in 2012. TNMP's weather normalized and leap-year adjusted retail KWh sales increased 3.7%. Customer growth in TNMP's service areas increased revenues and margin $1.2 million in 2012. These increases were more than offset with milder weather in 2012 compared to 2011, which reduced revenues and margins by $4.1 million.

Differences between revenues and costs charged by third-party transmission providers are deferred and recovered through a transmission cost recovery factor. Higher transmission cost of energy resulting from rate increases and higher demand based charges from other transmission service providers within ERCOT increased cost of energy $11.4 million in 2013 and $5.0 million in 2012. These increases in cost of energy resulted in TNMP rate increases for the recovery of third party transmission costs increasing revenue $11.8 million in 2013 and $4.9 million in 2012.

On August 11, 2011, TNMP implemented a surcharge for its AMS deployment. The surcharge will recover TNMP's investment in AMS over a 12 year period. The surcharge has a true-up mechanism, which allows TNMP to match revenues collected against the expenses incurred and allows for a return to be earned on its investments. AMS revenues increased by $2.7 million in 2013 and $6.9 million in 2012, which offset increases in operating expenses and depreciation.

Demand based customers increased revenues and margins by $3.6 million in 2013 compared to 2012. This primarily results from TNMP, under a PUCT approved tariff, lowering the power factor billing threshold from 700 KW to 300 KW. TNMP received a $1.6 million settlement related to ERCOT transmission rates charged from the fourth quarter of 1999, which increased 2012 revenues and margin, but did not recur in 2013. TNMP experienced lower revenues and margins of $3.4 million associated with the recovery of CTC due to a rate rider decrease implemented in January 2013, which was offset by lower amortization expense. Other revenue increases include recovery of energy efficiency program costs, which are offset with increases in operating expenses.

Higher energy efficiency program expenses of $1.5 million increased operating expense in 2013, which is offset by increases in revenue under TNMP's energy efficiency cost recovery factor. Increased property and sales taxes of $1.1 million, primarily due to increased utility plant in service and higher assessed values, higher expenses for incentive compensation of $0.9 million, higher employee healthcare claims of $0.8 million, and higher pension and retiree medical expense of $0.8 million (see Note 12) increased operating expenses in 2013. Other increases to operating expenses in 2013 include a $0.5 million write-off of costs incurred in exploring the possibility of securitizing the remaining CTC costs and the allocation of the Company's contributions to the PNM Resources Foundation of $0.7 million. These increases were offset by lower vegetation management of $1.1 million in 2013 due to additional vegetation management expenditures in 2012 and the 2012 lease abandonment loss of $1.2 million, which did not recur in 2013.

In 2012, operating expenses associated with the AMS deployment increased $2.6 million and vegetation management expenses increased $1.7 million. These increases were offset by lower maintenance expenses of $1.1 million related to extreme drought conditions experienced in 2011 in the Gulf Coast region, lower administrative and general expenses of $1.9 million based on process improvements initiated in 2011, and higher capitalization of administrative and general expenses related to construction projects of $1.3 million, which improved operating expenses in 2012.

Depreciation expense associated with AMS deployment, which is recovered through the AMS surcharge, increased $1.8 million in 2013. In addition, an increase in utility plant in service increased depreciation by $ 1.4 million in 2013. This was offset by decreased amortization of the CTC regulatory asset of $2.3 million. In 2012, depreciation and amortization expense increased due to higher utility plant in service and AMS deployment.

Other income (deductions) increased in 2012 due to higher AFUDC on equity funds of $0.6 million compared to 2013 and 2011. A gain on the sale of property of $0.3 million further increased other income in 2012.

In April 2013, TNMP exchanged $93.2 million of its 9.5% First Mortgage Bonds for an equal amount of a new series of 6.95% First Mortgage Bonds. This resulted in a decrease in interest expense of $1.8 million in 2013. This was partially offset by increased interest expense due to higher short-term debt balances in 2013. In September 2011, TNMP replaced its 2009 Term Loan Agreement, at a lower interest rate, which resulted in lower interest expense in 2012. In addition, an increase in AFUDC on borrowed funds further reduced interest expense in 2012.

First Choice

As discussed in Note 3, PNMR sold First Choice on November 1, 2011. The table below summarizes the operating results for First Choice from January 1, 2011 through October 31, 2011:

	Ten Months Ended October 31, 2011
	(In millions)
Electric operating revenues	$ 439.5
Cost of energy	323.3
Margin	116.1
Operating expenses	76.0
Depreciation and amortization	1.1
Operating income	39.1
Other income (deductions)	(0.6)
Net interest charges	(0.6)
Segment earnings before income taxes	37.9
Income (taxes)	(13.8)
Segment earnings	$ 24.1

For the ten months of operations in 2011, First Choice operating revenues consisted of $260.2 million from residential customers, $166.5 million from commercial customers, and $12.8 million from other sources. First Choice's sales were 2,006.4 GWh to residential customers and 1,538.2 GWh to commercial customers. At October 31, 2013, First Choice had 0.2 million customers. See note above in the TNMP segment discussion about the impact of TECA.

First Choice revenues increased in 2011 compared to the same period in 2010 due to favorable weather and an increase in both MWh sales and number of customers, which were partially offset by a decrease in the average revenue rates. First Choice incurred significantly higher purchased power costs per MWh due to extreme summer temperatures in 2011. These higher energy costs more than offset the increase in revenues. First Choice managed its exposure to fluctuations in market energy prices by matching sales contracts with supply instruments designed to preserve targeted margins. Changes in the fair value of supply contracts that were not designated or were not eligible for hedge or normal purchase or normal sales accounting were marked to market through current period earnings as required by GAAP. During 2011, market energy prices increased, which increased segment earnings by $4.9 million due to unrealized mark-to-market gains on certain of First Choice's forward supply contracts. First Choice was not required to mark the related fixed price sales contracts to market, which would likely offset the supply contracts.

The allowance for uncollectible accounts and related bad debt expense was based on collections and write-off experience. For the ten months ended October 21, 2011, bad debt expense was $20.3 million. Initiatives to reduce bad debts included efforts to reduce the default rate experienced for customers switching to another REP and increased focus on identifying new customer prospects that are more likely to demonstrate desired payment behavior. First Choice focused its marketing efforts on commercial customers and customers with established payment patterns, increased the required credit score, and expanded advance deposits requirements.

Prior to the sale, operating expenses in 2011 increased compared to the same period in 2010 due to increases in marketing and operational costs, which were partially offset by a decrease in incentive compensation expense. In 2011, interest expense decreased primarily due to lower short-term debt.

Corporate and Other

The table below summarizes the operating results for Corporate and Other:

	Year Ended December 31,			Change	
	2013	2012	2011	2013/2012	2012/2011
			(In millions)		
Electric operating revenues	$ —	—	$ (34.0)	$ —	$ 34.0
Cost of energy	—	—	(33.8)	—	33.8
Margin	—	—	(0.2)	—	0.2
Operating expenses	(18.3)	(17.9)	(9.7)	(0.4)	(8.2)
Depreciation and amortization	12.8	17.5	16.5	(4.7)	1.0
Operating income (loss)	5.5	0.3	(7.0)	5.2	7.3
Gain on sale of First Choice	—	1.0	174.9	(1.0)	(173.9)
Other income (deductions)	(13.7)	(8.1)	(15.8)	(5.6)	7.7
Net interest charges	(14.9)	(16.6)	(19.6)	1.7	3.0
Segment earnings (loss) before income taxes	(23.1)	(23.4)	132.5	0.3	(155.9)
Income (taxes) benefit	6.9	11.2	(56.5)	(4.3)	67.7
Segment earnings (loss)	$ (16.2)	$ (12.2)	$ 76.0	$ (4.0)	$ (88.2)

The Corporate and Other segment includes consolidation eliminations of revenues and cost of energy between business segments related to TNMP's sale of transmission services to First Choice prior to November 1, 2011, when PNMR sold First Choice (Note 3). Accordingly, there were no eliminations of intersegment revenues in 2012 or 2013. Corporate and Other results also include the gain on the sale of First Choice.

Corporate and Other operating expenses shown above are net of amounts allocated to PNM and TNMP. The amounts allocated include certain expenses shown as depreciation and amortization and other income (deductions) in the table above. The operating income (loss) of $5.5 million in 2013 reflects the allocation of $4.0 million of the Company's contributions to the PNM Resources Foundation and financial support to the PNM Good Neighbor Fund, recorded in other income (deductions), which were allocated to PNM and TNMP reducing operating expenses. The operating income (loss) of $(7.0) million in 2011 reflects legal and consulting expenses of $4.6 million related to assessment of strategic alternatives for PNMR's competitive businesses, as well as depreciation and other operating expenses that were retained in the Corporate and Other segment. Beginning in 2012, substantially all Corporate and Other operating expenses are allocated to the utilities.

Depreciation expense increased in 2012 by $4.5 million due to accelerated amortization of leasehold improvements for part of its corporate headquarters that was abandoned during 2012. PNM and TNMP deferred their allocations of the accelerated amortization of leasehold improvements as regulatory assets to be recovered through rates. This increase was partially offset by lower depreciation on software applications that were fully depreciated by the end of 2011. Beginning in 2012, substantially all depreciation and amortization expense is offset in operating expenses as a result of allocation of these costs to other business segments.

The year-over-year changes in other income and deductions are primarily due to losses of $3.3 million in 2013 and $9.2 million in 2011 recognized on the repurchase of $23.8 million and $50.0 million of PNMR's 9.25% senior unsecured notes (Note 6). As discussed above, in 2013, Corporate and Other made contributions to the PNM Resources Foundation and the PNM Good Neighbor Fund totaling $4.0 million, which were allocated to PNM and TNMP. The impact of these changes is offset by lower performance on other investments in 2012. Net interest charges decreased in 2013 and 2012, primarily due to the repurchase of 9.25% senior unsecured notes.

In 2013 and 2012, income tax benefits were reduced by $3.9 million and $0.7 million due to impairments of New Mexico wind energy production tax credit carry forwards. The impaired credits are not expected to be utilized prior to their expiration due to the Company's net operating loss position and the extension of fifty percent bonus depreciation under the American Taxpayer Relief Act of 2012. Additional expense of $1.2 million was recognized in 2013 due to reductions in Corporate and Other's deferred tax assets resulting from legislation, which reduced future New Mexico corporate income tax rates. See Note 11.

LIQUIDITY AND CAPITAL RESOURCES

Statements of Cash Flows

The information concerning PNMR's cash flows is summarized as follows:

	Year Ended December 31,			Change	
	2013	2012	2011	2013/2012	2012/2011
			(In millions)		
Net cash flows from:					
Operating activities	$ 386.6	$ 281.3	$ 292.2	$ 105.3	$ (10.9)
Investing activities	(331.4)	(285.9)	19.8	(45.5)	(305.7)
Financing activities	(61.6)	(1.6)	(312.3)	(60.0)	310.7
Net change in cash and cash equivalents	$ (6.5)	$ (6.1)	$ (0.3)	$ (0.2)	$ (5.9)

The changes in PNMR's cash flows from operating activities primarily relate to income tax refunds received of $95.3 million in 2013 compared to income taxes paid of $5.3 million in 2012 and refunds received of $5.5 million in 2011 and rate increases at TNMP and PNM. Contributions to the PNM and TNMP pension and other postretirement benefit plans of $66.5 million in 2013 compared to $88.5 million in 2012 and $48.3 million in 2011 also contributed to operating cash flow changes. In addition, changes in assets and liabilities resulting from normal operations impact operating cash flows. These increases were offset by refunds of $15.2 million made to customers related to the settlement of PNM's transmission rate case in 2013, as well as governmental grants received by PNM of $21.6 million in 2012 and $2.1 million in 2011 that did not recur in 2013, and lower retail load at PNM in 2013.

Cash flows from investing activities are primarily driven by additions to utility plant. PNMR's utility plant additions increased $39.1 million in 2013 and decreased $18.0 million in 2012. At PNM, total utility plant additions increased by $43.1 million in 2013 and decreased by $54.5 million in 2012. PNM's additions included $59.2 million related to solar projects in 2011 and $35.7 million in 2013. Also, PNM's transmission and distribution additions increased $22.7 million in 2013 offset by $5.8 million lower nuclear fuel purchases than 2012, relating to the timing of purchases. TNMP utility plant additions decreased $3.9 million in 2013 compared to 2012, including an increase in advanced meter additions of $2.5 million, offset by a decrease in other transmission and distribution additions of $6.4 million. TNMP utility plant additions increased $25.6 million in 2012 compared to 2011, including increases of $12.9 million in distribution projects, $13.8 million in transmission projects, and a decrease of $2.8 million related to the deployment of advanced meters. Plant additions at the Corporate and Other segment increased $13.4 million in 2012 primarily related to improvements to the Company's corporate headquarters building. Construction expenditures were funded primarily through cash flows from operating activities and short-term borrowings. Investing cash flows also include the proceeds from the sale of First Choice of $4.0 million in 2012 and $329.3 million in 2011, offset by related transaction costs of $10.9 million in 2011.

The changes in cash flows from financing activities relate primarily to the use of proceeds from the sale of First Choice in 2011 to purchase PNMR common stock for $125.7 million, PNMR's convertible preferred stock, Series A, for $73.5 million, and long-term debt for $58.5 million. Cash flows from financing activities in 2013 also includes long-term borrowings of $75.0 million made at PNM. In addition, $13.0 million was paid in connection with TNMP's debt exchange and $26.9 million was paid by PNMR to repurchase $23.8 million of its outstanding 9.25% Senior Unsecured Notes, Series A, due 2015, in 2013. In 2012, PNMR obtained $100.0 million in new short-term borrowings, and used the proceeds to repay borrowings under the PNMR Revolving Credit Facility. PNM also refinanced $20.0 million of PCRBs in 2012. In 2011, PNM obtained $160.0 million in new long-term borrowings, using the proceeds to reduce short-term borrowings. Also in 2011, TNMP replaced $50.0 million in long-term debt with a new term loan agreement for $50.0 million.

Financing Activities

See Note 6, for additional information concerning the Company's financing activities. PNM must obtain NMPRC approval for any financing transaction having a maturity of more than 18 months. In addition, PNM files its annual short-term financing plan with the NMPRC. The Company's ability to access the credit and capital markets at a reasonable cost is largely dependent upon its:

- Ability to earn a fair return on equity
- Results of operations
- Ability to obtain required regulatory approvals

- Conditions in the financial markets
- Credit ratings

The $100.0 million PNMR Term Loan Agreement matures on December 26, 2014 and the $75.0 million PNM Term Loan Agreement matures on October 21, 2014. Each of the term loans contains one financial covenant that requires the maintenance of debt-to-capital ratios of less than or equal to 65%. These ratios reflect the present value of payments under the PVNGS and EIP leases as debt. PNMR and PNM anticipate that funds to repay these term loans will come from entering into a new arrangement similar to the existing agreements, borrowing under their revolving credit facilities, or a combination of these sources. At December 31, 2013, average interest rates were 1.02% for the PNMR Term Loan Agreement and 1.42% for the PNM Term Loan Agreement. PNM anticipates entering into a new $175.0 million term loan agreement with a term of 18 months in March 2014. PNM would use a portion of the funds borrowed under the new agreement to repay all amounts outstanding under the PNM Term Loan Agreement and would use the balance of the funds to repay other short-term borrowings.

Capital Requirements

Total capital requirements consist of construction expenditures and cash dividend requirements for PNMR common stock and PNM preferred stock. Key activities in PNMR's current construction program include:

- Upgrading generation resources, including expenditures for compliance with environmental requirements and for renewable energy resources
- Expanding the electric transmission and distribution systems
- Purchasing nuclear fuel

Projected capital requirements for 2014-2018 are:

	2014	2015-2018	Total
		(In millions)	
Construction expenditures	$ 509.0	$ 1,758.2	$ 2,267.2
Dividends on PNMR common stock	58.9	235.8	294.7
Dividends on PNM preferred stock	0.5	2.1	2.6
Total capital requirements	$568.4	$1,996.1	$2,564.5

The construction expenditure estimates are under continuing review and subject to ongoing adjustment, as well as to Board review and approval. The construction expenditures above include estimated amounts of $80.0 million related to environmental upgrades at SJGS to address regional haze and $276.3 million related to the identified sources of replacement capacity under the revised plan for compliance described in Note 16. The above construction expenditures also include additional renewable resources anticipated to be required to meet the RPS, additional peaking resources to meet needs outlined in PNM's current IRP, environmental upgrades at Four Corners of $80.3 million, the purchase of the leased portion of the EIP and the assets underlying three of the PVNGS Unit 2 leases at the expiration of those leases, and the anticipated purchase of Delta. See Note 16 and Commitments and Contractual Obligations below. The ability of PNMR to pay dividends on its common stock is dependent upon the ability of PNM and TNMP to be able to pay dividends to PNMR. Note 5 describes regulatory and contractual restrictions on the payment of dividends by PNM and TNMP. Expenditures for the SJGS and Four Corners environmental upgrades are estimated to be $10.0 million in 2014.

During the year ended December 31, 2013, PNMR met its capital requirements and construction expenditures through cash generated from operations, as well as its liquidity arrangements and borrowings under term loans.

In addition to the capital requirements for construction expenditures and dividends, the Company has long-term debt that must be paid or refinanced at maturity. Note 6 contains information about the maturities on long-term debt. The Company has from time to time refinanced or repurchased portions of its outstanding debt before scheduled maturity. Depending on market conditions, the Company may refinance other debt issuances or make additional debt repurchases in the future.

Liquidity

PNMR's liquidity arrangements include the PNMR Revolving Credit Facility and the PNM Revolving Credit Facility that both expire in October 2018 and the TNMP Revolving Credit Facility that expires in September 2018. The PNMR Revolving Credit Facility has a financing capacity of $300.0 million, the PNM Revolving Credit Facility has a financing capacity of $400.0 million, and the TNMP Revolving Credit Facility has a financing capacity of $75.0 million. On January 8, 2014, PNM entered into the $50.0 million PNM New Mexico Credit Facility, which expires on January 8, 2018. The Company believes the terms and conditions of these facilities are consistent with those of other investment grade revolving credit facilities in the utility industry.

Each of the credit facilities contains one financial covenant that requires the maintenance of debt-to-capital ratios of less than or equal to 65%. For PNMR and PNM, these ratios reflect the present value of payments under the PVNGS and EIP leases as debt.

The revolving credit facilities and the PNM New Mexico Credit Facility provide short-term borrowing capacity. The revolving credit facilities also allow letters of credit to be issued. Letters of credit reduce the available capacity under the facilities. The Company utilizes these credit facilities and cash flows from operations to provide funds for both construction and operational expenditures. The Company's business is seasonal with more revenues and cash flows from operations being generated in the summer months. In general, the Company relies on the credit facilities to be the initial funding source for construction expenditures. Accordingly, borrowings under the facilities increase over time. Depending on market and other conditions, the Company will periodically sell long-term debt and use the proceeds to reduce the borrowings under the credit facilities. Borrowings under the PNMR Revolving Credit Facility ranged from zero to $84.0 million during the year ended December 31, 2013, $14.0 million to $141.0 million during the year ended December 31, 2012, and zero to $106.0 million during the year ended December 31, 2011. Such borrowings ranged from zero to $28.1 million during the three months ended December 31, 2013. Borrowings under the PNM Revolving Credit Facility ranged from zero to $130.8 million during the year ended December 31, 2013, zero to $168.0 million during the year ended December 31, 2012, and zero to $298.0 million during the year ended December 31, 2011. Such borrowings ranged from zero to $51.8 million during the three months ended December 31, 2013. Borrowings under the TNMP Revolving Credit Facility ranged from zero to $40.0 million during the year ended December 31, 2013 and from zero to $19.0 million during the three months ended December 31, 2013. There were no such borrowings in 2012 and 2011. At December 31, 2013, the average interest rate was 1.42% for the PNM Revolving Credit Facility. The PNMR Revolving Credit Facility and the TNMP Revolving Credit Facility had no borrowings outstanding at December 31, 2013.

The Company currently believes that its capital requirements can be met through internal cash generation, existing credit arrangements, and access to public and private capital markets. To cover the difference in the amounts and timing of internal cash generation and cash requirements, the Company intends to use short-term borrowings under its current and future liquidity arrangements. However, if difficult market conditions experienced during the recent recession return, the Company may not be able to access the capital markets or renew credit facilities when they expire. Should that occur, the Company would seek to improve cash flows by reducing capital expenditures and exploring other available alternatives. Also, PNM may consider seeking authorization for the issuance of first mortgage bonds to improve access to the capital markets.

In addition to its internal cash generation, the Company anticipates that it will be necessary to obtain additional long-term financing to fund its capital requirements during the 2014-2018 period. This could include debt refinancing, new debt issuances, and/or new equity.

On April 5, 2013, S&P raised the corporate credit ratings and the senior debt ratings for PNMR, PNM, and TNMP, as well as the preferred stock rating for PNM. S&P retained the outlook as stable for all entities. On June 21, 2013, Moody's changed the ratings outlook for PNMR, PNM, and TNMP to positive from stable. On January 30, 2014, Moody's raised the senior unsecured rating for PNMR, the senior unsecured and issuer ratings for PNM, and the senior secured and issuer ratings for TNMP. Moody's continued to maintain the ratings outlook for PNMR, PNM, and TNMP as positive. As of February 21, 2014, ratings on the Company's securities were as follows:

	PNMR	PNM	TNMP
S&P			
Senior secured	*	*	A-
Senior unsecured	BBB-	BBB	*
Preferred stock	*	BB+	*
Moody's			
Senior secured	*	*	A2
Senior unsecured	Baa3	Baa2	*
Preferred stock	*	Ba2	*

* Not applicable

Investors are cautioned that a security rating is not a recommendation to buy, sell or hold securities, that it is subject to revision or withdrawal at any time by the assigning rating organization, and that each rating should be evaluated independently of any other rating.

A summary of liquidity arrangements as of February 21, 2014 is as follows:

	PNMR Separate	PNM Separate	TNMP Separate	PNMR Consolidated
	(In millions)			
Financing capacity:				
Revolving credit facility	$ 300.0	$ 400.0	$ 75.0	$ 775.0
PNM New Mexico Credit Facility	—	50.0	—	50.0
Total financing capacity	$ 300.0	$ 450.0	$ 75.0	$ 825.0
Amounts outstanding as of February 21, 2014:				
Revolving credit facility	$ —	$ 69.4	$ —	$ 69.4
PNM New Mexico Credit Facility	—	25.0	—	25.0
Letters of credit	8.6	3.2	0.3	12.1
Total short term-debt and letters of credit	8.6	97.6	0.3	106.5
Remaining availability as of February 21, 2014	$ 291.4	$ 352.4	$ 74.7	$ 718.5
Invested cash as of February 21, 2014	$ 1.9	$ —	$ —	$ 1.9

The above table excludes intercompany debt. The remaining availability under the revolving credit facilities at any point in time varies based on a number of factors, including the timing of collections of accounts receivables and payments for construction and operating expenditures.

For offerings of securities registered with the SEC, PNMR has a shelf registration statement expiring in March 2014. This shelf registration statement has unlimited availability and can be amended to include additional securities, subject to certain restrictions and limitations. PNMR can also offer new shares of common stock through the PNM Resources Direct Plan under a separate SEC shelf registration statement that expires in August 2015. PNM has a shelf registration statement for up to $440.0 million of senior unsecured notes that will expire in May 2014.

Off-Balance Sheet Arrangements

PNMR's off-balance sheet arrangements include PNM's operating lease obligations for PVNGS Units 1 and 2, the EIP transmission line, and Delta.

In 1985 and 1986, PNM consummated sale and leaseback transactions for its interest in PVNGS Units 1 and 2. The original purpose of the sale-leaseback financing was to lower revenue requirements and to levelize the ratemaking impact of PVNGS being placed in-service. The lease payments reflected lower capital costs as the equity investors were able to capitalize the investment with greater leverage than PNM and because the sale transferred tax benefits that PNM could not fully utilize. Under traditional ratemaking, the capital costs of ownership of a major rate base addition, such as a nuclear plant, are front-end loaded. The revenue requirements are high in the initial years and decline over the life of the plant as depreciation occurs. By contrast, the lease payments are level over the lease term. The leases, which were scheduled to expire in 2015 and 2016, contain options to renew the leases at a fixed price or to purchase the property for fair market value. See discussion below and Note 7 regarding the status of these alternatives.

For reasons similar to the PVNGS sale and leaseback transactions, PNM built the EIP transmission line and sold it in sale and leaseback transactions in 1985. PNM currently owns 60% and operates the other 40% of the EIP line under the terms of a lease agreement. The lease expires in 2015 with fixed-rate and fair market value renewal options and a fair market value purchase option. PNM has agreed to exercise its option to purchase the leased assets at expiration of the lease at fair market value. See Note 7.

Additionally, in 1996, PNM entered into a PPA for the rights to all the output of the Delta generating plant through June 2020. The PPA is accounted for as an operating lease. The gas turbine generating unit is operated by Delta, which is a variable interest entity. The plant is mainly used to meet peak load requirements. See Note 9 for additional information about the Delta operating lease, including the potential purchase of Delta.

The future lease payments shown below for the PVNGS leases have been reduced by amounts that will be returned to PNM through its ownership in related lessor notes.

	PVNGS Units 1&2	EIP	Delta	Total
		(In thousands)		
2014	$ 32,207	$ 4,267	$ 5,956	$ 42,430
2015	25,319	—	5,956	31,275
2016	20,589	—	5,956	26,545
2017	18,139	—	5,956	24,095
2018	18,139	—	5,956	24,095
Thereafter	83,263	—	9,430	92,693
Total	$ 197,656	$ 4,267	$ 39,210	$ 241,133

As discussed in Note 7, PNM and the lessors under each of the PVNGS Unit 1 leases entered into amendments to those leases that renew the leases from their original expiration on January 15, 2015 through January 15, 2023. In addition, PNM anticipates entering into an amendment with the lessor under one of the PVNGS Unit 2 leases that would extend that lease from its original expiration on January 15, 2016 through January 15, 2024. PNM has given notice to lessors under the other three PVNGS Unit 2 leases that PNM will exercise its option to purchase the assets underlying the leases at fair market value at the expiration of the leases on January 15, 2016. The semiannual renewal payments aggregate $8.3 million under the PVNGS Unit 1 leases and are $0.8 million for the one renewed PVNGS Unit 2 lease, which amounts are included above. See Sources of Power in Part I, Item 1, Investments in Note 1, and Note 7 for additional information.

Commitments and Contractual Obligations

The following table sets forth PNMR's long-term contractual obligations as of December 31, 2013. See Note 7 for further details about the Company's significant leases:

Contractual Obligations	Payments Due				
	2014	2015-2016	2017-2018	2019 and Thereafter	Total
			(In thousands)		
Long-term debt (a)	$ 75,000	$ 158,066	$ 507,025	$ 985,045	$ 1,725,136
Interest on long-term debt (b)	113,064	208,890	188,316	681,933	1,192,203
Operating leases (c)	53,594	74,740	61,890	167,225	357,449
Transmission reservation payments	13,858	20,558	18,621	38,595	91,632
Coal contracts (d)	63,491	133,753	100,173	443,536	740,953
Coal mine decommissioning (e)	2,969	2,640	2,148	141,381	149,138
Nuclear decommissioning funding requirements (f)	2,637	5,274	5,274	10,120	23,305
Outsourcing	5,574	10,169	3,398	—	19,141
Pension and retiree medical (g)	5,470	45,953	37,176	—	88,599
Construction expenditures (h)	509,002	1,013,220	744,935	—	2,267,157
Total (i)	$ 844,659	$ 1,673,263	$ 1,668,956	$ 2,467,835	$ 6,654,713

(a) Represents total long-term debt, excluding unamortized discounts of $2.4 million and unamortized premiums of $22.7 million. The TNMP 2011 Term Loan Agreement, which is due on June 30, 2014, is not reflected as maturing in 2014 in the above table since TNMP has entered into the TNMP 2013 Bond Purchase Agreement to re-finance that debt on a long-term basis as discussed in Note 6.

(b) Represents interest payments during the period.

(c) The operating lease amounts include amounts due to Delta. The amounts include payments under the PVNGS leases through the expiration of the leases, including renewal periods for leases for which PNM has provided renewal notices, and the EIP lease. The amounts in the above table are net of amounts to be returned to PNM as payments on its investments in related PVNGS lessor notes. See Off-Balance Sheet Arrangements above, Investments in Note 1, Note 7, and Note 9.

(d) Represents only certain minimum payments that may be required under the coal contracts if no deliveries are made.

(e) Includes funding of the trust established for post-term reclamation related to the mines serving SJGS. See Note 16.

(f) These obligations represent funding based on the current rate of return on investments.

(g) The Company only forecasts funding for its pension and retiree medical plans for the next five years.

(h) Represents forecasted construction expenditures, including nuclear fuel, under which substantial commitments have been made. See Note 14. The Company only forecasts capital expenditures for the next five years. The construction expenditures include the purchase of the leased portion of the EIP and the assets underlying three of the PVNGS Unit 2 leases at the expiration of those leases, as well as the anticipated purchase of Delta. See Capital Requirements above, Note 7 and Note 9.

(i) PNMR is unable to reasonably estimate the timing of liability and interest payments for uncertain income tax positions (Note 11) in individual years due to uncertainties in the timing of the effective settlement of tax positions. Therefore, PNMR's liability of $19.9 million and interest payable of $1.1 million are not reflected in this table. Amounts PNM is obligated to pay Valencia are not included above since Valencia is consolidated by PNM in accordance with GAAP. See Note 9. No amounts are included above for the New Mexico Wind, Lightning Dock Geothermal, and Red Mesa Wind PPAs since there are no minimum payments required under those agreements.

Contingent Provisions of Certain Obligations

PNMR, PNM, and TNMP have a number of debt obligations and other contractual commitments that contain contingent provisions. Some of these, if triggered, could affect the liquidity of the Company. In the unlikely event that the contingent requirements were to be triggered, PNMR, PNM, or TNMP could be required to provide security, immediately pay outstanding obligations, or be prevented from drawing on unused capacity under certain credit agreements. The most significant consequences resulting from these contingent requirements are detailed in the discussion below.

The PNMR Revolving Credit Facility, PNM Revolving Credit Facility, PNM New Mexico Credit Facility, TNMP Revolving Credit Facility, and TNMP 2011 Term Loan contain "ratings triggers," for pricing purposes only. If PNMR, PNM, or TNMP is downgraded or upgraded by the ratings agencies, the result would be an increase or decrease in interest cost. In addition, these facilities, as well as the PNMR Term Loan Agreement and PNM Term Loan Agreement, each contain a covenant requiring the maintenance of debt-to-capital ratios of not more than 65%. In the calculation of debt for PNMR and PNM, the present value of payments under the PVNGS and EIP leases are considered debt. If that ratio were to exceed 65%, the entity could be required to repay all borrowings under its facility, be prevented from borrowing on the unused capacity under the facility, and be required to provide collateral for all outstanding letters of credit issued under the facility.

If a contingent requirement were to be triggered under the PNM facilities resulting in an acceleration of the repayment of outstanding loans, a cross-default provision in the PVNGS leases could occur if the accelerated amount is not paid. If a cross-default provision is triggered, the PVNGS lessors have the ability to accelerate their rights under the leases, including acceleration of all future lease payments. The Company's revolving credit facilities and term loan agreements also include cross-default provisions.

PNM's standard purchase agreement for the procurement of gas for its fuel needs contains a contingent requirement that could require PNM to provide collateral for its gas purchase obligations if the seller were to reasonably believe that PNM was unable to fulfill its payment obligations under the agreement.

The master agreement for the sale of electricity in the WSPP contains a contingent requirement that could require PNM to provide collateral if the credit ratings on its debt falls below investment grade. The WSPP agreement also contains a contingent requirement, commonly called a material adverse change provision, which could require PNM to provide collateral if a material adverse change in its financial condition or operations were to occur. Additionally, PNM utilizes standard derivative contracts to financially hedge and trade energy. These agreements contain contingent requirements that require PNM to provide security if the credit rating on its debt falls below investment grade.

No conditions have occurred that would result in any of the above contingent provisions being implemented.

Capital Structure

The capitalization tables below include the current maturities of long-term debt, but do not include short-term debt and do not include operating lease obligations as debt.

	December 31,	
PNMR	**2013**	**2012**
PNMR common equity	48.8%	48.9%
Preferred stock of subsidiary	0.3%	0.3%
Long-term debt	50.9%	50.8%
Total capitalization	100.0%	100.0%
PNM		
PNM common equity	48.2%	50.5%
Preferred stock	0.4%	0.5%
Long-term debt	51.4%	49.0%
Total capitalization	100.0%	100.0%
TNMP		
Common equity	59.9%	59.8%
Long-term debt	40.1%	40.2%
Total capitalization	100.0%	100.0%

OTHER ISSUES FACING THE COMPANY

Climate Change Issues

Background

According to EPA, gases that trap heat in the atmosphere are called greenhouse gases. The four primary greenhouse gases are CO_2, methane, nitrous oxide, and fluorinated gases, including chlorofluorocarbons such as Freon. In 2013, GHG associated

with PNM's interests in its generating plants were approximately 7.0 million metric tons of CO_2, which comprises the vast majority of PNM's GHG. By comparison, the total GHG in the United States in 2011, the latest year for which EPA has published this data, were approximately 6.7 billion metric tons, of which approximately 5.6 billion metric tons were CO_2.

PNM has several programs underway to reduce or offset its GHG from its resource portfolio, thereby reducing its exposure to climate change regulation. See Note 17. In 2011, PNM completed construction of 22 MW of utility-scale solar generation located at five sites on PNM's system throughout New Mexico. In 2013, PNM expanded its renewable energy portfolio by constructing 21.5 MW of utility-scale solar generation. On December 18, 2013, the NMPRC approved PNM's 2014 renewable energy procurement plan that includes construction of an additional 23 MW of utility-scale solar generation. The proposed generation is anticipated to be online by the end of 2014. Since 2003 PNM has purchased the entire output of New Mexico Wind, which has an aggregate capacity of 204 MW, and will purchase of the full output of Red Mesa Wind, which has an aggregate capacity of 102 MW, beginning in January 2015. PNM has signed a 20-year PPA for the output of Lightning Dock Geothermal, which began providing power to PNM in January 2014. The current output of the facility is 4 MW and future expansion may result in up to 10 MW of generation capacity. Additionally, PNM has a customer distributed solar generation program that represented almost 31 MW at the end of 2013 and is expected to grow to over 36 MW by the end of 2014. Once fully subscribed, the distributed solar programs will reduce PNM's production from fossil-fueled electricity generation by 117 GWh per year. PNM offers its customers a comprehensive portfolio of energy efficiency and load management programs, with a 2013 budget of over $17 million, that PNM estimates saved approximately 76 GWh of electricity in 2013. Over the next 20 years, PNM projects the expanded energy efficiency and load management programs will provide the equivalent of approximately 13,565 GWh of electricity, which will avoid at least 6.8 million metric tons of CO_2 based upon projected emissions from PNM's system-wide resources. These estimates are subject to change based upon the difficulty in accurately estimating avoidance because of the high uncertainty of many of the underlying variables and complex interrelationships between those variables, including changes in demand for electricity.

Management periodically updates the Board on implementation of the corporate environmental policy and the Company's environmental management systems, promotion of energy efficiency, and use of renewable resources. The Board is also advised of the Company's practices and procedures to assess the sustainability impacts of operations on the environment. The Board considers associated issues around climate change, the Company's GHG exposures, and potential financial consequences that might result from potential federal and/or state regulation of GHG.

As of December 31, 2013, approximately 74.7% of PNM's generating capacity, including resources owned, leased, and under PPAs, all of which is located within the United States, consisted of coal or gas-fired generation that produces GHG. Based on current forecasts, the Company does not expect its output of GHG from existing sources to increase significantly in the near-term. Many factors affect the amount of GHG emitted. For example, if new natural gas-fired generation resources are added to meet increased load as anticipated in PNM's current IRP, GHG would be incrementally increased. In addition, plant performance could impact the amount of GHG emitted. If PVNGS experienced prolonged outages, PNM might be required to utilize other power supply resources such as gas-fired generation, which could increase GHG. As described in Note 16, on February 15, 2013, PNM, NMED, and EPA agreed to pursue a strategy to address the regional haze requirements of the CAA at the coal-fired SJGS, which would include the shutdown of SJGS Units 2 and 3. The shutdown of Units 2 and 3 would result in a reduction of GHG of approximately 50 percent at SJGS. That agreement also contemplates that gas-fired generation would be built to partially replace the retired capacity. Although replacement power strategies have not been finalized, the reduction in GHG from the retirement of the coal-fired generation would be far greater than the increase in GHG from replacement with gas-fired generation. On September 5, 2013, the EIB unanimously approved a revised SIP submitted by NMED that encompassed the February 15, 2013 agreement and the revised SIP was submitted to EPA for approval on October 18, 2013. EPA action on the revised SIP is projected for late 2014.

Because of PNM's dependence on fossil-fueled generation, any legislation or regulation that imposes a limit or cost on GHG could impact the cost at which electricity is produced. While PNM expects to recover that cost through rates, the timing and outcome of proceedings for cost recovery are uncertain. In addition, to the extent that any additional costs are recovered through rates, customers may reduce their usage, relocate facilities to other areas with lower energy costs, or take other actions that ultimately will adversely impact PNM.

Given the geographic location of its facilities and customers, PNM generally has not been exposed to the extreme weather events and other physical impacts commonly attributed to climate change, with the exception of periodic drought conditions. PNM's service areas also experience high winds and severe thunderstorms periodically. Climate changes are generally not expected to have material consequences in the near-term. Drought conditions in northwestern New Mexico could impact the availability of water for cooling coal-fired generating plants. Water shortage sharing agreements have been in place since 2004, although no shortage has been declared due to sufficient precipitation in the San Juan River basin. PNM also has a supplemental water contract in place with the Jicarilla Apache Nation to help address any water shortages from primary sources. The contract expires on

December 31, 2016. TNMP has operations in the Gulf Coast area of Texas, which experiences periodic hurricanes and drought conditions. In addition to potentially causing physical damage to TNMP-owned facilities, which disrupt the ability to transmit and/or distribute energy, hurricanes can temporarily reduce customers' usage and demand for energy.

EPA Regulation

In April 2007, the United States Supreme Court held that EPA has the authority to regulate GHG under the CAA. This decision heightened the importance of this issue for the energy industry. In December 2009, EPA released its endangerment finding stating that the atmospheric concentrations of six key greenhouse gases (CO_2, methane, nitrous oxides, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride) endanger the public health and welfare of current and future generations. In May 2010, EPA released the final PSD and Title V Greenhouse Gas Tailoring Rule (the "Tailoring Rule") to address GHG from stationary sources under the CAA permitting programs. The purpose of the rule is to "tailor" the applicability of two programs, PSD and Title V operating permit programs, to avoid impacting millions of small GHG emitters. The rule focuses on the largest sources of GHG, including fossil-fueled electric generating units. This program currently covers new construction projects that emit GHG of at least 100,000 tons per year (even if PSD is not triggered for other pollutants). In addition, modifications at existing facilities that increase GHG by at least 75,000 tons per year will be subject to PSD permitting requirements, even if they do not significantly increase emissions of any other pollutant. All of PNM's fossil-fueled generating plants are potentially subject to the Tailoring Rule because of the magnitude of non-GHG, but the existing plants do not have any currently planned projects that would trigger PSD permitting for GHG. Any newly constructed fossil-fired power plant would likely be subject to the Tailoring Rule.

On June 26, 2012, the D.C. Circuit rejected challenges to EPA's 2009 GHG endangerment finding, GHG standards for light-duty vehicles, PSD Interpretive Memorandum (EPA's so-called GHG "Timing Rule"), and Tailoring Rule. The Court found that EPA's endangerment finding and its light-duty vehicle rule "are neither arbitrary nor capricious," that "EPA's interpretation of the governing CAA provisions is unambiguously correct," and that "no petitioner has standing to challenge the Timing and Tailoring Rules." On October 15, 2013, the United States Supreme Court granted a petition for a Writ of Certiorari regarding the permitting of stationary sources that emit GHG. The Supreme Court limited the question that it will be reviewing to: "Whether EPA permissibly determined that its regulation of greenhouse gas emissions from new motor vehicles triggered permitting requirements under the Clean Air Act for stationary sources that emit greenhouse gases." Specifically, the case deals with whether EPA's determination that regulation of GHG from motor vehicles required EPA to regulate stationary sources under the PSD and Title V permitting programs. The petitioners argued that EPA's determination that it was required to regulate GHG under the PSD and Title V Programs was unlawful as it violates Congressional intent.

On March 27, 2012, EPA issued its proposed carbon pollution standards for GHG from new fossil-fueled EGU. The proposed NSPS set a limit of 1,000 lb CO_2/MWh and would cover newly constructed fossil-fueled EGUs larger than 25 MW. The proposed limit was based on the performance of natural gas combined cycle technology. Therefore, coal-fired power plants would only be able to comply with the standard by using carbon capture and sequestration technology. The proposed rule included an exemption for new simple cycle EGUs. EPA accepted comment on the proposed rule through June 25, 2012, during which EPA received over 2.5 million comments on the proposed rule.

On June 25, 2013, President Obama announced the President's Climate Action Plan which outlines how his administration plans to cut GHG in the United States, prepare the country for the impacts of climate change, and lead international efforts to combat and prepare for global warming. The plan proposes actions that would lead to the reduction of GHG by 17% below 2005 levels by 2020. The President also issued a Presidential Memorandum to EPA to continue development of the GHG NSPS regulations for electric generators. The Presidential Memorandum establishes a timeline for the reproposal and issuance of a GHG NSPS for new sources and a timeline for the proposal and final rule for developing carbon pollution standards, regulations, or guidelines for GHG reductions from existing sources. EPA met the President's timeline for the reproposal of the GHG NSPS for new sources by releasing the draft rule on September 20, 2013. In accordance with the Presidential Memorandum, EPA will issue a final rule in "a timely fashion thereafter." EPA is also directed to issue the proposed GHG NSPS for modified and existing EGUs by June 1, 2014 and issue the final rule by June 1, 2015. Each state then must submit a SIP that addresses how the state will comply with the new regulation no later than June 30, 2016.

The Presidential Memorandum further directs EPA to allow the use of "market-based instruments" and "other regulatory flexibilities" to ensure standards will allow for continued reliance on a range of energy sources and technologies and that they are developed and implemented in a manner that provides for reliable and affordable energy and to undertake the rulemaking through direct engagement with states, "as they will play a central role in establishing and implementing standards for existing power plants," and with utility leaders, labor leaders, non-governmental organizations, tribal officials and other stakeholders.

EPA's reproposed GHG NSPS for new sources published on September 20, 2013 apply only to new EGUs. The reproposed standard would revise requirements for new fossil-fired utility boilers, integrated gasification combined cycle units, combined and

simple cycle turbines, and new sources meeting certain other criteria. New fossil fuel-fired utility boilers including coal-fired and integrated gasification combined cycle units would be required to meet an emissions limit of 1,100 pounds of CO_2 per MWh on a 12-operating month rolling average basis or an alternative limit of 1,000 to 1,050 pounds of CO_2 per MWh based on an 84-operating month average. New coal-fired facilities would only be able to meet the standard by using carbon capture and sequestration technology. New combined or simple cycle gas turbines would be subject to an emission limit of either 1,000 or 1,100 pounds of CO_2 per MWh based on whether the rated capacity of the unit is above or below 850 million BTUs per hour. The reproposed GHG NSPS removed the blanket exemption for simple-cycle turbines and instead provided an exemption for units that sell to the transmission grid less than one-third of their potential electric output over a three-year rolling average.

EPA regulation of GHG from large stationary sources will impact PNM's fossil-fueled EGUs. Impacts could involve investments in efficiency improvements and/or control technologies at the fossil-fueled EGUs. In setting existing source standards, EPA has historically used technology-based performance standards on emission rates. The only end-of-pipe emission control technology for coal and gas fired power plants available for GHG reduction is carbon capture and sequestration, which is not yet a commercially demonstrated technology. There are limited efficiency enhancement measures that may be available to a subset of the existing EGUs; however, such measures would provide only marginal GHG improvements. It is also possible EPA may consider a broader range of emission reduction measures, such as fuel switching, end use energy efficiency, or renewable energy deployment. Additional GHG control technologies for existing EGUs may become viable in the future. The costs of such improvements or technologies could impact the economic viability of some plants.

The ultimate impact of EPA's regulation of GHG to PNM is unknown because the regulatory requirements, including BACT implications and NSPS requirements, are in draft form or are still developing. PNM estimates that implementation of the revised SIP for BART at SJGS, which requires the installation of SNCRs on Units 1 and 4 by January 2016 or 15 months after EPA approval of a revised SIP and the retirement of SJGS Units 2 and 3 by the end of 2017, will allow PNM on a system-wide basis to meet or exceed the President's GHG reduction goal of 17% below 2005 levels by 2020. The reduction in CO_2 emissions that will result from implementation of the revised SIP may allow PNM to meet future GHG regulations; however, until such regulations are finalized, PNM is uncertain of the requirements for compliance.

Federal Legislation

Prospects for enactment of legislation imposing a new or enhanced regulatory program to address climate change in Congress are unlikely in 2014, although there is growing interest among some policymakers in addressing climate change and there may be legislation in the future. Instead, EPA is the primary venue for GHG regulation in the near future, especially for coal-fired units. PNM has assessed, and continues to assess, the impacts of potential climate change legislation or regulation on its business. This assessment is preliminary and future changes arising out of the legislative or regulatory process could impact the assessment significantly. PNM's assessment includes assumptions regarding the specific GHG limits, the timing of implementation of these limits, the possibility of a cap and trade program including the associated costs and the availability of offsets, the development of technologies for renewable energy and to reduce emissions, and provisions for cost containment. Moreover, the assessment assumes various market reactions such as the price of coal and gas and regional plant economics. These assumptions, at best, are preliminary and speculative. However, based upon these assumptions, the enactment of climate change legislation could, among other things, result in significant compliance costs, including large capital expenditures by PNM, and could jeopardize the economic viability of certain generating facilities. See Note 16. In turn, these consequences could lead to increased costs to customers and affect results of operations, cash flows, and financial condition if the incurred costs are not fully recovered through regulated rates. Higher rates could also contribute to reduced usage of electricity. PNM's assessment process is ongoing, but too preliminary and speculative at this time for the meaningful prediction of financial impact.

State and Regional Activity

Pursuant to New Mexico law, each utility must submit an IRP to the NMPRC every three years to evaluate renewable energy, energy efficiency, load management, distributed generation, and conventional supply-side resources on a consistent and comparable basis. The IRP is required to take into consideration risk and uncertainty of fuel supply, price volatility, and costs of anticipated environmental regulations when evaluating resource options to meet supply needs of the utility's customers. The NMPRC requires that New Mexico utilities factor a standardized cost of carbon emissions into their IRPs using prices ranging between $8 and $40 per metric ton of CO_2 emitted and escalating these costs by 2.5% per year. Under the NMPRC order, each utility must analyze these standardized prices as projected operating costs. Reflecting the developing nature of this issue, the NMPRC order states that these prices may be changed in the future to account for additional information or changed circumstances. However, PNM is required to use these prices for purposes of its IRP, and the prices may not reflect the costs that it ultimately will incur. PNM's IRP filed with the NMPRC on July 18, 2011 showed that while consideration of the NMPRC required carbon emissions costs did not significantly change the resource decisions regarding future facilities over the next 20 years, it did slightly impact the projected in-service dates of some of the identified resources. Much higher GHG costs than assumed

in the NMPRC analysis are necessary to impact future resource decisions. The primary consequence of the standardized cost of carbon emissions was an increase to generation portfolio costs.

In recent years, New Mexico adopted regulations, which have since been repealed, that would directly limit GHG from larger sources, including EGUs, through a regional GHG cap and trade program and that would cap GHG from larger sources such as EGUs. Although these rules have been repealed, PNM cannot rule out future state legislative or regulatory initiatives to regulate GHG.

On August 2, 2012, thirty-three New Mexico organizations representing public health, business, environmental, consumers, Native American, and other interested parties filed a petition for rulemaking with the NMPRC. The petition asked the NMPRC to issue a NOPR regarding the implementation of an Optional Clean Energy Standard for electric utilities located in New Mexico. The proposed standard would have utilities that elect to participate reduce their CO_2 emissions by 3% per year. Utilities that opt into the program would be assured recovery of their reasonable compliance costs. On October 4, 2012, the NMPRC held a workshop to discuss the proposed standard and whether it has authority to proceed with the NOPR. On August 23, 2013, the petitioners amended the August 2, 2012 petition and requested that the NMPRC issue a NOPR to implement a "Carbon Risk Reduction Rule" for electric utilities in New Mexico. The proposed rule would require affected utilities to demonstrate a 3% per year CO_2 emission reduction from a three-year average baseline period between 2005 and 2012. The proposed rule would use a credit system that provides credits for electricity production based on how much less than one metric ton of CO_2 per MWh the utility emits. Credits would be retired such that 3% per year reductions are achieved from the baseline year until 2035 unless a participating utility elects to terminate the program at the end of 2023. Credits would not expire and could be banked. An advisory committee of interested stakeholders would monitor the program. In addition, utilities would be allowed to satisfy their obligations by funding NMPRC approved energy efficiency programs. There has been no further action on this matter at the NMPRC.

International Accords

The Company monitors international treaties and accords such as the Kyoto Protocol and the EU Emissions Trading System to determine potential impacts to their business activities. The Company does not anticipate any direct impact near-term from international accords.

Transmission Issues

At any given time, FERC has various notices of inquiry and rulemaking dockets related to transmission issues pending. Such actions may lead to changes in FERC administrative rules or ratemaking policy, but have no time frame in which action must be taken or a docket closed with no further action. Further, such notices and rulemaking dockets do not apply strictly to PNM, but will have industry-wide effects in that they will apply to all FERC-regulated entities. PNM monitors and often submits comments taking a position in such notices and rulemaking dockets or may join in larger group responses. PNM often cannot determine the full impact of a proposed rule and policy change until the final determination is made by FERC and PNM is unable to predict the outcome of these matters.

On November 24, 2009, FERC issued Order 729 approving two Modeling, Data, and Analysis Reliability Standards ("Reliability Standards") submitted by NERC - MOD-001-1 (Available Transmission System Capability) and MOD-029-1 (Rated System Path Methodology). Both MOD-001-1 and MOD-029-1 require a consistent approach, provided for in the Reliability Standards, to measuring the total transmission capability ("TTC") of a transmission path. The TTC level established using the two Reliability Standards could result in a reduction in the available transmission capacity currently used by PNM to deliver generation resources necessary for its jurisdictional load and for fulfilling its obligations to third-party users of the PNM transmission system.

During the first quarter of 2011, at the request of PNM and other southwestern utilities, NERC advised all transmission owners and transmission service providers that the implementation of portions of the MOD-029 methodology for "Flow Limited" paths has been delayed until such time as a modification to the standard can be developed that will mitigate the technical concerns identified by the transmission owners and transmission service providers. PNM and other western utilities filed a Standards Action Request with NERC in the second quarter of 2012.

NERC initiated an informal development process to address directives in Order No. 729 to modify certain aspects of the MOD standards, including MOD-001 and MOD-029. The modifications to this standard would retire MOD-029 and require each transmission operator to determine and develop methodology for TTC values for MOD-001.

A final ballot for MOD-001-2 concluded on December 20, 2013 and received sufficient affirmative votes for approval. On February 10, 2014, NERC filed with FERC a petition for approval of MOD-001-2 and retirement of reliability standards

MOD-001-1a, MOD-004-1, MOD-008-1, MOD-028-2, MOD-029-1a, and MOD-030-2. The MOD-001-2 standard will become effective on the first day of the calendar quarter that is 18 months after the date the standard is approved by FERC. The retirement and changes to these MOD standards will remove the risk of reduced TTC for PNM and other southwestern utilities.

In July 2011, FERC issued Order 1000 adopting new requirements for transmission planning, cost allocation, and development. Order 1000 calls for significant changes to the transmission process of WestConnect, an organization of utility companies providing transmission of electricity in the western region that includes PNM. On October 11, 2012, PNM and other WestConnect participants filed modified versions of Attachment K to their transmission tariffs to meet Order 1000 regional compliance requirements. Thirteen intervention motions were filed, with several objecting to and/or protesting various provisions of the filings submitted by the WestConnect participants. On December 17, 2012, the WestConnect participants filed responses to the issues raised by the intervenors. On March 22, 2013, FERC issued its order regarding PNM's and six other WestConnect FERC jurisdictional utilities compliance filings. FERC partially accepted many aspects of the filings including the governance structure that gives the transmission owners a veto authority over the regional plan and cost allocations. A major change directed by FERC is the requirement that the cost allocations be binding on identified beneficiaries and that a process be created that will result in a qualified developer being selected. PNM and the other WestConnect FERC jurisdictional entities submitted compliance filings on September 20, 2013 to address and comply with the March 22, 2013 FERC order. On July 11, 2013, the WestConnect participants submitted an additional compliance filing to address the planning and cost allocation between WestConnect and other regions.

Financial Reform Legislation

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Reform Act"), enacted in July 2010, includes provisions that will require certain over-the-counter derivatives, or swaps, to be centrally cleared and executed through an exchange or other approved trading facility. It also includes provisions related to swap transaction reporting and recordkeeping and may impose margin requirements on swaps that are not centrally cleared. The United States Commodity Futures Trading Commission ("CFTC") has published final rules defining several key terms related to the act and has set compliance dates for various types of market participants. The Dodd-Frank Reform Act provides exemptions from certain requirements, including an exception to the mandatory clearing and swap facility execution requirements for commercial end-users that use swaps to hedge or mitigate commercial risk. PNM expects to qualify for this exception. PNM also expects to be able to comply with its requirements under the Dodd-Frank Reform Act and related rules within the time frames required by the CFTC. However, as a result of the Dodd-Frank Reform Act and related rules, PNM's swap activities could be subject to increased costs, including from higher margin requirements. In addition, implementation of, and compliance with, the swaps provisions of the Dodd-Frank Reform Act and related rules by PNM's swap counterparties could result in increased costs. At this time, PNM cannot predict the ultimate impact the Dodd-Frank Reform Act may have on PNM's financial condition, results of operations, cash flows, or liquidity.

Other Matters

See Notes 16 and 17 for a discussion of commitments and contingencies and rate and regulatory matters. See Note 1 for a discussion of accounting pronouncements that have been issued, but are not yet effective and have not been adopted by the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to apply accounting policies and to make estimates and judgments that best provide the framework to report the results of operations and financial position for PNMR, PNM, and TNMP. As a result, there exists the likelihood that materially different amounts would be reported under different conditions or using different assumptions. Management has identified the following accounting policies that it deems critical to the portrayal of the financial condition and results of operations and that involve significant subjectivity. The following discussion provides information on the processes utilized by management in making judgments and assumptions as they apply to its critical accounting policies.

Unbilled Revenues

The Company records unbilled revenues representing management's assessment of the estimated amount of revenue earned from customers for services rendered between the meter-reading dates in a particular month and the end of that month. Management estimates unbilled revenues based on daily generation volumes, estimated customer usage by class, weather factors, line losses, and applicable customer rates reflecting historical trends and experience. The estimate requires the use of various judgments and assumptions; significant changes to these judgments and assumptions could have a material impact to the Company's results of operations.

Regulatory Accounting

The Company is subject to the provisions of GAAP for rate-regulated enterprises and records assets and liabilities resulting from the effects of the ratemaking process, which would not be recorded under GAAP for non-regulated entities. Additional information concerning regulatory assets and liabilities is contained in Note 4.

The Company continually evaluates the probability that regulatory assets and liabilities will impact future rates and makes various assumptions in those analyses. The expectations of future rate impacts are generally based on orders issued by regulatory commissions or historical experience, as well as discussions with applicable regulatory authorities. If future recovery or refund ceases to be probable, the Company would be required to write-off the portion that is not recoverable or refundable in current period earnings.

The Company has made adjustments to regulatory assets and liabilities which have materially affected its results of operations in the past due to changes in various factors and conditions impacting future cost recovery. Based on its current evaluation, the Company believes that future recovery of its regulatory assets are probable.

Impairments

Tangible long-lived assets and amortizable intangible assets are evaluated for impairment when events and circumstances indicate that the assets might be impaired in accordance with GAAP. These potential impairment indicators include management's assessment of fluctuating market conditions as a result of planned and scheduled customer purchase commitments; future market penetration; changing environmental requirements; fluctuating market prices resulting from factors including changing fuel costs and other economic conditions; weather patterns; and other market trends. The amount of impairment recognized, if any, is the difference between the fair value of the asset and the carrying value of the asset and would reduce both the asset and current period earnings. Variations in the assessment of potential impairment or in the assumptions used to calculate an impairment could result in different outcomes, which could lead to significant effects on the Consolidated Financial Statements.

Goodwill and non-amortizable other intangible assets are evaluated for impairment at least annually, or more frequently if events and circumstances indicate that the goodwill and intangible assets might be impaired. GAAP allows impairment testing to be performed based on either a qualitative analysis or quantitative analysis. Note 21 contains information on the impairment testing performed by the Company on goodwill and intangible assets. For 2013, the Company utilized a qualitative analysis for the TNMP reporting unit and a quantitative analysis for the PNM reporting unit. No impairments were indicated in the Company's annual goodwill testing, which was performed as of April 1, 2013. Since the annual evaluation, there have been no indications that the fair values of the reporting units with recorded goodwill have decreased below the carrying values. The annual testing was based on certain critical estimates and assumptions. Changes in the estimates or the use of different assumptions could affect the determination of fair value and the conclusion of impairment for each reporting unit.

Application of the qualitative goodwill impairment test requires evaluating various events and circumstances to determine whether it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. As a part of the Company's goodwill qualitative testing process for a reporting unit, various factors that are specific to the reporting unit as well as industry and macroeconomic factors are evaluated in order to determine whether these factors are reasonably likely to have a material impact on the fair value of the reporting unit. Examples of the factors that were considered in the qualitative testing of the goodwill include the results of the most recent quantitative impairment test, current and long-term forecasted financial results, regulatory environment, credit rating, changes in the interest rate environment, and operating strategy for the reporting unit. Based on the qualitative analysis performed in 2013 for the TNMP reporting unit, the Company concluded that there were no changes that were reasonably likely to cause the fair value of the reporting unit to be less than the carrying value and determined that there was no impairment of goodwill. Although the Company believes all relevant factors were considered in the qualitative impairment analysis to reach the conclusion that goodwill is not impaired, significant changes in any one of the assumptions could produce a significantly different result potentially leading to the recording of an impairment that could have significant impacts on the results of operations and financial position of the Company.

Application of the quantitative impairment test requires judgment, including assignment of assets and liabilities to reporting units and the determination of the fair value of a reporting unit. A discounted cash flow methodology is primarily used by the Company to estimate the fair value of a reporting unit. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of long-term growth rates for the business and determination of appropriate WACC for each reporting unit.

In determining the fair value of a reporting unit under the quantitative approach, the WACC is a significant factor. The Company considers many factors in selecting a WACC, including the market view of risk for each individual reporting unit, the appropriate capital structure based on that used in the ratemaking process, and the borrowing rate appropriate for a reporting unit. The Company considers available market-based information and may consult with third parties to help determine the WACC. The

selection of a WACC is subjective and modifications to this rate could significantly increase or decrease the fair value of a reporting unit.

The other primary factor impacting the determination of the fair value of a reporting unit is the estimation of future cash flows. The Company considers budgets, long-term forecasts, historical trends, and expected growth rates in order to estimate future cash flows. Any forecast contains a degree of uncertainty and modifications to these cash flows could significantly increase or decrease the fair value of a reporting unit. For the PNM and TNMP reporting units, which are subject to rate-regulation, a fair recovery of and return on costs prudently incurred to serve customers is assumed. Should the regulators not allow recovery of certain costs or not allow these reporting units to earn a fair rate of return on invested capital, the fair value of the reporting units could decrease. For the First Choice unregulated reporting unit, which PNMR sold on November 1, 2011 (Note 3), assumptions regarding customer usage, pricing, retention, and payment behavior, in addition to fluctuations in the cost of energy, significantly impacted estimates of future cash flows.

The Company believes that the WACC and cash flow projections utilized in the 2013 qualitative testing appropriately reflected the fair value of the PNM reporting unit. Since any cash flow projection contains uncertainty, the Company adjusted the WACC used to reflect that uncertainty. The Company does not believe that there are indications of goodwill impairment in any of its reporting units, but this analysis is highly subjective. As of the impairment testing for April 1, 2013, the fair value of the PNM reporting unit, which had goodwill of $51.6 million, exceeded its carrying value by approximately 27%. An increase of 0.5% in the expected return on equity capital utilized in calculating the WACC used to discount the forecasted cash flows, would have reduced the excess of PNM's fair value over carrying value to approximately 20% at April 1, 2013. The April 1, 2012 quantitative evaluation of fair value of the TNMP reporting unit, which had goodwill of $226.7 million, exceeded its carrying value by approximately 26%. Due to the subjectivity and sensitivities of the assumptions and estimates underlying the impairment analysis, there can be no assurance that future analyses, which will be based on the appropriate assumptions and estimates at that time, will not result in impairments.

Decommissioning and Reclamation Costs

Accounting for decommissioning costs for nuclear and fossil-fuel generation involves significant estimates related to costs to be incurred many years in the future after plant closure. Decommissioning costs are based on site-specific estimates which are updated periodically and involve numerous judgments and assumptions. Changes in these estimates could significantly impact PNMR's and PNM's financial position, results of operations and cash flows. PNM owns and leases nuclear and fossil-fuel generation facilities. In accordance with GAAP, PNM is only required to recognize and measure decommissioning liabilities for tangible long-lived assets for which a legal obligation exists. Nuclear decommissioning costs are based on site-specific estimates of the costs for removing all radioactive and other structures at PVNGS and are dependent upon numerous assumptions including estimates of future decommissioning costs at current price levels, inflation rates, and discount rates. AROs, including nuclear decommissioning costs, are discussed in Note 15. Nuclear decommissioning costs represent approximately 84% of PNM's ARO liability. A 10% increase in the estimates of future decommissioning costs at current price levels would have increased the ARO liability by $8.8 million at December 31, 2013. PVNGS Units 1 and 2 are included in PNM's retail rates while PVNGS Unit 3 is excluded although PNM has requested Unit 3 be included. PNM collects a provision for ultimate decommissioning of PVNGS Units 1 and 2 and its fossil-fuel generation facilities in its rates and recognizes a corresponding expense and liability for these amounts. PNM believes that it will continue to be able to collect in rates for its legal asset retirement obligations for nuclear generation activities included in the ratemaking process.

In connection with both the SJGS coal agreement and the Four Corners fuel agreement, the owners are required to reimburse the mining companies for the cost of contemporaneous reclamation as well as the costs for final reclamation of the coal mines. The reclamation costs are based on site-specific studies that estimate the costs to be incurred in the future and are dependent upon numerous assumptions, including estimates of future reclamation costs at current price levels, inflation rates, and discount rates. A 10% increase in the estimates of future reclamation costs at current price levels would have increased the mine reclamation liability by $2.9 million at December 31, 2013. PNM considers the contemporaneous reclamation costs part of the cost of its delivered coal costs. See Note 16 for discussion of the final reclamation costs.

Derivatives

The Company follows the provisions set forth in GAAP to account for derivatives. These provisions establish accounting and reporting standards requiring derivative instruments to be recorded in the balance sheet as either an asset or liability measured at their fair value. GAAP also requires that changes in the derivatives' fair value be recognized currently in earnings unless specific hedge accounting or normal purchase and sale criteria are met. Fair value is based on current market quotes as available and is supplemented by modeling techniques and assumptions made by the Company to the extent quoted market prices or volatilities are not available. External pricing input availability varies based on commodity location market liquidity, and term of the agreement. Although the Company uses its best judgment in estimating the fair value of these instruments, there are inherent limitations in

any estimate technique. Changes in the assumptions used in the fair value determinations could have significant impacts on the results of operations and financial position of the Company. Note 8 contains additional information on commodity derivatives, including the volumes covered by derivative contracts.

Pension and Other Postretirement Benefits

The Company maintains qualified defined benefit pension plans, postretirement benefit plans providing medical and dental benefits, and executive retirement programs. The net periodic benefit cost or income and the calculation of the projected benefit obligations are recognized in the Company's financial statements and depend on expected investment performance, the level of contributions made to the plans, and employee demographics. They both require the use of a number of actuarial assumptions and estimates. The most critical of the actuarial assumptions are the expected long-term rate of return, the discount rate, and projected health care cost trend rates. The Company reviews and evaluates its actuarial assumptions annually and adjusts them as necessary. Changes in the pension and OPEB assets and liabilities associated with these factors are not immediately recognized as net periodic benefit cost or income in results of operations, but are recognized in future years, generally, over the remaining life of the plan. However, these factors could have a significant impact on the financial position of the company. Note 12 contains additional information about pension and OPEB obligations, including assumptions utilized in the calculations and impacts of changes in certain of those assumptions.

Accounting for Contingencies

The financial results of the Company may be affected by judgments and estimates related to loss contingencies. Losses associated with uncollectible trade accounts receivable was a significant contingency for First Choice, which PNMR sold on November 1, 2011. The determination of bad debt expense is based on factors such as historical write-off experience, aging of accounts receivable balances, general economic conditions, and customer behavior.

Contingencies related to litigation and claims, as well as environmental and regulatory matters, also require the use of significant judgment and estimation. The Company attempts to take into account all known factors regarding the future outcome of contingent events and records an accrual for any contingent events that are both probable and reasonably estimated based upon current available information. However the actual outcomes can vary from any amounts accrued which could have a material effect on the results of operations and financial position of the Company. See Note 16 and Note 17.

Income Taxes

The Company's income tax expense and related balance sheet amounts involve significant judgment and use of estimates. Amounts of deferred income tax assets and liabilities, current and noncurrent accruals, and determination of uncertain tax positions involve judgment and estimates related to timing and probability of the recognition of income and deductions by taxing authorities. In addition, some temporary differences are accorded flow-through treatment by the Company's regulators and impact the Company's effective tax rate. In assessing the likelihood of the realization of deferred tax assets, management considers the estimated amount and character of future taxable income. Significant changes in these judgments and estimates could have a material impact on the results of operations and financial position of the Company. Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations in future periods, and the final review from taxing authorities. See Note 11.

Market Risk

See Part II, Item 7A. Quantitative and Qualitative Disclosure About Market Risk for discussion regarding the Company's accounting policies and sensitivity analysis for the Company's financial instruments and derivative energy and other derivative contracts.

MD&A FOR PNM

RESULTS OF OPERATIONS

PNM operates in only one reportable segment, as presented above in Results of Operations for PNMR.

MD&A FOR TNMP

RESULTS OF OPERATIONS

TNMP operates in only one reportable segment, as presented above in Results of Operations for PNMR.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company manages the scope of its various forms of risk through a comprehensive set of policies and procedures with oversight by senior level management through the RMC. The Board's Finance Committee sets the risk limit parameters. The RMC has oversight over the risk control organization. The RMC is assigned responsibility for establishing and enforcing the policies, procedures and limits and evaluating the risks inherent in proposed transactions on an enterprise-wide basis. The RMC's responsibilities include:

- Establishment of policies regarding risk exposure levels and activities in each of the business segments
- Approval of the types of derivatives entered into for hedging
- Review and approval of hedging risk activities
- Establishment of policies regarding counterparty exposure and limits
- Authorization and delegation of transaction limits
- Review and approval of controls and procedures for derivative activities
- Review and approval of models and assumptions used to calculate mark-to-market and market risk exposure
- Proposing risk limits to the Board's Finance Committee for its approval
- Quarterly reporting to the Board's Audit and Finance Committees on these activities.

To the extent an open position exists, fluctuating commodity prices, interest rates, equity prices, and economic conditions can impact financial results and financial position, either favorably or unfavorably. As a result, the Company cannot predict with certainty the impact that its risk management decisions may have on its businesses, operating results, or financial position.

Commodity Risk

Information concerning accounting for derivatives and the risks associated with commodity contracts is set forth in Note 8, including a summary of the fair values of mark-to-market energy related derivative contracts included in the Consolidated Balance Sheets. At December 31, 2013 and 2012, PNMR and PNM had no commodity derivative instruments designated as cash flow hedging instruments.

Commodity contracts, other than those that do not meet the definition of a derivative under GAAP and those derivatives designated as normal purchases and normal sales, are recorded at fair value on the Consolidated Balance Sheet. The following table details the changes in the net asset or liability balance sheet position for mark-to-market energy transactions.

	Economic Hedges
	PNMR and PNM
	(In thousands)
Sources of fair value gain (loss):	
Net fair value at December 31, 2011	$ (356)
Amount realized on contracts delivered during period	(4,110)
Changes in fair value	5,708
Net mark-to-market change recorded in earnings	1,598
Net change recorded as regulatory liability	(38)
Net fair value at December 31, 2012	1,204
Amount realized on contracts delivered during period	(970)
Changes in fair value	2,836
Net mark-to-market change recorded in earnings	1,866
Net change recorded as regulatory liability	203
Net fair value at December 31, 2013	$ 3,273

The following table provides the maturity of the net assets (liabilities), giving an indication of when these mark-to-market amounts will settle and generate (use) cash.

Fair Value of Mark-to-Market Instruments at December 31, 2013

PNMR and PNM	2014	2015	2016
	(In thousands)		
Economic hedges			
Prices actively quoted	$ —	$ —	$ —
Prices provided by other external sources	1,366	2,281	(374)
Prices based on models and other valuations	—	—	—
Total	$ 1,366	$ 2,281	$ (374)

PNM measures the market risk of its long-term contracts and wholesale activities using a Monte Carlo VaR simulation model to report the possible loss in value from price movements. VaR is not a measure of the potential accounting mark-to-market loss. The quantitative risk information is limited by the parameters established in creating the model. The Monte Carlo VaR methodology employs the following critical parameters: historical volatility estimates, market values of all contractual commitments, a three-day holding period, seasonally adjusted and cross-commodity correlation estimates, and a 95% confidence level. The instruments being evaluated may trigger a potential loss in excess of calculated amounts if changes in commodity prices exceed the confidence level of the model used.

PNM measures VaR for the positions in its wholesale portfolio (not covered by the FPPAC). For the year ended December 31, 2013, the high, low, and average VaR amounts were $1.4 million, $0.6 million, and $0.9 million. For the year ended December 31, 2012, the high, low and average VaR amounts were $1.4 million, $0.3 million, and $0.6 million. At December 31, 2013 and December 31, 2012, the VaR amounts for the PNM wholesale portfolio were $0.6 million and $0.5 million.

The VaR limits, which were not exceeded during 2013 or 2012, represent an estimate of the potential gains or losses that could be recognized on the Company's portfolios, subject to market risk, given current volatility in the market, and are not necessarily indicative of actual results that may occur, since actual future gains and losses will differ from those estimated. Actual gains and losses may differ due to actual fluctuations in market prices, operating exposures, and the timing thereof, as well as changes to the underlying portfolios during the year.

Credit Risk

The Company is exposed to credit risk from its retail and wholesale customers, as well as the counterparties to derivative instruments. The Company conducts counterparty risk analysis across business segments and uses a credit management process to assess the financial conditions of counterparties. The following table provides information related to credit exposure by the credit worthiness (credit rating) of the counterparties and concentration of credit risk to counterparties. All credit exposures at December 31, 2013 will mature in less than two years.

Schedule of Credit Risk Exposure
December 31, 2013

Rating [1]	Credit Risk Exposure[2]	Number of Counter-parties >10%	Net Exposure of Counter-parties >10%
	(Dollars in thousands)		
PNMR and PNM			
External ratings:			
Investment grade	$ 9,130	2	$ 8,954
Non-investment grade	—	—	—
Internal ratings:			
Investment grade	477	—	—
Non-investment grade	410	—	—
Total	$ 10,017		$ 8,954

(1) The rating "Investment Grade" is for counterparties, or a guarantor, with a minimum S&P rating of BBB- or Moody's rating of Baa3. The category "Internal Ratings - Investment Grade" includes those counterparties that are internally rated as investment grade in accordance with the guidelines established in the Company's credit policy.

(2) The Credit Risk Exposure is the gross credit exposure, including long-term contracts (other than full-requirements customers), forward sales, and short-term sales. The exposure captures the amounts from receivables/payables for realized transactions, delivered and unbilled revenues, and mark-to-market gains/losses. Gross exposures can be offset according to legally enforceable netting arrangements but are not reduced by posted credit collateral. At December 31, 2013, PNMR and PNM held $0.2 million of cash collateral to offset their credit exposure.

Net credit risk for PNMR's and PNM's largest counterparty as of December 31, 2013 was $6.7 million, which is due from a full requirements customer.

The PVNGS lessor notes are not exposed to credit risk, since the notes are repaid as PNM makes payments on the underlying leases. Other investments have no significant counterparty credit risk.

Interest Rate Risk

The majority of the Company's long-term debt is fixed-rate debt and does not expose earnings to a major risk of loss due to adverse changes in market interest rates. However, the fair value of long-term debt instruments for PNMR, PNM, and TNMP would increase by 2.5%, 2.4%, and 3.5%, if interest rates were to decline by 50 basis points from their levels at December 31, 2013. In general, an increase in fair value would impact earnings and cash flows to the extent not recoverable in rates if all or a portion of debt instruments were acquired in the open market prior to their maturity. As described in Note 6, TNMP has long-term debt of $50.0 million that bears interest at a variable rate. However, TNMP has also entered into a hedging arrangement that effectively results in this debt bearing interest at a fixed rate, thereby eliminating interest rate risk. At February 21, 2014, PNMR, PNM, and TNMP had zero, $69.4 million, and zero of short-term debt outstanding under their revolving credit facilities, which allow for a maximum aggregate borrowing capacity of $300.0 million for PNMR, $400.0 million for PNM, and $75.0 million for TNMP. PNM also had borrowings of $25.0 million under the $50.0 million PNM New Mexico Credit Facility at February 21, 2014. The revolving credit facilities, the PNM New Mexico Credit Facility, the $75.0 million PNM Term Loan, and the $100.0 million PNMR Term Loan Agreement bear interest at variable rates, which averaged 1.01% for the PNMR Term Loan Agreement, 1.41% for the PNM Revolving Credit Facility, 1.41% for the PNM New Mexico Credit Facility, and 1.41% for the PNM Term Loan on February 21, 2014 borrowings, and the Company is exposed to interest rate risk to the extent of future increases in variable interest rates.

The investments held by PNM in trusts for decommissioning, reclamation, pension benefits, and other post-employment benefits had an estimated fair value of $858.2 million at December 31, 2013, of which 52.0% were fixed-rate debt securities that subject PNM to risk of loss of fair value with movements in market interest rates. If interest rates were to increase by 50 basis points from their levels at December 31, 2013, the decrease in the fair value of the fixed-rate securities would be 5.7%, or $25.4 million. The securities held by TNMP in trusts for pension and other post-employment benefits had an estimated fair value of $76.0 million at December 31, 2013, of which 46.6% were fixed-rate debt securities that subject TNMP to risk of loss of fair value with movements in market interest rates. If interest rates were to increase by 50 basis points from their levels at December 31, 2013, the decrease in the fair value of the fixed-rate securities would be 6.3%, or $2.2 million.

PNM and TNMP do not directly recover or return through rates any losses or gains on the securities, including equity and alternative investments discussed below, in the trusts for decommissioning, reclamation, pension benefits, and other post-employment benefits. However, the overall performance of these trusts does enter into the periodic determinations of expense and funding levels, which are factored into the rate making process to the extent applicable to regulated operations. PNM and TNMP are at risk for shortfalls in funding of obligations due to investment losses, including those from the equity market and alternatives investment risks discussed below to the extent not ultimately recovered through rates charged to customers.

Equity Market Risk

The investments held by PNM in trusts for decommissioning and reclamation and trusts established for PNM's and TNMP's pension and post-employment benefits plans include certain equity securities at December 31, 2013. These equity securities expose PNM and TNMP to losses in fair value should the market values of the underlying securities decline. Equity securities comprised 36.3% and 31.0% of the securities held by the various PNM and TNMP trusts as of December 31, 2013. A hypothetical 10% decrease in equity prices would reduce the fair values of these funds by $31.2 million for PNM and $2.4 million for TNMP.

There was a significant decline in the general price levels of marketable equity securities in late 2008 and in early 2009. The impacts of these declines were considered in the funding and expense valuations performed for 2011 and 2012, which resulted in reduced income or increased expense related to the pension plans being recorded and required increased levels of funding beginning in 2010.

Alternatives Investment Risk

The Company had 15.4% of its pension assets invested in the alternatives asset class as of December 31, 2013. The Company has changed the target for this class to 14.8%. This includes real estate, private equity, and hedge funds. These investments are limited partner structures that are multi-manager multi-strategy funds. This investment approach gives broad diversification and minimizes risk compared to a direct investment in any one component of the funds. The general partner oversees the selection and monitoring of the underlying managers. The Company's Corporate Investment Committee, assisted by its investment consultant, monitors the performance of the funds and general partner's investment process. There is risk associated with these funds due to the nature of the strategies and techniques and the use of investments that do not have readily determinable fair value. A hypothetical 10% decrease in equity prices would reduce the fair values of these funds by $9.6 million. The valuation of the alternative asset class was also impacted by the significant decline in the general price levels of marketable equity securities in 2008 and 2009.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

INDEX

	Page
Management's Annual Reports on Internal Control Over Financial Reporting	B- 2
Reports of Independent Registered Public Accounting Firms	B- 5
Financial Statements:	
PNM Resources, Inc. and Subsidiaries	
Consolidated Statements of Earnings	B- 12
Consolidated Statements of Comprehensive Income	B- 13
Consolidated Statements of Cash Flows	B- 14
Consolidated Balance Sheets	B- 16
Consolidated Statements of Changes in Equity	B- 18
Public Service Company of New Mexico and Subsidiaries	
Consolidated Statements of Earnings	B- 19
Consolidated Statements of Comprehensive Income	B- 20
Consolidated Statements of Cash Flows	B- 21
Consolidated Balance Sheets	B- 23
Consolidated Statements of Changes in Equity	B- 25
Texas-New Mexico Power Company and Subsidiaries	
Consolidated Statements of Earnings	B- 26
Consolidated Statements of Comprehensive Income	B- 27
Consolidated Statements of Cash Flows	B- 28
Consolidated Balance Sheets	B- 30
Consolidated Statements of Changes in Common Stockholder's Equity	B- 32
Notes to Consolidated Financial Statements	B- 33
Supplementary Data:	
Reports of Independent Registered Public Accounting Firms on Schedules	B- 122
Schedule I - Condensed Financial Information of Parent Company	B- 124
Schedule II - Valuation and Qualifying Accounts	B- 127

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of PNM Resources, Inc. and subsidiaries ("PNMR") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended.

Management assessed the effectiveness of PNMR's internal control over financial reporting based on the *Internal Control – Integrated Framework (1992)* set forth by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment performed, management concludes that PNMR's internal control over financial reporting was effective as of December 31, 2013.

KPMG LLP, an independent registered public accounting firm, has issued an attestation report on PNMR's internal control over financial reporting which is included herein.

/s/ Patricia K. Collawn
Patricia K. Collawn,
Chairman, President, and Chief Executive Officer

/s/ Charles Eldred
Charles Eldred
Executive Vice President and
Chief Financial Officer

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Public Service Company of New Mexico and subsidiaries ("PNM") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended.

Management assessed the effectiveness of PNM's internal control over financial reporting based on the *Internal Control – Integrated Framework (1992)* set forth by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment performed, management concludes that PNM's internal control over financial reporting was effective as of December 31, 2013.

/s/ Patricia K. Collawn
Patricia K. Collawn,
President and Chief Executive Officer

/s/ Charles Eldred
Charles Eldred
Executive Vice President and
Chief Financial Officer

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Texas-New Mexico Power Company and subsidiaries ("TNMP") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended.

Management assessed the effectiveness of TNMP's internal control over financial reporting based on the *Internal Control – Integrated Framework (1992)* set forth by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment performed, management concludes that TNMP's internal control over financial reporting was effective as of December 31, 2013.

/s/ Patricia K. Collawn
Patricia K. Collawn,
Chief Executive Officer

/s/ Thomas G. Sategna
Thomas G. Sategna
Vice President and Controller

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
PNM Resources, Inc:

We have audited PNM Resources, Inc and subsidiaries (the Company) internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, PNM Resources, Inc and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2013, the related consolidated statement of earnings, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and our report dated February 28, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Albuquerque, New Mexico
February 28, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
PNM Resources, Inc:

We have audited the accompanying consolidated balance sheet of PNM Resources, Inc and subsidiaries (the Company) as of December 31, 2013, and the related consolidated statement of earnings, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PNM Resources, Inc and subsidiaries as of December 31, 2013, and the results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), PNM Resources, Inc and subsidiaries internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Albuquerque, New Mexico
February 28, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
PNM Resources, Inc.
Albuquerque, New Mexico

We have audited the accompanying consolidated balance sheets of PNM Resources, Inc. and subsidiaries (the "Company") as of December 31, 2012, and the related consolidated statements of earnings, comprehensive income, changes in equity, and cash flows for each of the two years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of PNM Resources, Inc. and subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona
March 1, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Public Service Company of New Mexico:

We have audited the accompanying consolidated balance sheet of Public Service Company of New Mexico and subsidiaries (the Company) as of December 31, 2013, and the related consolidated statement of earnings, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Public Service Company of New Mexico and subsidiaries as of December 31, 2013, and the results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Albuquerque, New Mexico
February 28, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Public Service Company of New Mexico
Albuquerque, New Mexico

We have audited the accompanying consolidated balance sheets of Public Service Company of New Mexico and subsidiaries (the "Company") as of December 31, 2012, and the related consolidated statements of earnings, comprehensive income, changes in equity, and cash flows for each of the two years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Public Service Company of New Mexico and subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona
March 1, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholder
Texas-New Mexico Power Company:

We have audited the accompanying consolidated balance sheet of Texas-New Mexico Power Company and subsidiaries (the Company) as of December 31, 2013, and the related consolidated statement of earnings, consolidated statement of comprehensive income, consolidated statement of changes in common stockholder's equity, and consolidated statement of cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Texas-New Mexico Power Company and subsidiaries as of December 31, 2013, and the results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Albuquerque, New Mexico
February 28, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of
Texas-New Mexico Power Company
Lewisville, Texas

We have audited the accompanying consolidated balance sheets of Texas-New Mexico Power Company and subsidiaries (the "Company") as of December 31, 2012, and the related consolidated statements of earnings, comprehensive income, changes in common stockholder's equity, and cash flows for each of the two years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Texas-New Mexico Power Company and subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona
March 1, 2013

PNM RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended December 31,		
	2013	2012	2011
	(In thousands, except per share amounts)		
Electric Operating Revenues	$ 1,387,923	$ 1,342,403	$ 1,700,619
Operating Expenses:			
Cost of energy	432,316	399,850	692,922
Administrative and general	179,210	187,740	257,774
Energy production costs	175,819	185,417	180,850
Regulatory disallowances	12,235	—	21,402
Depreciation and amortization	166,881	164,173	157,047
Transmission and distribution costs	70,124	71,125	69,693
Taxes other than income taxes	64,496	60,377	63,632
Total operating expenses	1,101,081	1,068,682	1,443,320
Operating income	286,842	273,721	257,299
Other Income and Deductions:			
Interest income	10,043	13,072	15,515
Gains on available-for-sale securities	10,612	12,965	8,985
Other income	10,572	12,746	5,309
Gain on sale of First Choice	—	1,012	174,925
Other (deductions)	(21,552)	(17,636)	(24,715)
Net other income and deductions	9,675	22,159	180,019
Interest Charges	121,448	120,845	124,849
Earnings before Income Taxes	175,069	175,035	312,469
Income Taxes	59,513	54,910	121,535
Net Earnings	115,556	120,125	190,934
(Earnings) Attributable to Valencia Non-controlling Interest	(14,521)	(14,050)	(14,047)
Preferred Stock Dividend Requirements of Subsidiary	(528)	(528)	(528)
Net Earnings Attributable to PNMR	$ 100,507	$ 105,547	$ 176,359
Net Earnings Attributable to PNMR per Common Share:			
Basic	$ 1.26	$ 1.32	$ 1.98
Diluted	$ 1.25	$ 1.31	$ 1.96

The accompanying notes, as they relate to PNMR, are an integral part of these consolidated financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Net Earnings	$ 115,556	$ 120,125	$ 190,934
Other Comprehensive Income (Loss):			
Unrealized Gain on Available-for-Sale Securities:			
Unrealized holding gains arising during the period, net of income tax (expense) of $(10,855), $(15,262), and $(13,577)	16,564	23,286	20,718
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $4,734, $14,755, and $13,956	(7,222)	(22,514)	(21,295)
Pension Liability Adjustment:			
Experience gain (loss), net of income tax (expense) benefit of $(6,781), $11,910 and $1,187	10,355	(18,174)	(1,771)
Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of $(2,524), $(1,825) and $(1,699)	3,840	2,786	2,593
Fair Value Adjustment for Designated Cash Flow Hedges:			
Change in fair market value, net of income tax (expense) benefit of $98, $153, and $349	(181)	(275)	(653)
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of $(73), $(65), and $(1,230)	134	117	2,218
Total Other Comprehensive Income (Loss)	23,490	(14,774)	1,810
Comprehensive Income	139,046	105,351	192,744
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(14,521)	(14,050)	(14,047)
Preferred Stock Dividend Requirements of Subsidiary	(528)	(528)	(528)
Comprehensive Income Attributable to PNMR	$ 123,997	$ 90,773	$ 178,169

The accompanying notes, as they relate to PNMR, are an integral part of these consolidated financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Cash Flows From Operating Activities:			
Net earnings	$ 115,556	$ 120,125	$ 190,934
Adjustments to reconcile net earnings to net cash flows from operating activities:			
Depreciation and amortization	208,173	206,499	195,366
Bad debt expense	2,849	3,367	24,116
Deferred income tax expense	60,430	56,243	124,424
(Gain) on sale of First Choice	—	(1,012)	(174,925)
Net unrealized (gains) on derivatives	(1,866)	(1,598)	(8,713)
Realized (gains) on available-for-sale securities	(10,612)	(12,965)	(8,985)
Loss on reacquired debt	3,253	—	9,209
Abandonment of leased premises	—	7,411	—
Stock based compensation expense	5,320	3,585	6,556
Regulatory disallowances	12,235	—	21,402
Other, net	(4,496)	(4,165)	(3,497)
Changes in certain assets and liabilities:			
Accounts receivable and unbilled revenues	(7,562)	(2,547)	(70,734)
Materials, supplies, and fuel stock	(7,580)	(5,412)	(2,200)
Other current assets	8,577	(2,598)	(21,979)
Other assets	(12,801)	(30,778)	(15,835)
Accounts payable	4,484	14,020	20,969
Accrued interest and taxes	91,537	255	7,304
Other current liabilities	(19,648)	(19,905)	3,460
Proceeds from governmental grants	—	21,567	2,103
Other liabilities	(61,262)	(70,743)	(6,735)
Net cash flows from operating activities	386,587	281,349	292,240
Cash Flows From Investing Activities:			
Utility plant additions	(348,039)	(308,909)	(326,931)
Proceeds from sales of available-for-sale securities	271,140	167,330	145,286
Purchases of available-for-sale securities	(282,000)	(176,748)	(149,185)
Proceeds from sale of First Choice	—	4,034	329,281
Transaction costs for sale of First Choice	—	—	(10,930)
Return of principal on PVNGS lessor notes	23,357	23,455	32,274
Other, net	4,096	4,943	(17)
Net cash flows from investing activities	(331,446)	(285,895)	19,778

The accompanying notes, as they relate to PNMR, are an integral part of these consolidated financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Cash Flows From Financing Activities:			
Short-term loan	—	100,000	—
Revolving credit facilities borrowings (repayments), net	(9,500)	(24,000)	(139,300)
Long-term borrowings	75,000	20,000	210,000
Repayment of long-term debt	(29,468)	(22,387)	(110,752)
Cash paid in debt exchange	(13,048)	—	—
Purchase of preferred stock	—	—	(73,475)
Purchase of common stock	—	—	(125,683)
Proceeds from stock option exercise	4,618	11,684	5,622
Purchases to satisfy awards of common stock	(13,807)	(25,168)	(10,104)
Dividends paid	(51,508)	(45,137)	(45,656)
Valencia's transactions with its owner	(18,335)	(15,630)	(16,801)
Other, net	(5,545)	(922)	(6,182)
Net cash flows from financing activities	(61,593)	(1,560)	(312,331)
Change in Cash and Cash Equivalents	(6,452)	(6,106)	(313)
Cash and Cash Equivalents at Beginning of Year	8,985	15,091	15,404
Cash and Cash Equivalents at End of Year	$ 2,533	$ 8,985	$ 15,091
Supplemental Cash Flow Disclosures:			
Interest paid, net of amounts capitalized	$ 99,382	$ 113,265	$ 116,391
Income taxes paid (refunded), net	$ (95,327)	$ 5,302	$ (5,527)
Supplemental schedule of noncash investing and financing activities:			
Changes in accrued plant additions	$ 6,006	$ (17,983)	$ 24,768
Premium on long-term debt incurred in connection with debt exchange	$ 36,297		

The accompanying notes, as they relate to PNMR, are an integral part of these consolidated financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2013	2012
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,533	$ 8,985
Accounts receivable, net of allowance for uncollectible accounts of $1,423 and $1,751	90,251	87,093
Unbilled revenues	58,806	57,266
Other receivables	53,909	53,332
Materials, supplies, and fuel stock	67,223	59,643
Regulatory assets	24,416	39,120
Commodity derivative instruments	4,064	3,785
Income taxes receivable	7,066	101,477
Current portion of accumulated deferred income taxes	58,681	—
Other current assets	34,590	31,490
Total current assets	401,539	442,191
Other Property and Investments:		
Investment in PVNGS lessor notes	32,200	54,325
Available-for-sale securities	226,855	192,511
Other investments	1,835	5,599
Non-utility property, net of accumulated depreciation of $61 and $131	4,353	4,487
Total other property and investments	265,243	256,922
Utility Plant:		
Plant in service and plant held for future use	5,563,061	5,313,796
Less accumulated depreciation and amortization	1,838,832	1,774,223
	3,724,229	3,539,573
Construction work in progress	132,080	125,287
Nuclear fuel, net of accumulated amortization of $47,347 and $42,644	77,602	81,627
Net utility plant	3,933,911	3,746,487
Deferred Charges and Other Assets:		
Regulatory assets	523,955	555,577
Goodwill	278,297	278,297
Commodity derivative instruments	3,002	352
Other deferred charges	94,263	92,757
Total deferred charges and other assets	899,517	926,983
	$ 5,500,210	$ 5,372,583

The accompanying notes, as they relate to PNMR, are an integral part of these consolidated financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2013	2012
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 149,200	$ 158,700
Current installments of long-term debt	75,000	2,530
Accounts payable	109,666	99,177
Customer deposits	13,456	18,176
Accrued interest and taxes	49,600	52,003
Regulatory liabilities	1,081	15,173
Commodity derivative instruments	2,699	1,000
Dividends declared	14,864	11,679
Current portion of accumulated deferred income taxes	—	258
Other current liabilities	77,105	75,407
Total current liabilities	492,671	434,103
Long-term Debt	1,670,420	1,669,760
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	801,408	701,545
Accumulated deferred investment tax credits	25,855	14,242
Regulatory liabilities	460,649	423,460
Asset retirement obligations	96,135	85,893
Accrued pension liability and postretirement benefit cost	80,046	224,565
Commodity derivative instruments	1,094	1,933
Other deferred credits	109,805	116,523
Total deferred credits and other liabilities	1,574,992	1,568,161
Total liabilities	3,738,083	3,672,024
Commitments and Contingencies (See Note 16)		
Cumulative Preferred Stock of Subsidiary		
without mandatory redemption requirements ($100 stated value; 10,000,000 shares authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNMR common stockholders' equity:		
Common stock (no par value; 120,000,000 shares authorized; issued and outstanding 79,653,624 shares)	1,178,369	1,182,819
Accumulated other comprehensive income (loss), net of income taxes	(58,140)	(81,630)
Retained earnings	553,340	506,998
Total PNMR common stockholders' equity	1,673,569	1,608,187
Non-controlling interest in Valencia	77,029	80,843
Total equity	1,750,598	1,689,030
	$ 5,500,210	$ 5,372,583

The accompanying notes, as they relate to PNMR, are an integral part of these consolidated financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to PNMR						
		PNMR Common Stockholders' Equity					
	Preferred Stock, Series A	Common Stock	AOCI	Retained Earnings	Total	Non-controlling Interest in Valencia	Total Equity
	(In thousands)						
Balance at December 31, 2010	$ 100,000	$1,290,465	$(68,666)	$ 314,943	$1,536,742	$ 85,177	$1,721,919
Proceeds from stock option exercise	—	5,622	—	—	5,622	—	5,622
Purchases to satisfy awards of common stock	—	(10,104)	—	—	(10,104)	—	(10,104)
Stock based compensation expense	—	6,556	—	—	6,556	—	6,556
Valencia's transactions with its owner	—	—	—	—	—	(16,801)	(16,801)
Purchase of preferred stock	(100,000)	26,490	—	—	26,490	—	(73,510)
Purchase of common stock	—	(125,838)	—	—	(125,838)	—	(125,838)
Net earnings excluding subsidiary preferred stock dividends	—	—	—	176,887	176,887	14,047	190,934
Subsidiary preferred stock dividends	—	—	—	(528)	(528)	—	(528)
Total other comprehensive income	—	—	1,810	—	1,810	—	1,810
Dividends declared on common stock	—	—	—	(43,652)	(43,652)	—	(43,652)
Balance at December 31, 2011	—	1,193,191	(66,856)	447,650	1,573,985	82,423	1,656,408
Proceeds from stock option exercise	—	11,684	—	—	11,684	—	11,684
Purchases to satisfy awards of common stock	—	(25,168)	—	—	(25,168)	—	(25,168)
Excess tax (shortfall) from stock-based payment arrangements	—	(473)	—	—	(473)	—	(473)
Stock based compensation expense	—	3,585	—	—	3,585	—	3,585
Valencia's transactions with its owner	—	—	—	—	—	(15,630)	(15,630)
Net earnings excluding subsidiary preferred stock dividends	—	—	—	106,075	106,075	14,050	120,125
Subsidiary preferred stock dividends	—	—	—	(528)	(528)	—	(528)
Total other comprehensive income (loss)	—	—	(14,774)	—	(14,774)	—	(14,774)
Dividends declared on common stock	—	—	—	(46,199)	(46,199)	—	(46,199)
Balance at December 31, 2012	—	1,182,819	(81,630)	506,998	1,608,187	80,843	$1,689,030
Proceeds from stock option exercise	—	4,618	—	—	4,618	—	4,618
Purchases to satisfy awards of common stock	—	(13,807)	—	—	(13,807)	—	(13,807)
Excess tax (shortfall) from stock-based payment arrangements	—	(581)	—	—	(581)	—	(581)
Stock based compensation expense	—	5,320	—	—	5,320	—	5,320
Valencia's transactions with its owner	—	—	—	—	—	(18,335)	(18,335)
Net earnings excluding subsidiary preferred stock dividends	—	—	—	101,035	101,035	14,521	115,556
Subsidiary preferred stock dividends	—	—	—	(528)	(528)	—	(528)
Total other comprehensive income	—	—	23,490	—	23,490	—	23,490
Dividends declared on common stock	—	—	—	(54,165)	(54,165)	—	(54,165)
Balance at December 31, 2013	$ —	$1,178,369	$(58,140)	$ 553,340	$1,673,569	$ 77,029	$1,750,598

The accompanying notes, as they relate to PNMR, are an integral part of these consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Electric Operating Revenues	$ 1,116,312	$ 1,092,264	$ 1,057,289
Operating Expenses:			
Cost of energy	374,710	353,649	362,237
Administrative and general	157,144	169,285	157,217
Energy production costs	175,819	185,403	180,802
Regulatory disallowances	12,235	—	17,479
Depreciation and amortization	103,826	97,291	94,787
Transmission and distribution costs	45,936	46,039	45,768
Taxes other than income taxes	37,457	34,715	37,556
Total operating expenses	907,127	886,382	895,846
Operating income	209,185	205,882	161,443
Other Income and Deductions:			
Interest income	10,182	13,243	15,562
Gains on available-for-sale securities	10,612	12,965	8,985
Other income	7,650	8,126	2,220
Other (deductions)	(6,974)	(7,801)	(6,896)
Net other income and deductions	21,470	26,533	19,871
Interest Charges	79,175	76,101	75,349
Earnings before Income Taxes	151,480	156,314	105,965
Income Taxes	48,804	50,713	37,427
Net Earnings	102,676	105,601	68,538
(Earnings) Attributable to Valencia Non-controlling Interest	(14,521)	(14,050)	(14,047)
Net Earnings Attributable to PNM	88,155	91,551	54,491
Preferred Stock Dividends Requirements	(528)	(528)	(528)
Net Earnings Available for PNM Common Stock	$ 87,627	$ 91,023	$ 53,963

The accompanying notes, as they relate to PNM, are an integral part of these consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2013	2012	2011
	(In thousands)		
Net Earnings	$ 102,676	$ 105,601	$ 68,538
Other Comprehensive Income (Loss):			
Unrealized Gain on Available-for-Sale Securities:			
Unrealized holding gains arising during the period, net of income tax (expense) of $(10,855), $(15,262), and $(13,577)	16,564	23,286	20,718
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $4,734, $14,755, and $13,956	(7,222)	(22,514)	(21,295)
Pension Liability Adjustment:			
Experience gain (loss), net of income tax (expense) benefit of $(6,781), $11,910 and $1,334	10,355	(18,174)	(2,035)
Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of $(2,524), $(1,825) and $(1,694)	3,840	2,786	2,584
Fair Value Adjustment for Designated Cash Flow Hedges:			
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of $0, $0, and $(11)	—	—	16
Total Other Comprehensive Income (Loss)	23,537	(14,616)	(12)
Comprehensive Income	126,213	90,985	68,526
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(14,521)	(14,050)	(14,047)
Comprehensive Income Attributable to PNM	$ 111,692	$ 76,935	$ 54,479

The accompanying notes, as they relate to PNM, are an integral part of these consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2013	2012	2011
		(In thousands)	
Cash Flows From Operating Activities:			
Net earnings	$ 102,676	$ 105,601	$ 68,538
Adjustments to reconcile net earnings to net cash flows from operating activities:			
Depreciation and amortization	136,732	129,514	123,216
Deferred income tax expense	50,043	65,479	90,567
Net unrealized (gains) losses on derivatives	(1,866)	(1,598)	(3,822)
Realized (gains) on available-for-sale securities	(10,612)	(12,965)	(8,985)
Regulatory disallowances	12,235	—	17,479
Other, net	(1,614)	(170)	1,658
Changes in certain assets and liabilities:			
Accounts receivable and unbilled revenues	(3,021)	(4,756)	(23,487)
Materials, supplies, and fuel stock	(7,730)	(5,268)	(2,067)
Other current assets	8,556	(3,014)	(14,916)
Other assets	(13,363)	(27,338)	(795)
Accounts payable	2,807	11,028	12,524
Accrued interest and taxes	72,740	47,666	(45,579)
Other current liabilities	(27,376)	(2,539)	15,216
Proceeds from governmental grants	—	21,567	2,103
Other liabilities	(59,753)	(54,787)	(18,612)
Net cash flows from operating activities	260,454	268,420	213,038
Cash Flows From Investing Activities:			
Utility plant additions	(239,906)	(196,800)	(251,345)
Proceeds from sales of available-for-sale securities	271,140	167,330	145,286
Purchases of available-for-sale securities	(282,000)	(176,748)	(149,185)
Return of principal on PVNGS lessor notes	23,357	23,455	32,274
Other, net	3,843	2,406	1,782
Net cash flows from investing activities	(223,566)	(180,357)	(221,188)

The accompanying notes, as they relate to PNM, are an integral part of these consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2013	2012	2011
		(In thousands)	
Cash Flows From Financing Activities:			
Short-term borrowings (repayments), net	28,100	(44,900)	(124,000)
Short-term borrowings (repayments) - affiliate, net	32,500	—	—
Long-term borrowings	75,000	20,000	160,000
Repayment of long-term debt	—	(20,000)	—
Equity contribution from parent	—	—	43,000
Valencia's transactions with its owner	(18,335)	(15,630)	(16,801)
Dividends paid	(155,556)	(34,961)	(47,862)
Other, net	(2,534)	(921)	(4,216)
Net cash flows from financing activities	(40,825)	(96,412)	10,121
Change in Cash and Cash Equivalents	(3,937)	(8,349)	1,971
Cash and Cash Equivalents at Beginning of Year	3,958	12,307	10,336
Cash and Cash Equivalents at End of Year	$ 21	$ 3,958	$ 12,307
Supplemental Cash Flow Disclosures:			
Interest paid, net of amounts capitalized	$ 71,306	$ 73,036	$ 69,995
Income taxes paid (refunded), net	$ (77,434)	$ (63,113)	$ (1,541)
Supplemental schedule of noncash investing activities:			
Changes in accrued plant additions	$ 7,921	$ (19,732)	$ 18,164

The accompanying notes, as they relate to PNM, are an integral part of these consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2013	2012
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 21	$ 3,958
Accounts receivable, net of allowance for uncollectible accounts of $1,423 and $1,751	70,126	69,876
Unbilled revenues	48,992	49,085
Other receivables	52,964	50,975
Affiliate receivables	10,054	9,050
Materials, supplies, and fuel stock	64,520	56,790
Regulatory assets	19,394	36,490
Commodity derivative instruments	4,064	3,785
Income taxes receivable	4,030	80,223
Current portion of accumulated deferred income taxes	43,827	—
Other current assets	30,510	27,457
Total current assets	348,502	387,689
Other Property and Investments:		
Investment in PVNGS lessor notes	32,200	54,325
Available-for-sale securities	226,855	192,511
Other investments	445	494
Non-utility property	976	976
Total other property and investments	260,476	248,306
Utility Plant:		
Plant in service and plant held for future use	4,314,016	4,133,532
Less accumulated depreciation and amortization	1,402,531	1,355,240
	2,911,485	2,778,292
Construction work in progress	107,344	102,329
Nuclear fuel, net of accumulated amortization of $47,347 and $42,644	77,602	81,627
Net utility plant	3,096,431	2,962,248
Deferred Charges and Other Assets:		
Regulatory assets	384,217	431,956
Goodwill	51,632	51,632
Commodity derivative instruments	3,002	352
Other deferred charges	83,356	81,724
Total deferred charges and other assets	522,207	565,664
	$ 4,227,616	$ 4,163,907

The accompanying notes, as they relate to PNM, are an integral part of these consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2013	2012
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	$ 49,200	$ 21,100
Short-term debt - affiliate	32,500	—
Current installments of long-term debt	75,000	—
Accounts payable	84,643	73,914
Affiliate payables	20,498	25,340
Customer deposits	13,456	18,176
Accrued interest and taxes	27,665	30,320
Regulatory liabilities	1,081	15,172
Commodity derivative instruments	2,699	1,000
Dividends declared	132	132
Current portion of accumulated deferred income taxes	—	3,447
Other current liabilities	50,392	54,150
Total current liabilities	357,266	242,751
Long-term Debt	1,215,618	1,215,579
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	651,239	573,881
Accumulated deferred investment tax credits	25,855	14,242
Regulatory liabilities	414,611	379,841
Asset retirement obligations	95,225	85,042
Accrued pension liability and postretirement benefit cost	76,611	208,618
Commodity derivative instruments	1,094	1,933
Other deferred credits	91,340	95,585
Total deferred credits and liabilities	1,355,975	1,359,142
Total liabilities	2,928,859	2,817,472
Commitments and Contingencies (See Note 16)		
Cumulative Preferred Stock		
without mandatory redemption requirements ($100 stated value; 10,000,000 shares authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNM common stockholder's equity:		
Common stock (no par value; 40,000,000 shares authorized; issued and outstanding 39,117,799 shares)	1,061,776	1,061,776
Accumulated other comprehensive income (loss), net of income tax	(57,877)	(81,414)
Retained earnings	206,300	273,701
Total PNM common stockholder's equity	1,210,199	1,254,063
Non-controlling interest in Valencia	77,029	80,843
Total equity	1,287,228	1,334,906
	$ 4,227,616	$ 4,163,907

The accompanying notes, as they relate to PNM, are an integral part of these consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to PNM					
	Common Stock	AOCI	Retained Earnings	Total PNM Common Stockholder's Equity	Non-controlling Interest in Valencia	Total Equity
	(In thousands)					
Balance at December 31, 2010	$1,018,776	$ (66,786)	$ 171,359	$ 1,123,349	$ 85,177	$1,208,526
Valencia's transactions with its owner	—	—	—	—	(16,801)	(16,801)
Net earnings	—	—	54,491	54,491	14,047	68,538
Total other comprehensive income (loss)	—	(12)	—	(12)	—	(12)
Equity contributions from parent	43,000	—	—	43,000	—	43,000
Dividends declared on preferred stock	—	—	(528)	(528)	—	(528)
Dividends declared on common stock	—	—	(8,211)	(8,211)	—	(8,211)
Balance at December 31, 2011	1,061,776	(66,798)	217,111	1,212,089	82,423	1,294,512
Valencia's transactions with its owner	—	—	—	—	(15,630)	(15,630)
Net earnings	—	—	91,551	91,551	14,050	105,601
Total other comprehensive income (loss)	—	(14,616)	—	(14,616)	—	(14,616)
Dividends declared on preferred stock	—	—	(528)	(528)	—	(528)
Dividends declared on common stock	—	—	(34,433)	(34,433)	—	(34,433)
Balance at December 31, 2012	1,061,776	(81,414)	273,701	1,254,063	80,843	1,334,906
Valencia's transactions with its owner	—	—	—	—	(18,335)	(18,335)
Net earnings	—	—	88,155	88,155	14,521	102,676
Total other comprehensive income	—	23,537	—	23,537	—	23,537
Dividends declared on preferred stock	—	—	(528)	(528)	—	(528)
Dividends declared on common stock	—	—	(155,028)	(155,028)	—	(155,028)
Balance at December 31, 2013	$1,061,776	$ (57,877)	$ 206,300	$ 1,210,199	$ 77,029	$1,287,228

The accompanying notes, as they relate to PNM, are an integral part of these consolidated financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Electric Operating Revenues:			
Non-affiliates	$ 271,611	$ 250,140	$ 204,045
Affiliate	—	—	33,813
Total electric operating revenues	271,611	250,140	237,858
Operating Expenses:			
Cost of energy	57,606	46,201	41,166
Administrative and general	44,635	40,775	39,485
Regulatory disallowances	—	—	3,923
Depreciation and amortization	50,219	49,340	44,616
Transmission and distribution costs	24,188	25,086	23,915
Taxes other than income taxes	22,778	21,218	20,911
Total operating expenses	199,426	182,620	174,016
Operating income	72,185	67,520	63,842
Other Income and Deductions:			
Interest income	—	1	2
Other income	2,377	4,698	1,753
Other (deductions)	(458)	(1,959)	(173)
Net other income and deductions	1,919	2,740	1,582
Interest Charges	27,393	28,161	29,286
Earnings Before Income Taxes	46,711	42,099	36,138
Income Taxes	17,621	15,352	13,881
Net Earnings	$ 29,090	$ 26,747	$ 22,257

The accompanying notes, as they relate to TNMP, are an integral part of these consolidated financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Net Earnings	$ 29,090	$ 26,747	$ 22,257
Other Comprehensive Income (Loss):			
Pension Liability Adjustment:			
Experience gain (loss), net of income tax (expense) benefit of $0, $0 and $(147)	—	—	267
Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of $0, $0 and $(5)	—	—	8
Fair Value Adjustment for Designated Cash Flow Hedge:			
Change in fair value, net of income tax (expense) benefit of $98, $153, and $430	(181)	(275)	(777)
Reclassification adjustment for losses included in net earnings, net of income tax expense (benefit) of $(73), $(65), and $(1,068)	134	117	1,929
Total Other Comprehensive Income (Loss)	(47)	(158)	1,427
Comprehensive Income	$ 29,043	$ 26,589	$ 23,684

The accompanying notes, as they relate to TNMP, are an integral part of these consolidated financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Cash Flows From Operating Activities:			
Net earnings	$ 29,090	$ 26,747	$ 22,257
Adjustments to reconcile net earnings to net cash flows from operating activities:			
Depreciation and amortization	54,395	54,396	48,572
Regulatory disallowances	—	—	3,923
Deferred income tax expense	20,662	4,378	15,478
Other, net	(30)	(889)	(532)
Changes in certain assets and liabilities:			
Accounts receivable and unbilled revenues	(4,542)	2,208	(9,130)
Materials and supplies	150	(143)	77
Other current assets	(1,137)	(3,515)	4,777
Other assets	941	(3,145)	(3,247)
Accounts payable	3,709	(666)	2,225
Accrued interest and taxes	(6,713)	9,825	(2,520)
Other current liabilities	(3,197)	(2,106)	513
Other liabilities	460	4,311	(611)
Net cash flows from operating activities	93,788	91,401	81,782
Cash Flows From Investing Activities:			
Utility plant additions	(89,117)	(92,973)	(67,407)
Net cash flows from investing activities	(89,117)	(92,973)	(67,407)

The accompanying notes, as they relate to TNMP, are an integral part of these consolidated financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Cash Flow From Financing Activities:			
Short-term borrowings (repayments) – affiliate, net	1,100	27,600	(500)
Long-term borrowings	—	—	50,000
Repayment of long-term debt	—	—	(50,000)
Cash paid in debt exchange	(13,048)	—	—
Equity contribution from parent	13,800	—	—
Dividends paid	(3,726)	(26,028)	(13,714)
Other, net	(2,797)	—	(161)
Net cash flows from financing activities	(4,671)	1,572	(14,375)
Change in Cash and Cash Equivalents	—	—	—
Cash and Cash Equivalents at Beginning of Year	1	1	1
Cash and Cash Equivalents at End of Year	$ 1	$ 1	$ 1
Supplemental Cash Flow Disclosures:			
Interest paid, net of amounts capitalized	$ 14,049	$ 25,360	$ 27,236
Income taxes paid, (refunded) net	$ 4,484	$ 1,848	$ 1,466
Supplemental schedule of noncash investing and financing activities:			
Changes in accrued plant additions	$ 141	$ (2,749)	$ 4,501
Premium on long-term debt incurred in connection with debt exchange	$ 36,297		

The accompanying notes, as they relate to TNMP, are an integral part of these consolidated financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2013	2012
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1	$ 1
Accounts receivable	20,125	17,217
Unbilled revenues	9,814	8,181
Other receivables	1,246	2,359
Materials and supplies	2,703	2,853
Regulatory assets	5,022	2,630
Current portion of accumulated deferred income taxes	6,501	1,131
Other current assets	980	1,107
Total current assets	46,392	35,479
Other Property and Investments:		
Other investments	245	281
Non-utility property	2,240	2,240
Total other property and investments	2,485	2,521
Utility Plant:		
Plant in service and plant held for future use	1,074,193	1,009,108
Less accumulated depreciation and amortization	352,105	339,315
	722,088	669,793
Construction work in progress	16,790	19,801
Net utility plant	738,878	689,594
Deferred Charges and Other Assets:		
Regulatory assets	139,738	123,621
Goodwill	226,665	226,665
Other deferred charges	8,273	8,349
Total deferred charges and other assets	374,676	358,635
	$ 1,162,431	$ 1,086,229

The accompanying notes, as they relate to TNMP, are an integral part of these consolidated financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2013	2012
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt – affiliate	$ 29,400	$ 28,300
Accounts payable	12,543	8,848
Affiliate payables	3,181	4,381
Accrued interest and taxes	23,778	30,491
Other current liabilities	8,999	8,854
Total current liabilities	77,901	80,874
Long-term Debt	336,036	311,589
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	190,197	163,710
Regulatory liabilities	46,038	43,619
Asset retirement obligations	782	732
Accrued pension liability and postretirement benefit cost	3,435	15,947
Other deferred credits	5,111	5,944
Total deferred credits and other liabilities	245,563	229,952
Total liabilities	659,500	622,415
Commitments and Contingencies (See Note 16)		
Common Stockholder's Equity:		
Common stock ($10 par value; 12,000,000 shares authorized; issued and outstanding 6,358 shares)	64	64
Paid-in-capital	404,166	390,366
Accumulated other comprehensive income (loss), net of income tax	(263)	(216)
Retained earnings	98,964	73,600
Total common stockholder's equity	502,931	463,814
	$ 1,162,431	$ 1,086,229

The accompanying notes, as they relate to TNMP, are an integral part of these consolidated financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDER'S EQUITY

	Common Stock	Paid-in Capital	AOCI	Retained Earnings	Total Common Stockholder's Equity
			(In thousands)		
Balance at December 31, 2010	$ 64	$ 430,108	$ (1,485)	$ 24,596	$ 453,283
Net earnings	—	—	—	22,257	22,257
Total other comprehensive income	—	—	1,427	—	1,427
Dividends declared on common stock	—	(13,714)	—	—	(13,714)
Balance at December 31, 2011	64	416,394	(58)	46,853	463,253
Net earnings	—	—	—	26,747	26,747
Total other comprehensive income (loss)	—	—	(158)	—	(158)
Dividends declared on common stock	—	(26,028)	—	—	(26,028)
Balance at December 31, 2012	64	390,366	(216)	73,600	463,814
Net earnings	—	—	—	29,090	29,090
Total other comprehensive income (loss)	—	—	(47)	—	(47)
Equity contributions from parent	—	13,800	—	—	13,800
Dividends declared on common stock	—	—	—	(3,726)	(3,726)
Balance at December 31, 2013	$ 64	$ 404,166	$ (263)	$ 98,964	$ 502,931

The accompanying notes, as they relate to TNMP, are an integral part of these consolidated financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

(1) Summary of the Business and Significant Accounting Policies

Nature of Business

PNMR is an investor-owned holding company of energy and energy-related businesses. PNMR's primary subsidiaries are PNM and TNMP. PNM is a public utility with regulated operations primarily engaged in the generation, transmission, and distribution of electricity. TNMP is a wholly owned subsidiary of TNP, which is a holding company that is wholly owned by PNMR. TNMP provides regulated transmission and distribution services in Texas. PNMR completed the sale of First Choice (Note 3), which was also a subsidiary of TNP, on November 1, 2011. First Choice was a competitive REP operating in Texas. Until September 23, 2011, PNMR owned 50% of Optim Energy (Note 20), which was focused on unregulated electric operations, principally within the areas of Texas covered by ERCOT. PNMR's common stock trades on the New York Stock Exchange under the symbol PNM.

Financial Statement Preparation and Presentation

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could ultimately differ from those estimated.

The Notes to Consolidated Financial Statements include disclosures for PNMR, PNM, and TNMP. For discussion purposes, this report uses the term "Company" when discussing matters of common applicability to PNMR, PNM, and TNMP. Discussions regarding only PNMR, PNM, or TNMP will be indicated as such.

Certain amounts in the 2012 and 2011 Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2013 financial statement presentation.

GAAP defines subsequent events as events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. Based on their nature, magnitude, and timing, certain subsequent events may be required to be reflected at the balance sheet date and/or required to be disclosed in the financial statements. The Company has evaluated subsequent events as required by GAAP.

Principles of Consolidation

The Consolidated Financial Statements of each of PNMR, PNM, and TNMP include their accounts and those of subsidiaries in which that entity owns a majority voting interest. PNM also consolidates the PVNGS Capital Trust and Valencia (Note 9). PNM owns undivided interests in several jointly-owned power plants and records its pro-rata share of the assets, liabilities, and expenses for those plants.

PNMR shared services' administrative and general expenses, which represent costs that are primarily driven by corporate level activities, are charged to the business segments. These services are billed at cost. Other significant intercompany transactions between PNMR, PNM, and TNMP include transmission and distribution services; lease, interest, and income tax sharing payments; and equity transactions. All intercompany transactions and balances have been eliminated. See Note 18.

Accounting for the Effects of Certain Types of Regulation

The Company maintains its accounting records in accordance with the uniform system of accounts prescribed by FERC and adopted by the NMPRC and PUCT.

Certain of the Company's operations are regulated by the NMPRC, PUCT, and FERC and the provisions of GAAP for rate-regulated enterprises are applied to the regulated operations. Regulators may assign costs to accounting periods that differ from accounting methods applied by non-regulated utilities. When it is probable that regulators will permit recovery of costs through future rates, costs that otherwise would be expensed are deferred as regulatory assets. Likewise, regulatory liabilities are recognized when it is probable that regulators will require refunds through future rates or when revenue is collected for expenditures that have not yet been incurred. Regulatory assets and liabilities are amortized into earnings over the authorized recovery period.

Accordingly, the Company has deferred certain costs and recorded certain liabilities pursuant to the rate actions of FERC, the NMPRC, and the PUCT. Information on regulatory assets and regulatory liabilities is contained in Note 4.

In some circumstances, regulators allow a requested increase in rates to be implemented, subject to refund, before the regulatory process has been completed and a decision rendered by the regulator. When this occurs, the Company assesses the possible outcomes of the rate proceeding. The Company records a provision for refund to the extent the amounts being collected, subject to refund, exceed the amount the Company determines is probable of ultimately being allowed by the regulator.

Cash and Cash Equivalents

Investments in highly liquid investments with original maturities of three months or less at the date of purchase are considered cash equivalents.

Utility Plant

Utility plant is stated at cost, which includes capitalized payroll-related costs such as taxes, pension, and other fringe benefits, administrative costs, and AFUDC where authorized by rate regulation.

Repairs, including major maintenance activities, and minor replacements of property are expensed when incurred, except as required by regulators for ratemaking purposes. Major replacements are charged to utility plant. Gains or losses resulting from retirements or other dispositions of regulated property in the normal course of business are credited or charged to accumulated depreciation.

Allowance for Funds Used During Construction

As provided by the FERC uniform systems of accounts, AFUDC is charged to regulated utility plant for construction projects. This allowance is a non-cash item designed to enable a utility to capitalize financing costs during periods of construction of property subject to rate regulation. It represents the cost of borrowed funds (allowance for borrowed funds used during construction) and a return on other funds (allowance for equity funds used during construction). The allowance for borrowed funds used during construction is recorded in interest charges and the allowance for equity funds used during construction is recorded in other income on the Consolidated Statements of Earnings.

For the years ended December 31, 2013, 2012, and 2011, PNM recorded $3.3 million, $3.5 million, and $1.5 million of allowance for borrowed funds used during construction and $4.4 million, $3.8 million, and zero of allowance for equity funds used during construction. TNMP recorded $0.4 million, $0.7 million, and $0.6 million of allowance for borrowed funds used during construction and zero, $0.6 million, and $0.6 million of allowance for equity funds used during construction.

Capitalized Interest

PNMR capitalizes interest on its construction projects and major computer software projects not subject to the computation of AFUDC. Interest was capitalized at the overall weighted average borrowing rate of 6.9%, 6.6%, and 6.6% for 2013, 2012, and 2011. In 2013, 2012, and 2011, PNMR's capitalized interest was $1.5 million, $1.2 million, and $0.5 million; PNM's was $1.1 million, $0.8 million, and $0.2 million; and TNMP had no capitalized interest.

Competition Transition Charge

In connection with the adoption of Senate Bill 7 by the Texas Legislature in 1999 that deregulated electric utilities operating within ERCOT, TNMP was allowed to recover its stranded costs through the CTC and to also recover a carrying charge on the CTC. The amounts yet to be collect are recorded as regulatory assets by TNMP. TNMP's calculation of allowable carrying charges on stranded costs recoverable from its transmission and distribution customers is based on a Texas Supreme Court ruling and the PUCT's application of that ruling.

Materials, Supplies, and Fuel Stock

Materials and supplies relate to transmission, distribution, and generating assets. Materials and supplies are charged to inventory when purchased and are expensed or capitalized as appropriate when issued. Materials and supplies are valued using an average costing method.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

Coal is valued using a rolling weighted average costing method that is updated based on the current period cost per ton. Periodic aerial surveys are performed on the coal piles and adjustments are made.

Inventories consisted of the following at December 31:

	PNMR		PNM		TNMP	
	2013	2012	2013	2012	2013	2012
	(In thousands)					
Coal	$ 24,872	$ 19,231	$ 24,872	$ 19,231	$ —	$ —
Materials and supplies	42,351	40,412	39,648	37,559	2,703	2,853
	$ 67,223	$ 59,643	$ 64,520	$ 56,790	$ 2,703	$ 2,853

Investments

In 1985 and 1986, PNM entered into eleven operating leases for interests in certain PVNGS generation facilities (Note 7). The 10.3% and 10.15% lessor notes that were issued by the owners of the assets subject to these leases were subsequently purchased by and are now held by the PVNGS Capital Trust, which is consolidated by PNM. Eight leases continue and are classified as operating leases (Note 7). The PVNGS Capital Trust intends to hold the lessor notes until such notes mature in 2015 and 2016. The PVNGS lessor notes are carried at amortized cost. Similarly, in 1985, PNM entered into two operating leases for the EIP transmission line for which the owners had issued lessor notes. In 2003, PNM acquired a 60% ownership interest in the EIP, collapsing the lease relating to it. In 2004, PNM purchased the outstanding lessor note relating to the remaining 40% interest. The remaining EIP lessor note bore interest at 10.25% and matured in 2012.

PNM holds investment securities in the NDT for the purpose of funding its share of the decommissioning costs of PVNGS and, beginning in August 2012, a trust for PNM's share of post-term reclamation costs related to the coal mines serving SJGS (Note 16). All of these investments are classified as available-for-sale. PNM evaluates the securities for impairment on an on-going basis. Since third party investment managers have sole discretion over the purchase and sales of the securities, PNM records a realized loss as an impairment for any security that has a market value that is less than cost at the end of each quarter. For the years ended December 31, 2013, 2012, and 2011, PNM recorded impairment losses on the available-for-sale securities held in the NDT and coal mine reclamation trust of $3.5 million, $4.8 million, and $12.5 million. No gains or losses are deferred as regulatory assets or liabilities. Unrealized gains on these investments, net of related tax effects, are included in OCI and AOCI. The available-for-sale securities are primarily comprised of international, United States, state, and municipal government obligations and corporate debt and equity securities. All investments are held in PNM's name and are in the custody of major financial institutions. The specific identification method is used to determine the cost of securities disposed of, with realized gains and losses reflected in other income and deductions.

Investment in Optim Energy

Through September 23, 2011, PNMR accounted for its investment in Optim Energy using the equity method of accounting because PNMR's ownership interest resulted in significant influence, but not control, over Optim Energy and its operations. On September 23, 2011, PNMR's ownership interest in Optim Energy was reduced to 1% and PNMR began using the cost method of accounting. On January 4, 2012, ECJV acquired PNMR's remaining 1% ownership interest at fair market value, which was determined to be zero. PNMR's investment in Optim Energy was reduced to zero at December 31, 2010 due to the determination that the investment was fully impaired. See Note 20.

Goodwill and Other Intangible Assets

Under GAAP, the Company does not amortize goodwill. In 2011, certain intangible assets were amortized over their estimated useful lives. Goodwill and non-amortizable other intangible assets are evaluated for impairment annually, or more frequently if events and circumstances indicate that the goodwill and intangible assets might be impaired. Amortizable other intangible assets are amortized over the shorter of their economic or legal lives and are evaluated for impairment when events and circumstances indicate that the assets might be impaired. See Note 21.

Asset Impairment

Tangible long-lived assets are evaluated in relation to the future undiscounted cash flows to assess recoverability when events and circumstances indicate that the assets might be impaired.

Revenue Recognition

Electric operating revenues are recorded in the period of energy delivery, which includes estimated amounts for service rendered but unbilled at the end of each accounting period. The determination of the energy sales to individual customers is based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading and the corresponding unbilled revenue are estimated. Unbilled electric revenue is estimated based on the daily generation volumes, estimated customer usage by class, weather factors, line losses, and applicable customer rates reflecting historical trends and experience.

PNM's wholesale electricity sales are recorded as electric operating revenues and the wholesale electricity purchases are recorded as costs of energy sold. In accordance with GAAP, derivative contracts that are net settled or "booked-out" are recorded net in earnings. A book-out is the planned or unplanned netting of off-setting purchase and sale transactions. A book-out is a transmission mechanism to reduce congestion on the transmission system or administrative burden. For accounting purposes, a book-out is the recording of net revenues upon the settlement of a derivative contract.

Unrealized gains and losses on contracts that do not qualify for the normal purchases or normal sales exception or are not designated for hedge accounting are classified as economic hedges. Economic hedges are defined as derivative instruments, including long-term power and fuel supply agreements, used to hedge generation assets and purchased power costs. Changes in the fair value of economic hedges are reflected in results of operations, with changes related to economic hedges on sales included in operating revenues and changes related to economic hedges on purchases included in cost of energy sold. The Company has no trading transactions.

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable consists primarily of trade receivables from customers. In the normal course of business, credit is extended to customers on a short-term basis. The Company calculates the allowance for uncollectible accounts based on historical experience and estimated default rates. The accounts receivable balances are reviewed monthly and adjustments to the allowance for uncollectible accounts and bad debt expense are made as necessary. Amounts that are deemed uncollectible are written off.

Depreciation and Amortization

PNM's provision for depreciation and amortization of utility plant, other than nuclear fuel, is based upon composite straight-line rates approved by the NMPRC. Amortization of nuclear fuel is based on units-of-production. TNMP's provision for depreciation and amortization of utility plant is based upon straight-line rates approved by the PUCT. Depreciation of non-utility property is computed based on the straight-line method. The provision for depreciation of certain equipment is allocated between operating expenses and construction projects based on the use of the equipment. Average straight-line rates used were as follows:

	Year ended December 31		
	2013	2012	2011
PNM			
Electric plant	2.27%	2.25%	2.24%
Common, intangible, and general plant	4.87%	5.35%	6.03%
TNMP	3.66%	3.56%	3.41%

Amortization of Debt Acquisition Costs

Discount, premium, and expense related to the issuance of long-term debt are amortized over the lives of the respective issues. Gains and losses incurred upon the early retirement of long-term debt are recognized in other income or other deductions, except for amounts attributable to NMPRC, FERC, or PUCT regulation, which are recorded as regulatory assets or liabilities and amortized over the lives of the respective issues.

Derivatives

The Company records derivative instruments, other than those designated as normal purchases or normal sales, in the balance sheet as either an asset or liability measured at their fair value. GAAP requires that changes in the derivatives' fair value be recognized currently in earnings unless specific hedge accounting or normal purchase or normal sale criteria are met. For qualifying hedges, an entity must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. GAAP provides that the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument be reported as a component of AOCI and be reclassified into earnings in the period during which the hedged forecasted transaction affects earnings. The results of hedge ineffectiveness and the portion of the change in fair value of a derivative that an entity has chosen to exclude from hedge effectiveness are required to be presented in current earnings. See Note 8.

The Company treats all forward electric purchases and sales contracts subject to unplanned netting or book-out by the transmission provider as derivative instruments subject to mark-to-market accounting, unless the contract qualifies for the normal exception by meeting the definition of a capacity contract. Under this definition, the contract cannot permit net settlement, the seller must have the resources to serve the contract, and the buyer must be a load serving entity.

GAAP provides guidance on whether realized gains and losses on derivative contracts not held for trading purposes should be reported on a net or gross basis and concludes such classification is a matter of judgment that depends on the relevant facts and circumstances. Changes in the fair value of economic hedges are reflected in results of operations and are classified between operating revenues and cost of energy according to the intent of the economic hedge.

Decommissioning Costs

PNM owns and leases nuclear and fossil-fuel generating facilities. In accordance with GAAP, PNM is only required to recognize and measure decommissioning liabilities for tangible long-lived assets for which a legal obligation exists. Nuclear decommissioning costs and related accruals are based on site-specific estimates of the costs for removing all radioactive and other structures at PVNGS and are dependent upon numerous assumptions. PNM's accruals for PVNGS Units 1, 2, and 3, including portions held under leases, have been made based on such estimates, the guidelines of the NRC, and the extended PVNGS license period. PVNGS Units 1 and 2 are included in PNM's retail rates while PVNGS Unit 3 is currently excluded. PNM collects a provision for ultimate decommissioning of PVNGS Units 1 and 2 and its fossil-fueled generation facilities in its rates and recognizes a corresponding expense and liability for these amounts. See Note 15 and Note 16.

In connection with both the SJGS coal agreement and the Four Corners fuel agreement, the owners are required to reimburse the mining companies for the cost of contemporaneous reclamation as well as the costs for final reclamation of the coal mines. The reclamation costs are based on site-specific studies that estimate the costs to be incurred in the future and are dependent upon numerous assumptions. PNM considers the contemporaneous reclamation costs part of the cost of its delivered coal costs. See Note 16 for a discussion of the final reclamation costs.

Environmental Costs

The normal operations of the Company involve activities and substances that expose the Company to potential liabilities under laws and regulations protecting the environment. Liabilities under these laws and regulations can be material and in some instances may be imposed without regard to fault, or may be imposed for past acts, even though the past acts may have been lawful at the time they occurred.

The Company records its environmental liabilities when site assessments or remedial actions are probable and a range of reasonably likely cleanup costs can be estimated. The Company reviews its sites and measures the liability by assessing a range of reasonably likely costs for each identified site using currently available information and the probable level of involvement and financial condition of other potentially responsible parties. These estimates are based on assumptions regarding the costs for site investigations, remediation, operations and maintenance, monitoring, and site closure. The ultimate cost to clean up the Company's identified sites may vary from its recorded liability due to numerous uncertainties inherent in the estimation process. Amounts recorded for environmental expense in the years ended December 31, 2013, 2012, and 2011, as well as the amounts of environmental liabilities at December 31, 2013 and 2012 were insignificant.

Pension and Other Postretirement Benefits

See Note 12 for a discussion of pension and postretirement benefits expense, including a discussion of the actuarial assumptions.

Stock-Based Compensation

See Note 13 for a discussion of stock-based compensation expense.

Income Taxes

Income taxes are recognized using the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax basis. Current NMPRC, FERC, and PUCT approved rates include the tax effects of the majority of these differences. GAAP requires that rate-regulated enterprises record deferred income taxes for temporary differences accorded flow-through treatment at the direction of a regulatory commission. The resulting deferred tax assets and liabilities are recorded at the expected cash flow to be reflected in future rates. Because the NMPRC, FERC, and the PUCT have consistently permitted the recovery of tax effects previously flowed-through earnings, the Company has established regulatory liabilities and assets offsetting such deferred tax assets and liabilities. The Company recognizes only the impact of tax positions that, based on their merits, are more likely than not to be sustained upon an IRS audit. The Company defers investment tax credits related to rate regulated assets and amortizes them over the estimated useful lives of those assets. See Note 11.

The Company makes an estimate of its anticipated effective tax rate for the year as of the end of each quarterly period within its fiscal year. Year-to-date income tax expense is then calculated by applying the anticipated annual effective tax rate to year-to-date earnings before taxes, which includes the earnings attributable to the Valencia non-controlling interest. GAAP also provides that certain unusual or infrequently occurring items, as well as adjustments due to enactment of new tax laws, be excluded from the estimated annual effective tax rate calculation.

Excise Taxes

The Company pays certain fees or taxes which are either considered to be an excise tax or similar to an excise tax. Substantially all of these taxes are recorded on a net basis in the Consolidated Statements of Earnings.

New Accounting Pronouncements

Information concerning recently issued accounting pronouncements that have not been adopted by the Company is presented below.

Accounting Standards Update 2013-11 - Income Taxes: Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

The FASB released guidance that requires entities to present an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for net operating losses in certain circumstances. The guidance is to be applied prospectively and is effective for annual and interim reporting periods beginning after December 15, 2013, with early adoption permitted. The Company will implement the update in 2014. Had the Company applied the update at December 31, 2013, the effect would have been decreases in net operating loss deferred tax assets of $19.9 million for PNMR, $11.1 million for PNM, and $6.8 million for TNMP, along with the elimination of corresponding assets and liabilities associated with unrecognized tax benefits (Note 11). No impact to earnings is anticipated.

(2) Segment Information

The following segment presentation is based on the methodology that management uses for making operating decisions and assessing performance of its various business activities. A reconciliation of the segment presentation to the GAAP financial statements is provided.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

PNM

PNM includes the retail electric utility operations of PNM that are subject to traditional rate regulation by the NMPRC. PNM provides integrated electricity services that include the generation, transmission, and distribution of electricity for retail electric customers in New Mexico. PNM also includes the generation and sale of electricity into the wholesale market, as well as providing transmission services to third parties. The sale of electricity includes the asset optimization of PNM's jurisdictional assets as well as the capacity excluded from retail rates. FERC has jurisdiction over wholesale and transmission rates.

TNMP

TNMP is an electric utility providing regulated transmission and distribution services in Texas under the TECA. TNMP's operations are subject to traditional rate regulation by the PUCT.

First Choice

First Choice, which was sold by PNMR on November 1, 2011 (Note 3), operated as a certified REP in Texas. First Choice provided electricity to residential, small commercial, and governmental customers. Although First Choice was regulated in certain respects by the PUCT, it was not subject to traditional rate regulation.

Corporate and Other

The Corporate and Other segment includes PNMR holding company activities, primarily related to corporate level debt and PNMR Services Company.

The following tables present summarized financial information for PNMR by segment. PNM and TNMP each operate in only one segment. Therefore, tabular segment information is not presented for PNM and TNMP.

PNMR SEGMENT INFORMATION

2013	PNM	TNMP	Corporate and Other	Consolidated
		(In thousands)		
Electric operating revenues	$ 1,116,312	$ 271,611	$ —	$ 1,387,923
Cost of energy	374,710	57,606	—	432,316
Margin	741,602	214,005	—	955,607
Other operating expenses	428,591	91,601	(18,308)	501,884
Depreciation and amortization	103,826	50,219	12,836	166,881
Operating income	209,185	72,185	5,472	286,842
Interest income	10,182	—	(139)	10,043
Other income (deductions)	11,288	1,919	(13,575)	(368)
Net interest charges	(79,175)	(27,393)	(14,880)	(121,448)
Segment earnings (loss) before income taxes	151,480	46,711	(23,122)	175,069
Income taxes (benefit)	48,804	17,621	(6,912)	59,513
Segment earnings (loss)	102,676	29,090	(16,210)	115,556
Valencia non-controlling interest	(14,521)	—	—	(14,521)
Subsidiary preferred stock dividends	(528)	—	—	(528)
Segment earnings (loss) attributable to PNMR	$ 87,627	$ 29,090	$ (16,210)	$ 100,507
Gross property additions	$ 239,906	$ 89,117	$ 19,016	$ 348,039
At December 31, 2013:				
Total Assets	$ 4,227,616	$ 1,162,431	$ 110,163	$ 5,500,210
Goodwill	$ 51,632	$ 226,665	$ —	$ 278,297

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

2012	PNM	TNMP	Corporate and Other	Consolidated
Electric operating revenues	$ 1,092,264	$ 250,140	$ (1)	$ 1,342,403
Cost of energy	353,649	46,201	—	399,850
Margin	738,615	203,939	(1)	942,553
Other operating expenses	435,442	87,079	(17,862)	504,659
Depreciation and amortization	97,291	49,340	17,542	164,173
Operating income	205,882	67,520	319	273,721
Interest income	13,243	1	(172)	13,072
Gain on sale of First Choice	—	—	1,012	1,012
Other income (deductions)	13,290	2,739	(7,954)	8,075
Net interest charges	(76,101)	(28,161)	(16,583)	(120,845)
Segment earnings (loss) before income taxes	156,314	42,099	(23,378)	175,035
Income taxes (benefit)	50,713	15,352	(11,155)	54,910
Segment earnings (loss)	105,601	26,747	(12,223)	120,125
Valencia non-controlling interest	(14,050)	—	—	(14,050)
Subsidiary preferred stock dividends	(528)	—	—	(528)
Segment earnings (loss) attributable to PNMR	$ 91,023	$ 26,747	$ (12,223)	$ 105,547
Gross property additions	$ 196,800	$ 92,973	$ 19,136	$ 308,909
At December 31, 2012:				
Total Assets	$ 4,163,907	$ 1,086,229	$ 122,447	$ 5,372,583
Goodwill	$ 51,632	$ 226,665	$ —	$ 278,297

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

2011	PNM	TNMP	First Choice	Corporate and Other	Consolidated
			(In thousands)		
Electric operating revenues:					
Non-affiliates	$ 1,057,289	$ 204,045	$ 439,450	$ (165)	$ 1,700,619
Affiliate	—	33,813	—	(33,813)	—
Total electric operating revenues	1,057,289	237,858	439,450	(33,978)	1,700,619
Cost of energy	362,237	41,166	323,331	(33,812)	692,922
Margin	695,052	196,692	116,119	(166)	1,007,697
Other operating expenses	438,822	88,234	75,966	(9,671)	593,351
Depreciation and amortization	94,787	44,616	1,098	16,546	157,047
Operating income (loss)	161,443	63,842	39,055	(7,041)	257,299
Interest income	15,562	2	64	(113)	15,515
Gain on sale of First Choice	—	—	—	174,925	174,925
Other income (deductions)	4,309	1,580	(650)	(15,660)	(10,421)
Net interest charges	(75,349)	(29,286)	(581)	(19,633)	(124,849)
Segment earnings before income taxes	105,965	36,138	37,888	132,478	312,469
Income taxes	37,427	13,881	13,772	56,455	121,535
Segment earnings	68,538	22,257	24,116	76,023	190,934
Valencia non-controlling interest	(14,047)	—	—	—	(14,047)
Subsidiary preferred stock dividends	(528)	—	—	—	(528)
Segment earnings attributable to PNMR	$ 53,963	$ 22,257	$ 24,116	$ 76,023	$ 176,359
Gross property additions	$ 251,345	$ 67,407	$ 2,089	$ 6,090	$ 326,931
At December 31, 2011:					
Total Assets	$ 4,095,287	$ 1,037,445	$ —	$ 71,881	$ 5,204,613
Goodwill	$ 51,632	$ 226,665	$ —	$ —	$ 278,297

Major Customers

No individual customer accounted for more than 10% of the electric operating revenues of PNMR or PNM. The acquiror of First Choice, including the former First Choice operations, accounted for 17% and 19% of TNMP's electric operating revenues in 2013 and 2012. Two other unaffiliated customers of TNMP accounted for revenues of 16% in 2013, 17% in 2012, and 19% in 2011 and 10% in 2013, 10% in 2012, and 12% in 2011. First Choice accounted for 17% of TNMP's revenues in 2011.

(3) Sale of First Choice

On September 23, 2011, PNMR entered into an agreement for the sale of First Choice to Direct LP, Inc. for $270.0 million, subject to adjustment to reflect the actual amounts of certain components of working capital at closing. Closing occurred on November 1, 2011, with PNMR receiving $329.3 million, which included an estimate of the components of working capital. For accounting purposes, the sale was effective as of the close of business on October 31, 2011. PNMR recognized a pre-tax gain of $174.9 million on the sale in 2011. The amount received was subject to adjustment based on the actual amounts of the components of working capital at October 31, 2011. The parties could not agree on the working capital amount and, in accordance with the agreement for the sale, this matter was submitted to an independent party for a decision binding on the parties. A decision was received in August 2012. The decision resulted in PNMR being awarded $6.4 million of the $8.2 million in dispute. PNMR recorded an additional pre-tax gain of $1.0 million in 2012. PNMR used the net proceeds from the sale of First Choice to repurchase certain of PNMR's outstanding debt and equity securities (Note 6) and for other corporate purposes, including repayment of borrowings under the PNMR Revolving Credit Facility. PNMR Services Company continued to provide certain services at cost to First Choice for a transitional period through August 1, 2012. Because PNMR continues to have direct cash flows resulting

from transmission and distribution services provided by TNMP to First Choice, First Choice is not reflected as discontinued operations. After October 31, 2011, TNMP's revenues from First Choice are not intercompany and are not eliminated in consolidation by PNMR.

(4) Regulatory Assets and Liabilities

The operations of PNM and TNMP are regulated by the NMPRC, PUCT, and FERC and the provisions of GAAP for rate-regulated enterprises are applied to its regulated operations. Regulatory assets represent probable future recovery of previously incurred costs that will be collected from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are to be credited to customers through the ratemaking process. Regulatory assets and liabilities reflected in the Consolidated Balance Sheets are presented below.

PNM

	December 31, 2013	December 31, 2012
	(In thousands)	
Assets:		
Current:		
FPPAC	$ 19,394	$ 36,266
Other	—	224
	19,394	36,490
Non-Current:		
Coal mine reclamation costs	40,144	46,065
Deferred income taxes	61,850	54,781
Loss on reacquired debt	27,490	29,702
Pension and OPEB	206,691	254,351
FPPAC	25,386	18,619
Renewable energy costs	13,311	18,768
Other	9,345	9,670
	384,217	431,956
Total regulatory assets	$ 403,611	$ 468,446
Liabilities:		
Current:		
Other	$ (1,081)	$ (15,172)
Non-Current:		
Cost of removal	$ (266,075)	$ (257,396)
Deferred income taxes	(80,495)	(49,723)
AROs	(37,567)	(39,280)
Renewable energy tax benefits	(26,011)	(26,988)
Other	(4,463)	(6,454)
	(414,611)	(379,841)
Total regulatory liabilities	$ (415,692)	$ (395,013)

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

TNMP

	December 31, 2013	December 31, 2012
	(In thousands)	
Assets:		
Current:		
Transmission cost recovery factor	$ 4,250	$ 2,287
Other	772	343
	5,022	2,630
Non-Current:		
CTC, including carrying charges	63,606	71,240
Deferred income taxes	10,868	11,179
Pension	19,938	28,307
Loss on reacquired debt	38,616	1,711
Hurricane recovery costs	—	4,572
AMS retirement costs	5,083	3,538
Other	1,627	3,074
	139,738	123,621
Total regulatory assets	$ 144,760	$ 126,251
Liabilities:		
Non-Current:		
Cost of removal	$ (30,863)	$ (31,115)
Deferred income taxes	(4,563)	(5,203)
AMS surcharge	(7,251)	(6,386)
OPEB	(3,361)	(915)
Total regulatory liabilities	$ (46,038)	$ (43,619)

The Company's regulatory assets and regulatory liabilities are reflected in rates charged to customers or have been addressed in a regulatory proceeding. The Company does not receive or pay a rate of return on the following regulatory assets and regulatory liabilities (and their remaining amortization periods): coal mine reclamation costs (through 2020); deferred income taxes (over the remaining life of the taxable item, up to the remaining life of utility plant); pension and OPEB costs (through 2033); FPPAC deferrals greater than $49.1 million (based on future FPPAC activity and regulatory proceedings); and AROs (to be determined in a future regulatory proceeding). In addition, TNMP does not receive a return on substantially all of its loss on reacquired debt (through 2043).

The Company is permitted, under rate regulation, to accrue and record a regulatory liability for the estimated cost of removal and salvage associated with certain of its assets through depreciation expense. Under GAAP, actuarial losses and prior service costs for pension plans are required to be recorded in AOCI; however, to the extent authorized for recovery through the regulatory process these amounts are recorded as regulatory assets or liabilities. Based on prior regulatory approvals, the amortization of these amounts will be included in the Company's rates.

Based on a current evaluation of the various factors and conditions that are expected to impact future cost recovery, the Company believes that future recovery of its regulatory assets are probable.

(5) Stockholders' Equity

Common Stock and Equity Contributions

PNMR, PNM and TNMP did not issue any common stock during the three year period ended December 31, 2013. See Note 6 for additional information related to PNMR's common stock. PNMR made a cash equity contribution to PNM of $43.0 million in 2011. PNMR funded a cash equity contribution of $13.8 million to TNMP in 2013.

Dividends on Common Stock

The declaration of common dividends by PNMR is dependent upon a number of factors including the ability of PNMR's subsidiaries to pay dividends. PNMR's primary sources of dividends are its operating subsidiaries.

PNM declared and paid cash dividends to PNMR of $155.0 million, $34.4 million, and $8.2 million in 2013, 2012, and 2011. In addition, PNM declared a dividend of $39.1 million in December 2010 that was paid in January 2011. TNMP paid cash dividends to PNMR of $3.7 million, $26.0 million, and $13.7 million in 2013, 2012, and 2011. TNMP dividends paid in 2012 and 2011 were recorded as reductions of paid-in-capital.

The NMPRC has placed certain restrictions on the ability of PNM to pay dividends to PNMR, including the restriction that PNM cannot pay dividends that cause its debt rating to fall below investment grade. The NMPRC provisions allow PNM to pay dividends from equity contributions previously made by PNMR and current earnings, determined on a rolling four quarter basis, without prior NMPRC approval. The Federal Power Act also imposes certain restrictions on dividends by public utilities. Each of the PNMR Revolving Credit Facility, PNMR Term Loan Agreement, PNM Revolving Credit Facility, PNM Term Loan Agreement, PNM New Mexico Credit Facility, TNMP Revolving Credit Facility, and TNMP 2011 Term Loan Agreement contain a covenant requiring the maintenance of debt-to-capital ratios of not more than 65%, which could limit amounts of dividends that could be paid. For PNMR and PNM these ratios reflect the present value of payments under the PVNGS and EIP leases as debt. PNM also has other financial covenants that limit the transfer of assets, through dividends or other means, including a requirement to obtain approval of certain financial counterparties to transfer more than five percent of PNM's assets. As of December 31, 2013, none of the numerical tests would restrict the payment of dividends from the retained earnings of PNMR, PNM, or TNMP, except that PNM would not be able to distribute amounts in excess of approximately $206 million and TNMP would not be able to distribute amounts in excess of approximately $199 million without approval of regulators or financial counterparties.

In addition, the ability of PNMR to declare dividends is dependent upon the extent to which cash flows will support dividends, the availability of retained earnings, financial circumstances and performance, current and future regulatory decisions, Congressional and legislative acts, and economic conditions. Conditions imposed by the NMPRC or PUCT, future growth plans and related capital requirements, and business considerations may also affect PNMR's ability to pay dividends.

Preferred Stock

PNMR had 477,800 shares of Series A convertible preferred stock outstanding through September 23, 2011 when it entered into an agreement to purchase all of the outstanding shares from Cascade. See Note 6. The Series A convertible preferred stock was convertible into PNMR common stock in a ratio of 10 shares of common stock for each share of preferred stock and received dividends equivalent to dividends paid on PNMR common stock as if the preferred stock had been converted into common stock. The Series A convertible preferred stock was entitled to vote on all matters voted upon by common stockholders, except for the election of the Board, and would have received distributions substantially equivalent to common stock in the event of liquidation of PNMR. The terms of the Series A convertible preferred stock resulted in it being substantially equivalent to common stock. Therefore, for earnings per share purposes, the number of common shares into which the Series A convertible preferred stock was convertible was included in the weighted average number of common shares outstanding for periods the Series A convertible preferred stock was outstanding. Similarly, dividends on the Series A convertible preferred stock were considered to be common dividends in the accompanying Consolidated Financial Statements.

PNM's cumulative preferred shares outstanding bear dividends at 4.58% per annum. PNM preferred stock does not have a mandatory redemption requirement but may be redeemed, at PNM's option, at 102% of the stated value plus accrued dividends. The holders of the PNM preferred stock are entitled to payment before the holders of common stock in the event of any liquidation or dissolution or distribution of assets of PNM. In addition, PNM's preferred stock is not entitled to a sinking fund and cannot be converted into any other class of stock of PNM.

TNMP has no preferred stock outstanding. The number of authorized shares of TNMP cumulative preferred stock is 1 million shares.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

(6) Financing

Financing Activities

PNMR

On September 23, 2011, PNMR entered into an agreement to purchase all of its outstanding Series A convertible preferred stock from Cascade. Cascade owned all of the 477,800 outstanding shares of the preferred stock, which were convertible into 4,778,000 shares of PNMR common stock. Upon signing, the agreement obligated PNMR to purchase the preferred stock at a 2% discount from the arithmetic mean of the daily volume weighted average price per share of PNMR's common stock on each trading day in the period beginning September 19, 2011 and ending on September 30, 2011 times the number of shares of PNMR common stock into which the preferred stock was convertible. The purchase of the preferred stock closed on October 5, 2011 with PNMR paying Cascade an aggregate purchase price of $73.5 million. The difference between the purchase price and the $100.0 million carrying value of the preferred stock is reflected as an addition to common stock in the Consolidated Financial Statements. PNMR utilized a borrowing under its revolving credit facility to fund the purchase of the preferred stock. Such borrowing was repaid on November 1, 2011 with a portion of the proceeds from the sale of First Choice. See Note 3.

On October 24, 2011, PNMR commenced a cash tender offer to purchase up to $50.0 million aggregate principal amount of its outstanding 9.25% Senior Unsecured Notes, Series A, due 2015. PNMR offered to pay a premium of up to 17%, depending on when the notes were tendered. The tender offer expired on November 21, 2011 and was oversubscribed. On November 22, 2011, PNMR purchased $50.0 million of the notes for $58.5 million, plus accrued and unpaid interest. PNMR used a portion of the proceeds from the sale of First Choice to fund the purchase. PNMR recognized a loss of $9.2 million on the purchase, including transaction costs and write-off of the proportionate amount of the deferred costs of the original issuance of the notes, which is included in other deductions on the Consolidated Statements of Earnings.

In the year ended December 31, 2013, PNMR purchased $23.8 million aggregate principal amount of its outstanding 9.25% Senior Unsecured Notes, Series A, due 2015, in several small open-market purchases, for $26.9 million plus accrued and unpaid interest. PNMR recognized losses of $3.3 million on these purchases, including transaction costs and write-off of the proportionate amount of the deferred costs of the original issuance of the notes, which are included in other deductions on the Consolidated Statements of Earnings.

On November 4, 2011, PNMR entered into an agreement to purchase up to 7,019,550 shares of common stock from Cascade. Upon signing, the agreement obligated PNMR to purchase the common stock at a 2% discount from the arithmetic mean of the volume weighted average price on each trading day in the period beginning October 27, 2011 and ending November 9, 2011. The purchase of the common stock closed on November 10, 2011 with PNMR purchasing all 7,019,550 shares of common stock owned by Cascade for an aggregate purchase price of $125.7 million. The shares of common stock repurchased have become authorized but unissued shares, as determined by the Board. PNMR used a portion of the proceeds from the sale of First Choice to fund the purchase.

On December 14, 2012, PNMR entered into a $100.0 million Term Loan Agreement (the "PNMR Term Loan Agreement") among PNMR, the lenders identified therein, and JPMorgan Chase Bank, N.A., as Administrative Agent. Funding of the PNMR Term Loan Agreement occurred on December 27, 2012. PNMR borrowed $100.0 million under the agreement and used the funds to repay $100.0 million in borrowings made under the PNMR Revolving Credit Facility. PNMR pays interest on its borrowing under the agreement, which matured on December 27, 2013. The PNMR Term Loan Agreement includes customary covenants, including requirements to not exceed a maximum consolidated debt-to-consolidated capitalization ratio, and customary events of default. The PNMR Term Loan Agreement has a cross default provision and a change of control provision. On December 27, 2013, PNMR entered into an agreement that amends and restates the PNMR Term Loan Agreement extending the maturity date to December 26, 2014.

PNMR offers shares of PNMR common stock through the PNMR Direct Plan. PNMR utilizes shares of its common stock purchased on the open market, by an independent agent, rather than issuing additional shares to satisfy subscriptions under the PNMR Direct Plan. The shares of PNMR common stock utilized in the PNMR Direct Plan are offered under a SEC shelf registration statement that expires in August 2015.

For offerings of equity and debt securities registered with the SEC, PNMR has a shelf registration statement expiring in March 2014. This shelf registration statement has unlimited availability and can be amended to include additional securities, subject to certain restrictions and limitations.

PNM

On October 6, 2011, PNM priced a public offering of $160.0 million aggregate principal amount of its 5.35% Senior Unsecured Notes due 2021. The bonds were offered at 99.857% of face amount and the offering closed on October 12, 2011. Proceeds from the offering were used to repay outstanding short-term debt.

In April 2012, PNM filed an application with the NMPRC requesting approval to participate in the refunding of $20.0 million of PCRBs, which was approved in May 2012. PNM also received NMPRC authority to exercise the two one-year extension options under the PNM Revolving Credit Facility. In September 2012, PNM participated in the issuance of $20.0 million of new PCRBs by the City of Farmington, New Mexico, which bear interest at 2.54% and mature September 1, 2042 with a mandatory tender on June 1, 2017. The new PCRBs refunded a $20.0 million series of PCRBs, which bore interest at 5.15% and matured in 2037, that were redeemed at par and retired.

On April 22, 2013, PNM entered into a $75.0 million Term Loan Agreement (the "PNM Term Loan Agreement") among PNM, the lenders identified therein, and Union Bank, N.A., as Administrative Agent. Funding of the PNM Term Loan Agreement occurred on April 22, 2013, at which time the funds were used to repay $75.0 million in borrowings made under the PNM Revolving Credit Facility. The PNM Term Loan Agreement bears interest at a variable rate and must be repaid on or before October 21, 2014. The PNM Term Loan Agreement includes customary covenants, including requirements to not exceed a maximum consolidated debt-to-consolidated capitalization ratio and customary events of default. The PNM Term Loan Agreement has a cross default provision and a change of control provision.

PNM has a shelf registration statement for the issuance of up to $440.0 million of senior unsecured notes that will expire in May 2014.

TNMP

On September 30, 2011, TNMP entered into the TNMP 2011 Term Loan Agreement with JPMorgan Chase Bank, N.A and borrowed $50.0 million under it. The TNMP 2011 Term Loan Agreement replaces a previous term loan agreement. Borrowings under the TNMP 2011 Term Loan Agreement must be repaid by June 30, 2014 and are secured by $50.0 million aggregate principal amount of first mortgage bonds of TNMP (the "Series 2011A Bonds"). TNMP entered into hedging agreements whereby it effectively established fixed interest rates for such borrowing of 1.475% through March 30, 2014 and 1.985% thereafter, which is an effective rate of 3.566% over the life of the debt considering the amounts paid to exit the prior arrangements and enter into the new arrangements. The hedging obligations entered into in connection with the TNMP 2011 Term Loan Agreement are also secured by the Series 2011A Bonds. This hedge is accounted for as a cash-flow hedge and had a fair value loss of $0.2 million and $0.3 million at December 31, 2013 and 2012, using Level 2 inputs under GAAP determined using forward LIBOR curves under the mid-market convention to discount cash flows over the remaining term of the swap agreements.

On March 6, 2013, TNMP commenced an offer to exchange any and all of TNMP's $265.5 million aggregate principal amount outstanding 9.50% First Mortgage Bonds, due 2019, Series 2009A, for a new series of 6.95% First Mortgage Bonds, due 2043, Series 2013A, and up to $140 in cash for each $1,000 of bonds exchanged. Settlement of the exchange offer occurred on April 3, 2013. Upon settlement, TNMP issued $93.2 million of 6.95% First Mortgage Bonds and paid an aggregate of $13.0 million in cash in exchange for $93.2 million of 9.50% First Mortgage Bonds, in addition to payment of accrued and unpaid interest on the exchanged bonds. The exchange resulted in a premium on the 6.95% First Mortgage Bonds reflecting the contractual interest rate being in excess of the market rate of interest on the date of the exchange. The premium amounted to $23.2 million, after reduction for the cash paid in the exchange. A regulatory asset was recorded offsetting the premium, including the cash consideration paid in the exchange.

On December 9, 2013, TNMP entered into an agreement (the "TNMP 2013 Bond Purchase Agreement"), which provides that TNMP will issue $80.0 million aggregate principal amount of 4.03% first mortgage bonds, due 2024 (the "Series 2014A Bonds"). The terms of the TNMP 2013 Bond Purchase Agreement provide that, subject to satisfaction of certain conditions, TNMP will issue the Series 2014A Bonds on or about June 27, 2014. TNMP anticipates using $50.0 million of the proceeds from the issuance to repay the TNMP 2011 Term Loan Agreement at its maturity and using the remaining proceeds to reduce short-term

debt under the TNMP Revolving Credit Facility and/or TNMP's intercompany borrowings from PNMR. In accordance with GAAP, borrowings under the TNMP 2011 Term Loan Agreement, which are due on June 30, 2014, are reflected as being long-term in the Consolidated Balance Sheet at December 31, 2013 since the TNMP 2013 Bond Purchase Agreement demonstrates TNMP's ability and intent to re-finance the TNMP 2011 Term Loan Agreement on a long-term basis.

Borrowing Arrangements Between PNMR and its Subsidiaries

PNMR has one-year intercompany loan agreements with its subsidiaries. Individual subsidiary loan agreements vary in amount up to $100.0 million and have either reciprocal or non-reciprocal terms. Interest charged to the subsidiaries is equivalent to interest paid by PNMR on its short-term borrowings. As of December 31, 2013 and 2012, PNM had outstanding borrowings of $32.5 million and zero and TNMP had outstanding borrowings of $29.4 million and $28.3 million from PNMR. At February 21, 2014, PNM and TNMP had borrowings of $17.3 million and $35.8 million from PNMR.

Short-term Debt

The TNMP Revolving Credit Facility is a $75.0 million revolving credit facility secured by $75.0 million aggregate principal amount of TNMP first mortgage bonds. On September 18, 2013, the TNMP Revolving Credit Facility was amended and restated to extend its maturity from December 16, 2015 to September 18, 2018.

On October 31, 2011, PNMR entered into the PNMR Revolving Credit Facility, which has a financing capacity of $300.0 million, and PNM entered into the PNM Revolving Credit Facility, which has a financing capacity of $400.0 million. These facilities replaced existing facilities and provided for two one-year extension options, subject to approval by a majority of the lenders and, with respect to the PNM Revolving Credit Facility, regulatory approval. In October 2012 and October 2013, these extension options were exercised and both facilities now expire on October 31, 2018. Each of these facilities contains one financial covenant that requires the maintenance of debt-to-capital ratios of less than or equal to 65%. These ratios reflect the present value of payments under the PVNGS and EIP leases as debt.

On January 8, 2014, PNM entered into a new $50.0 million unsecured revolving credit facility (the "PNM New Mexico Credit Facility") by and among PNM, the lenders identified therein, U.S. Bank National Association, as Administrative Agent, and BOKF, NA dba Bank of Albuquerque, as Syndication Agent. The nine participating lenders are all banks that have a significant presence in New Mexico and PNM's service territory or are headquartered in New Mexico. The PNM New Mexico Credit Facility expires on January 8, 2018 and contains covenants and conditions similar to those in the PNM Revolving Credit Facility.

As discussed above, PNMR borrowed $100.0 million under the PNMR Term Loan Agreement in December 2012 and extended the maturity of that arrangement in December 2013. PNMR used the funds to repay $100.0 million in borrowings made under the PNMR Revolving Credit Facility.

At December 31, 2013, the weighted average interest rate was 1.02% for the PNMR Term Loan Agreement, 1.42% for the PNM Revolving Credit Facility, and 1.42% for the PNM Term Loan Agreement. The PNMR Revolving Credit Facility and the TNMP Revolving Credit Facility had no borrowings outstanding at December 31, 2013. Short-term debt outstanding consists of:

Short-term Debt	December 31, 2013	December 31, 2012
	(In thousands)	
PNM Revolving Credit Facility	$ 49,200	$ 21,100
TNMP Revolving Credit Facility	—	—
PNMR		
Revolving Credit Facility	—	37,600
PNMR Term Loan Agreement	100,000	100,000
	$ 149,200	$ 158,700

In addition to the above borrowings, PNMR, PNM, and TNMP had letters of credit outstanding of $8.6 million, $3.2 million, and $0.3 million at December 31, 2013 that reduce the available capacity under their respective revolving credit facilities.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

At February 21, 2014, PNMR, PNM, and TNMP had $291.4 million, $327.4 million, and $74.7 million of availability under their respective revolving credit facilities, including reductions of availability due to outstanding letters of credit, and PNM had $25.0 million of availability under the PNM New Mexico Credit Facility. Total availability at February 21, 2014, on a consolidated basis, was $718.5 million for PNMR. At February 21, 2014, PNMR had invested cash of $1.9 million. PNM and TNMP had no invested cash at February 21, 2014.

Long-Term Debt

Information concerning long-term debt outstanding is as follows:

Long-term Debt	December 31, 2013	December 31, 2012
	(In thousands)	
PNM Debt		
Senior Unsecured Notes, Pollution Control Revenue Bonds:		
4.875% due 2033	$ 146,000	$ 146,000
6.25% due 2038	36,000	36,000
4.75% due 2040, mandatory tender at June 1, 2017	37,000	37,000
5.20% due 2040, mandatory tender at June 1, 2020	40,045	40,045
5.90% due 2040	255,000	255,000
6.25% due 2040	11,500	11,500
2.54% due 2042, mandatory tender at June 1, 2017	20,000	20,000
4.00% due 2043, mandatory tender at June 1, 2015	39,300	39,300
5.20% due 2043, mandatory tender at June 1, 2020	21,000	21,000
Senior Unsecured Notes:		
7.95% due 2018	350,000	350,000
7.50% due 2018	100,025	100,025
5.35% due 2021	160,000	160,000
PNM Term Loan Agreement due 2014	75,000	—
Unamortized premiums (discounts)	(252)	(291)
	1,290,618	1,215,579
Less current maturities	75,000	—
	1,215,618	1,215,579
TNMP Debt		
First Mortgage Bonds:		
2011 Term Loan Agreement, due 2014	50,000	50,000
9.50% due 2019, Series 2009A	172,302	265,500
6.95% due 2043, Series 2013A	93,198	—
Unamortized premiums (discounts)	20,536	(3,911)
	336,036	311,589
Less current maturities	—	—
	336,036	311,589
PNMR Debt		
Senior unsecured notes, 9.25% due 2015	118,766	142,592
Other	—	2,530
	118,766	145,122
Less current maturities	—	2,530
	118,766	142,592
Total Consolidated PNMR Debt	1,745,420	1,672,290
Less current maturities	75,000	2,530
	$ 1,670,420	$ 1,669,760

Reflecting mandatory tender dates, long-term debt matures as follows:

	PNMR	PNM	TNMP	PNMR Consolidated
		(In thousands)		
2014	$ —	$ 75,000	$ —	$ 75,000
2015	118,766	39,300	—	158,066
2016	—	—	—	—
2017	—	57,000	—	57,000
2018	—	450,025	—	450,025
Thereafter	—	669,545	315,500	985,045
Total	$ 118,766	$ 1,290,870	$ 315,500	$ 1,725,136

The TNMP 2011 Term Loan Agreement, which is due on June 30, 2014, is not reflected as maturing in 2014 in the above tables since TNMP has entered into the TNMP 2013 Bond Purchase Agreement to re-finance that debt on a long-term basis as discussed in Financing Activities above.

(7) Lease Commitments

The Company leases office buildings, vehicles, and other equipment under operating leases. In addition, PNM leases interests in Units 1 and 2 of PVNGS and an interest in the EIP transmission line. Many of PNM's electric transmission and distribution facilities are located on lands that require the grant of rights-of-way from governmental entities, Native American tribes, or private parties. PNM has completed several renewals of rights-of-way, the largest of which is a renewal with the Navajo Nation, and has no significant rights-of-way that will expire before 2020. PNM is obligated to pay the Navajo Nation annual payments of $6.0 million, subject to adjustment each year based on the Consumer Price Index, through 2029. The Navajo Nation rights-of-way agreement is accounted for as an operating lease.

The PVNGS leases were scheduled to expire on January 15, 2015 for the four Unit 1 leases and January 15, 2016 for the four Unit 2 leases. Each of the leases provide PNM with an option to purchase the leased assets at fair market value at the end of the leases, but PNM does not have a fixed price purchase option. In addition, the leases provide PNM with options to renew the leases at fixed rates set forth in each of the leases for two years beyond the termination of the original lease terms. The option periods on certain leases may be further extended for up to an additional six years (the "Maximum Option Period") if the appraised remaining useful lives and fair value of the leased assets are greater than parameters set forth in the leases. The rental payments during the fixed renewal option periods would be 50% of the amounts during the original terms of the leases. Gross annual lease payments, before considering the impacts of amounts returned to PNM through ownership of the lessor notes, aggregate $33.0 million for the Unit 1 leases and $23.7 million for the Unit 2 leases. If the leases are extended, the leases provide PNM with the option to purchase the leased assets at fair market value at the end of the extended lease terms.

Each lease provides that no later than three years prior to the expiration of the lease, PNM must give notice to the lessor if it wishes to "retain" the leased assets (but without specifying whether it would purchase the leased assets or extend the lease) or "return" the leased assets to the lessor. Furthermore, each lease provides that, if PNM gives notice to "retain" the leased assets, PNM must give notice as to which of the purchase or renewal options it will exercise no later than two years prior to the expiration of the lease. The elections PNM makes under each of the leases is independent of the elections made under the other leases.

In accordance with the notice provisions, PNM notified each of the lessors that PNM will "retain" the assets leased upon the expiration of the basic lease term on January 6, 2012 for the Unit 1 leases and on January 9, 2013 for the Unit 2 leases. On January 9, 2013, PNM notified each of the lessors of the Unit 1 leases that it will extend each Unit 1 Lease for the Maximum Option Period. On December 11, 2013, PNM and each of the Unit 1 lessors entered into amendments to each of the Unit 1 leases setting forth the terms and conditions that will implement the extension of the term of the lease through the agreed upon Maximum Option Period of January 15, 2023 and provide for certain casualty values during the extended terms. On December 30, 2013, PNM notified the lessor of the one Unit 2 lease containing the Maximum Option Period provision that it will extend that lease for the Maximum Option Period. PNM anticipates entering into an amendment to that Unit 2 lease that would extend the term of the

lease through a Maximum Option Period of January 15, 2024. The annual payments during the renewal periods aggregate $16.5 million for the PVNGS Unit 1 leases and $1.6 million for the Unit 2 lease. The table of future lease payments as of December 31, 2013 shown below includes payments during the renewal periods for those leases that will be extended at the end of their original terms.

On January 13, 2014, PNM provided notices to each of the lessors under the three other Unit 2 leases, which are not subject to the Maximum Option Period provision, that PNM will exercise its option under the terms of each of those leases to purchase the assets underlying the leases at fair market value at the expiration of the leases on January 15, 2016. As provided in the leases, the fair market value of the leased assets under each of the leases will be determined by negotiation between the parties, or, if the parties are unable to agree on the fair market value, then the fair market value will be determined under the appraisal procedure specified in each of the leases. The appraisal process outlined in the leases anticipates the process to be completed within approximately six months. On February 25, 2014, PNM and the lessor under one of the Unit 2 leases entered into a letter agreement that establishes that the purchase price, representing the fair market value, to be paid by PNM for the assets underlying that lease will be $78.1 million on January 15, 2016. This lease is for 31.2494 MW of the entitlement from PVNGS Unit 2. The lease remains in existence and PNM will record the purchase at the termination of the lease on January 15, 2016.

Covenants in PNM's PVNGS Units 1 and 2 lease agreements limit PNM's ability, without consent of the owner participants in the lease transactions, (i) to enter into any merger or consolidation, or (ii) except in connection with normal dividend policy, to convey, transfer, lease or dividend more than 5% of its assets in any single transaction or series of related transactions. PNM is exposed to losses under the PVNGS lease arrangements upon the occurrence of certain events that PNM does not consider to be reasonably likely to occur. Under certain circumstances (for example, the NRC issuing specified violation orders with respect to PVNGS or the occurrence of specified nuclear events), PNM would be required to make specified payments to the equity participants, and take title to the leased interests, which, if appropriate, may be required to be written down in value. If such an event had occurred as of December 31, 2013, PNM could have been required to pay the equity participants up to approximately $154.1 million. In such event, PNM would record the acquired assets at the lower of their fair value or the aggregate of the amount paid and PNM's carrying value of its investment in PVNGS lessor notes. Exercise of renewal options under the leases requires that amounts payable to equity participants under the circumstances described above would increase to the fair market value as of the renewal date.

PNM owns 60% of the EIP and leases the other 40%, under a lease that expires on April 1, 2015. The lease provides PNM the option, with 24 months advance notice, of purchasing the leased assets at the end of the lease for fair market value, as well as options to renew the lease. On November 1, 2012, PNM and the lessor entered into a definitive agreement for PNM to exercise the option to purchase on April 1, 2015 the leased capacity at fair market value, which the parties agreed would be $7.7 million. The lease remains in existence and PNM will record the purchase at the termination of the lease on April 1, 2015. The definitive agreement sets forth the terms and conditions under which PNM would also assume responsibility for scheduling long-term transmission service on the leased capacity.

PNMR leases a building that was used as part of its corporate headquarters, as well as housing certain support functions for the utility operations of PNM and TNMP. The lease expires on November 30, 2015 and provides for annual rents of $1.9 million, which are included in the tables below. PNMR is also obligated to pay taxes, insurance, and utilities applicable to the building. In November 2011, PNMR notified the lessor of its intent to vacate the building by the end of 2012 and made a settlement offer to terminate the lease. A termination agreement was not reached with the lessor. As of December 31, 2012, PNMR completed the abandonment of this building, as well as the partial abandonment of another leased building. In accordance with GAAP, PNMR recorded an abandonment expense of $7.4 million at December 31, 2012. PNM was allocated $6.2 million and TNMP was allocated $1.2 million of the abandonment expense for the period ended December 31, 2012, which is reflected as administrative and general expense.

PNM has a PPA for the entire output of Delta, a gas-fired generating plant in Albuquerque, New Mexico, which is classified as an operating lease with imputed annual lease payments of $6.0 million. See Note 9 for additional information about the Delta operating lease, including the potential purchase of Delta.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

Operating lease expense, including the PVNGS and EIP leases, was:

	PNMR	PNM	TNMP
		(In thousands)	
2013	$ 82,882	$ 78,306	$ 2,663
2012	$ 84,794	$ 78,483	$ 2,871
2011	$ 86,323	$ 78,422	$ 3,606

As discussed under Investments in Note 1, the PVNGS Capital Trust, which is consolidated by PNM, acquired the lessor notes that were issued by the PVNGS lessors and PNM acquired the remaining lessor note issued by the remaining EIP lessor. Future minimum operating lease payments at December 31, 2013 shown below have been reduced by payments on the PVNGS lessor notes of $25.4 million in 2014, $24.0 million in 2015, and $9.0 million in 2016 that will be returned in cash to PNM:

	PNMR	PNM	TNMP
		(In thousands)	
2014	$ 53,594	$ 49,580	$ 815
2015	40,952	38,290	676
2016	33,788	33,363	237
2017	30,942	30,749	—
2018	30,948	30,749	—
Later years	167,225	166,830	—
	357,449	349,561	1,728
Future payments under non-cancelable subleases	93	—	—
Net minimum lease payments	$ 357,356	$ 349,561	$ 1,728

(8) Fair Value of Derivative and Other Financial Instruments

Energy Related Derivative Contracts

Overview

The primary objective for the use of derivative instruments, including energy contracts, options, and futures, is to manage price risk associated with forecasted purchases of energy and fuel used to generate electricity, as well as managing anticipated generation capacity in excess of forecasted demand from existing customers. The Company's energy related derivative contracts manage commodity risk. PNM is required to meet the demand and energy needs of its retail and firm-requirements wholesale customers. PNM is exposed to market risk for its share of PVNGS Unit 3 and the needs of its firm-requirements wholesale customers not covered under a FPPAC. PNM's operations are managed primarily through a net asset-backed strategy, whereby PNM's aggregate net open forward contract position is covered by its forecasted excess generation capabilities or market purchases. PNM could be exposed to market risk if its generation capabilities were to be disrupted or if its load requirements were to be greater than anticipated. If all or a portion of load requirements were required to be covered as a result of such unexpected situations, commitments would have to be met through market purchases.

On November 1, 2011, PNMR completed the sale of First Choice. See Note 3. Accordingly, PNMR information reflects activity for First Choice through October 31, 2011. The difference between the PNMR and PNM amounts represents First Choice.

Commodity Risk

Marketing and procurement of energy often involve market risks associated with managing energy commodities and establishing open positions in the energy markets, primarily on a short-term basis. PNM routinely enters into various derivative instruments such as forward contracts, option agreements, and price basis swap agreements to economically hedge price and volume risk on power commitments and fuel requirements and to minimize the effect of market fluctuations in wholesale portfolios.

PNM monitors the market risk of its commodity contracts using VaR calculations to maintain total exposure within management-prescribed limits in accordance with approved risk and credit policies.

First Choice was responsible for energy supply related to the sale of electricity to retail customers in Texas. TECA contains no provisions for the specific recovery of fuel and purchased power costs. The rates charged to First Choice customers were negotiated with each customer. First Choice purchased power at wholesale and sold power at retail to customers in the competitive ERCOT retail markets. First Choice's strategy was to minimize its exposure to fluctuations in market energy prices by matching sales contracts with supply instruments designed to preserve targeted margins. However, First Choice had a residual exposure to wholesale power price risk for the mismatch between the forecast and actual load.

Accounting for Derivatives

Under derivative accounting and related rules for energy contracts, the Company accounts for its various derivative instruments for the purchase and sale of energy based on the Company's intent. Energy contracts that meet the definition of a derivative under GAAP and do not qualify, or are not designated, for the normal purchases and normal sales exception are recorded on the balance sheet at fair value at each period end. The changes in fair value are recognized in earnings unless specific hedge accounting criteria are met and elected. Normal purchases and normal sales are not marked to market and are reflected in results of operations when the underlying transactions settle.

For derivative transactions meeting the definition of a cash flow hedge, the Company documents the relationships between the hedging instruments and the items being hedged. This documentation includes the strategy that supports executing the specific transaction and the methods utilized to assess the effectiveness of the hedges. Changes in the fair value of contracts qualifying for cash flow hedge accounting are included in AOCI to the extent effective. The Company assesses the effectiveness of hedge relationships at least quarterly using statistical data. Ineffectiveness gains and losses were immaterial for all periods presented. Gains or losses related to cash flow hedge instruments, including those de-designated, are reclassified from AOCI when the hedged transaction settles and impacts earnings. As of December 31, 2013 and 2012, the Company was not hedging its exposure to the variability in future cash flows from commodity derivatives through designated cash flows hedges.

The contracts recorded at fair value that do not qualify or are not designated for cash flow hedge accounting are classified as economic hedges. Economic hedges are defined as derivative instruments, including long-term power agreements, used to economically hedge generation assets, purchased power and fuel costs, and customer load requirements. Changes in the fair value of economic hedges are reflected in results of operations and are classified between operating revenues and cost of energy according to the intent of the hedge. The Company has no trading transactions.

Fair value is defined under GAAP as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is based on current market quotes as available and is supplemented by modeling techniques and assumptions made by the Company to the extent quoted market prices or volatilities are not available. External pricing input availability varies based on commodity location, market liquidity, and term of the agreement. Valuations of derivative assets and liabilities take into account nonperformance risk including the effect of counterparties' and the Company's credit risk. The Company regularly assesses the validity and availability of pricing data for its derivative transactions. Although the Company uses its best judgment in estimating the fair value of these instruments, there are inherent limitations in any estimation technique.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

Commodity Derivatives

Commodity derivative instruments, recorded at fair value are summarized as follows:

	Economic Hedges	
	December 31,	
	2013	2012
	(In thousands)	
PNM and PNMR		
Current assets	$ 4,064	$ 3,785
Deferred charges	3,002	352
	7,066	4,137
Current liabilities	(2,699)	(1,000)
Long-term liabilities	(1,094)	(1,933)
	(3,793)	(2,933)
Net	$ 3,273	$ 1,204

Certain of PNM's commodity derivative instruments in the above table are subject to master netting agreements whereby assets and liabilities could be offset in the settlement process. The Company does not offset fair value, cash collateral, and accrued payable or receivable amounts recognized for derivative instruments under master netting arrangements and the above table reflects the gross amounts of assets and liabilities. The amounts that could be offset under master netting agreements was immaterial at December 31, 2013 and 2012.

At December 31, 2013 and 2012, PNMR and PNM had no amounts recognized for the legal right to reclaim cash collateral. In addition, at December 31, 2013 and 2012, amounts posted as cash collateral under margin arrangements were $2.8 million and $1.9 million for both PNMR and PNM. At December 31, 2013 and 2012, PNMR and PNM had obligations to return cash collateral of approximately $0.2 million and zero. Cash collateral amounts are included in other current assets and other current liabilities on the Consolidated Balance Sheets.

PNM has a NMPRC approved hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC. The table above includes $0.4 million of current assets and $0.1 million of current liabilities at December 31, 2013, and less than $0.1 million of current assets and current liabilities at December 31, 2012 related to this plan. The offsets to these amounts are recorded as regulatory assets and liabilities on the Consolidated Balance Sheets.

The following table presents the effect of mark-to-market commodity derivative instruments on earnings and OCI, excluding income tax effects. For cash flow hedges, including de-designated hedges, the earnings impact reflects the reclassification from AOCI when the hedged transactions settle.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

	Economic Hedges			Qualified Cash Flow Hedges		
	Year Ended December 31,			Year Ended December 31,		
	2013	2012	2011	2013	2012	2011
	(In thousands)					
PNMR						
Electric operating revenues	$ 1,727	$ 6,168	$ 5,682	$ —	$ —	$ —
Cost of energy	1,109	(460)	(2,201)	—	—	(422)
Total gain (loss)	$ 2,836	$ 5,708	$ 3,481	$ —	$ —	$ (422)
Recognized in OCI				$ —	$ —	$ 422
PNM						
Electric operating revenues	$ 1,727	$ 6,168	$ 5,682	$ —	$ —	$ —
Cost of energy	1,109	(460)	(1,058)	—	—	—
Total gain (loss)	$ 2,836	$ 5,708	$ 4,624	$ —	$ —	$ —
Recognized in OCI				$ —	$ —	$ —

Commodity contract volume positions are presented in MMBTU for gas related contracts and in MWh for power related contracts. The table below presents PNMR's and PNM's net buy (sell) volume positions:

	Economic Hedges	
	MMBTU	MWh
December 31, 2013		
PNMR and PNM	905,000	(3,343,783)
December 31, 2012		
PNMR and PNM	1,127,500	(2,477,520)

In connection with managing its commodity risks, the Company enters into master agreements with certain counterparties. If the Company is in a net liability position under an agreement, some agreements provide that the counterparties can request collateral from the Company if the Company's credit rating is downgraded; other agreements provide that the counterparty may request collateral to provide it with "adequate assurance" that the Company will perform; and others have no provision for collateral.

The table below presents information about the Company's contingent requirements to provide collateral under commodity contracts having an objectively determinable collateral provision that are in net liability positions and are not fully collateralized with cash. Contractual liability represents commodity derivative contracts recorded at fair value on the balance sheet, determined on an individual contract basis without offsetting amounts for individual contracts that are in an asset position and could be offset under master netting agreements with the same counterparty. The table only reflects cash collateral that has been posted under the existing contracts and does not reflect letters of credit under the Company's revolving credit facilities that have been issued as collateral. Net exposure is the net contractual liability for all contracts, including those designated as normal purchases and normal sales, offset by existing cash collateral and by any offsets available under master netting agreements, including both asset and liability positions.

Contingent Feature – Credit Rating Downgrade	Contractual Liability	Existing Cash Collateral	Net Exposure
		(In thousands)	
December 31, 2013			
PNMR and PNM	$ 2,398	$ —	$ 2,152
December 31, 2012			
PNMR and PNM	$ 2,933	$ —	$ 2,777

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

Sale of Power from PVNGS Unit 3

Because PNM's 134 MW share of Unit 3 at PVNGS is excluded from retail rates, that unit's power is being sold in the wholesale market. Since January 1, 2011, PNM has been selling power from its interest in PVNGS Unit 3 at market prices. As of December 31, 2013, PNM had contracted to sell 100% of PVNGS Unit 3 output through 2015, at market price plus a premium. PNM has established fixed rates, which average approximately $37 per MWh, for substantially all of these sales through the end of 2014 through hedging arrangements that are accounted for as economic hedges. PNM is also partially hedged for 2015.

Non-Derivative Financial Instruments

The carrying amounts reflected on the Consolidated Balance Sheets approximate fair value for cash, receivables, and payables due to the short period of maturity. Available-for-sale securities are carried at fair value. Available-for-sale securities for PNMR and PNM consist of PNM assets held in the NDT for its share of decommissioning costs of PVNGS and, beginning in August 2012, a trust for PNM's share of post-term reclamation costs related to the coal mines serving SJGS (Note 16). PNMR and PNM do not have any unrealized losses on available-for-sale securities. The fair value and gross unrealized gains of investments in available-for-sale securities are presented in the following table. At December 31, 2013 and 2012, the fair value of available-for-sale securities included $222.5 million and $189.0 million for the NDT and $4.4 million and $3.5 million for the mine reclamation trust.

	December 31, 2013		December 31, 2012	
	Unrealized Gains	Fair Value	Unrealized Gains	Fair Value
PNMR and PNM		(In thousands)		
Cash and cash equivalents	$ —	$ 3,356	$ —	$ 4,628
Equity securities:				
Domestic value	14,523	39,460	5,223	30,044
Domestic growth	25,656	76,292	15,212	51,650
International and other	1,040	16,633	247	14,868
Fixed income securities:				
U.S. Government	158	21,941	1,305	32,592
Municipals	1,018	58,568	4,069	43,861
Corporate and other	207	10,605	1,100	14,868
	$ 42,602	$ 226,855	$ 27,156	$ 192,511

The proceeds and gross realized gains and losses on the disposition of available-for-sale securities for PNMR and PNM are shown in the following table. Realized gains and losses are determined by specific identification of costs of securities sold.

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Proceeds from sales	$ 271,140	$ 167,330	$ 145,286
Gross realized gains	$ 14,308	$ 15,907	$ 17,493
Gross realized (losses)	$ (4,298)	$ (8,170)	$ (6,223)

Held-to-maturity securities are those investments in debt securities that the Company has the ability and intent to hold until maturity. Held-to-maturity securities consist of the investment in PVNGS lessor notes and certain items within other investments.

The Company has no available-for-sale or held-to-maturity securities for which carrying value exceeds fair value. There are no impairments considered to be "other than temporary" that are included in AOCI and not recognized in earnings.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

At December 31, 2013, the available-for-sale and held-to-maturity debt securities had the following final maturities:

	Fair Value		
	Available-for-Sale	Held-to-Maturity	
	PNMR and PNM	PNMR	PNM
		(In thousands)	
Within 1 year	$ 3,025	$ 1,149	$ 1,149
After 1 year through 5 years	24,068	57,497	56,130
After 5 years through 10 years	10,128	—	—
After 10 years through 15 years	6,136	—	—
After 15 years through 20 years	10,331	—	—
After 20 years	37,426	—	—
	$ 91,114	$ 58,646	$ 57,279

Fair Value Disclosures

The Company determines the fair values of its derivative and other financial instruments based on the hierarchy established in GAAP, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs used in determining fair values for the Company consist of internal valuation models.

For available-for-sale securities, Level 2 fair values are provided by the trustee utilizing a pricing service. The pricing provider predominantly uses the market approach using bid side market value based upon a hierarchy of information for specific securities or securities with similar characteristics. For commodity derivatives, Level 2 fair values are determined based on market observable inputs, which are validated using multiple broker quotes, including forward price, volatility, and interest rate curves to establish expectations of future prices. Credit valuation adjustments are made for estimated credit losses based on the overall exposure to each counterparty. For long-term debt, Level 2 fair values are provided by an external pricing service. The pricing service primarily utilizes quoted prices for similar debt in active markets when determining fair value. For investments categorized as Level 3, primarily the PVNGS lessor notes and other investments, fair values were determined by discounted cash flow models that take into consideration discount rates that are observable for similar type assets and liabilities. Management of the Company independently verifies the information provided by pricing services.

The Company records any transfers between fair value hierarchy levels as of the end of each calendar quarter. There were no transfers between levels during the years ended December 31, 2013 and 2012.

Derivatives and Investments

Items recorded at fair value on the Consolidated Balance Sheets are presented below by level of the fair value hierarchy. There were no Level 3 fair value measurements at December 31, 2013 and 2012 for items recorded at fair value.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

		GAAP Fair Value Hierarchy	
	Total	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
December 31, 2013		(In thousands)	
PNMR and PNM			
Available-for-sale securities			
Cash and cash equivalents	$ 3,356	$ 3,356	$ —
Equity securities:			
Domestic value	39,460	39,460	—
Domestic growth	76,292	76,292	—
International and other	16,633	16,633	—
Fixed income securities:			
U.S. Government	21,941	20,194	1,747
Municipals	58,568	—	58,568
Corporate and other	10,605	2,245	8,360
	$ 226,855	$ 158,180	$ 68,675
Commodity derivative assets	$ 7,066	$ —	$ 7,066
Commodity derivative liabilities	(3,793)	—	(3,793)
Net	$ 3,273	$ —	$ 3,273

		GAAP Fair Value Hierarchy	
	Total	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
December 31, 2012		(In thousands)	
PNMR and PNM			
Available-for-sale securities			
Cash and cash equivalents	$ 4,628	$ 4,628	$ —
Equity securities:			
Domestic value	30,044	30,044	—
Domestic growth	51,650	51,650	—
International and other	14,868	14,868	—
Fixed income securities:			
U.S. Government	32,592	27,737	4,855
Municipals	43,861	—	43,861
Corporate and other	14,868	—	14,868
	$ 192,511	$ 128,927	$ 63,584
Commodity derivative assets	$ 4,137	$ —	$ 4,137
Commodity derivative liabilities	(2,933)	—	(2,933)
Net	$ 1,204	$ —	$ 1,204

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

The carrying amounts and fair values of investments in PVNGS lessor notes, other investments, and long-term debt, which are not recorded at fair value on the Consolidated Balance Sheets are presented below:

			GAAP Fair Value Hierarchy		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
December 31, 2013			(In thousands)		
PNMR					
Long-term debt	$ 1,745,420	$ 1,905,230	$ —	$ 1,905,230	$ —
Investment in PVNGS lessor notes	$ 52,958	$ 57,279	$ —	$ —	$ 57,279
Other investments	$ 1,835	$ 3,196	$ 690	$ —	$ 2,506
PNM					
Long-term debt	$ 1,290,618	$ 1,382,938	$ —	$ 1,382,938	$ —
Investment in PVNGS lessor notes	$ 52,958	$ 57,279	$ —	$ —	$ 57,279
Other investments	$ 445	$ 445	$ 445	$ —	$ —
TNMP					
Long-term debt	$ 336,036	$ 390,814	$ —	$ 390,814	$ —
Other investments	$ 245	$ 245	$ 245	$ —	$ —
December 31, 2012					
PNMR					
Long-term debt	$ 1,672,290	$ 1,969,362	$ —	$ 1,966,725	$ 2,637
Investment in PVNGS lessor notes	$ 77,682	$ 84,198	$ —	$ —	$ 84,198
Other investments	$ 5,599	$ 6,965	$ 774	$ —	$ 6,191
PNM					
Long-term debt	$ 1,215,579	$ 1,385,433	$ —	$ 1,385,433	$ —
Investment in PVNGS lessor notes	$ 77,682	$ 84,198	$ —	$ —	$ 84,198
Other investments	$ 494	$ 494	$ 494	$ —	$ —
TNMP					
Long-term debt	$ 311,589	$ 418,166	$ —	$ 418,166	$ —
Other investments	$ 281	$ 281	$ 281	$ —	$ —

Investments Held by Employee Benefit Plans

As discussed in Note 12, PNM and TNMP have trusts that hold investment assets for their pension and other postretirement benefit plans. The fair value of the assets held by the trusts impacts the determination of the funded status of each plan, but the assets are not reflected on the Company's Consolidated Balance Sheets. Both the PNM Pension Plan and the TNMP Pension Plan hold units of participation in the PNM Resources, Inc. Master Trust (the "PNMR Master Trust"), which was established for the investment of assets of the pension plans. Level 2 and Level 3 fair values are provided by fund managers utilizing a pricing service. For level 2 fair values, the pricing provider predominately uses the market approach using bid side market value based upon a hierarchy of information for specific securities or securities with similar characteristics. Level 2 investments in mutual funds are measured at net asset value as year-end. Level 3 investments are comprised of alternative investments, which are measured at net asset value at year-end and include private equity funds, hedge funds, and real estate funds. The private equity funds are not voluntarily redeemable. These investments are realized through periodic distributions occurring over a 10 to 15-year term after the initial investment. The real estate funds and hedge funds may be voluntarily redeemed but are subject to redemption provisions

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

that may result in the funds not being able to be redeemed in the near term. Audited financial statements are received for each fund and are reviewed by the Company annually.

The valuation of alternative investments requires significant judgment by the pricing provider due to the absence of quoted market values, changes in market conditions, and the long-term nature of the assets. The significant unobservable inputs include the trading multiples of public companies that are considered comparable to the company being valued, company specific issues, estimates of liquidation value, current operating performance and future expectations of performance, changes in market outlook and the financing environment, capitalization rates, discount rates and cash flows. The fair values of investments held by the employee benefit plans are as follows:

		GAAP Fair Value Hierarchy		
	Total	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2013		(In thousands)		
PNM Pension Plan				
Participation in PNMR Master Trust Total Plan Investments	$ 557,258	$ 145,364	$ 330,903	$ 80,991
TNMP Pension Plan				
Participation in PNMR Master Trust Total Plan Investments	$ 66,285	$ 18,657	$ 32,620	$ 15,008
PNM OPEB Plan				
Cash and cash equivalents	$ 1,152	$ 1,152	$ —	$ —
Equity securities:				
International funds	3,057	—	3,057	—
Domestic value	6,388	6,388	—	—
Domestic growth	54,851	20,769	34,082	—
Other funds	5,564	—	5,564	—
Fixed income securities:				
Mutual funds	3,121	3,121	—	—
	$ 74,133	$ 31,430	$ 42,703	$ —
TNMP OPEB Plan				
Cash and cash equivalents	$ 302	$ 302	$ —	$ —
Equity securities:				
International funds	1,334	—	1,334	—
Domestic value	381	381	—	—
Domestic growth	1,848	1,848	—	—
Other funds	4,167	—	4,167	—
Fixed income securities:				
Mutual funds	1,702	1,702	—	—
	$ 9,734	$ 4,233	$ 5,501	$ —

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

		GAAP Fair Value Hierarchy		
	Total	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2012		(In thousands)		
PNM Pension Plan				
Participation in PNMR Master Trust	$ 517,238	$ 205,491	$ 232,730	$ 79,017
TNMP Pension Plan				
Participation in PNMR Master Trust	$ 66,450	$ 26,462	$ 25,817	$ 14,171
PNM OPEB Plan				
Cash and cash equivalents	$ 4,976	$ 4,976	$ —	$ —
Equity securities:				
International funds	2,651	—	2,651	—
Domestic growth	46,145	19,511	26,634	—
Other funds	7,588	—	7,588	—
Fixed income securities:				
Mutual funds	4,176	4,176	—	—
	$ 65,536	$ 28,663	$ 36,873	$ —
TNMP OPEB Plan				
Cash and cash equivalents	$ 42	$ 42	$ —	$ —
Equity securities:				
International funds	1,444	—	1,444	—
Domestic growth	1,289	1,289	—	—
Other funds	3,660	—	3,660	—
Fixed income securities:				
Mutual funds	2,325	2,325	—	—
	$ 8,760	$ 3,656	$ 5,104	$ —

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

The fair values of investments in the PNMR Master Trust are as follows:

		GAAP Fair Value Hierarchy		
	Total	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2013		(In thousands)		
PNMR Master Trust				
Cash and cash equivalents	$ 16,281	$ 16,281	$ —	$ —
Equity securities:				
International	24,471	24,471	—	—
Domestic value	41,451	41,451	—	—
Domestic growth	36,805	36,805	—	—
Other funds	22,522	—	22,522	—
Fixed income securities:				
Corporate	202,897	363	202,358	176
U.S. Government	99,748	44,541	55,207	—
Municipals	17,259	—	17,259	—
Other funds	66,286	109	66,177	—
Alternative investments:				
Private equity funds	39,122	—	—	39,122
Hedge funds	34,912	—	—	34,912
Real estate funds	21,789	—	—	21,789
	$ 623,543	$ 164,021	$ 363,523	$ 95,999
December 31, 2012				
PNMR Master Trust				
Cash and cash equivalents	$ 10,404	$ 10,404	$ —	$ —
Equity securities:				
International	39,867	39,867	—	—
Domestic value	39,492	39,492	—	—
Domestic growth	63,888	63,888	—	—
Other funds	17,035	—	17,035	—
Fixed income securities:				
Corporate	101,936	—	101,936	—
U.S. Government	148,341	78,302	70,039	—
Municipals	3,639	—	3,639	—
Other funds	65,898	—	65,898	—
Alternative investments:				
Private equity funds	38,212	—	—	38,212
Hedge funds	31,277	—	—	31,277
Real estate funds	23,699	—	—	23,699
	$ 583,688	$ 231,953	$ 258,547	$ 93,188

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

A reconciliation of the changes in Level 3 fair value measurements is as follows:

Level 3 Fair Value Assets and Liabilities	Year Ended December 31, 2013	2012
	(In thousands)	
PNM Pension	Master Trust	Master Trust
Balance at beginning of period	$ 79,017	$ 84,133
Actual return on assets sold during the period	3,303	2,627
Actual return on assets still held at period end	3,361	2,386
Purchases	15,110	5,498
Sales	(19,800)	(15,627)
Balance at end of period	$ 80,991	$ 79,017
TNMP Pension		
Balance at beginning of period	$ 14,171	$ 14,555
Actual return on assets sold during the period	1,400	197
Actual return on assets still held at period end	1,425	179
Purchases	6,408	413
Sales	(8,396)	(1,173)
Balance at end of period	$ 15,008	$ 14,171

Additional information concerning changes in Level 3 fair value measurements for the PNMR Master Trust is as follows:

Level 3 Fair Value Assets and Liabilities

PNMR Master Trust	Private equity funds	Hedge funds	Real estate funds	Fixed income - corporate	Total
			(In thousands)		
Balance at December 31, 2011	$ 37,100	$ 36,904	$ 24,684	$ —	$ 98,688
Actual return on assets sold during the period	2,966	(80)	(62)	—	2,824
Actual return on assets still held at period end	40	2,453	72	—	2,565
Purchases	3,906	—	2,005	—	5,911
Sales	(5,800)	(8,000)	(3,000)	—	(16,800)
Balance at December 31, 2012	38,212	31,277	23,699	—	93,188
Actual return on assets sold during the period	4,677	135	(109)	—	4,703
Actual return on assets still held at period end	1,162	3,500	123	1	4,786
Purchases	3,117	16,151	2,076	175	21,519
Sales	(8,046)	(16,151)	(4,000)	—	(28,197)
Balance at December 31, 2013	$ 39,122	$ 34,912	$ 21,789	$ 176	$ 95,999

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

(9) Variable Interest Entities

GAAP determines how an enterprise evaluates and accounts for its involvement with variable interest entities, focusing primarily on whether the enterprise has the power to direct the activities that most significantly impact the economic performance of a variable interest entity. GAAP also requires continual reassessment of the primary beneficiary of a variable interest entity.

Valencia

PNM has a PPA to purchase all of the electric capacity and energy from Valencia, a 158 MW natural gas-fired power plant near Belen, New Mexico, through May 2028. A third-party built, owns, and operates the facility while PNM is the sole purchaser of the electricity generated. The total construction cost for the facility was $90.0 million. PNM estimates that the plant will typically operate during peak periods of energy demand in summer. PNM is obligated to pay fixed operations and maintenance and capacity charges in addition to variable operation and maintenance charges under this PPA. For the years ended December 31, 2013, 2012, and 2011, PNM paid $18.9 million, $18.8 million, and $18.3 million for fixed charges and $1.2 million, $0.9 million, and $1.4 million for variable charges. PNM does not have any other financial obligations related to Valencia. The assets of Valencia can only be used to satisfy obligations of Valencia and creditors of Valencia do not have any recourse against PNM's assets.

PNM sources fuel for the plant, controls when the facility operates through its dispatch, and receives the entire output of the plant, which factors directly and significantly impact the economic performance of Valencia. Therefore, PNM has concluded that the third party entity that owns Valencia is a variable interest entity and that PNM is the primary beneficiary of the entity under GAAP since PNM has the power to direct the activities that most significantly impact the economic performance of Valencia and will absorb the majority of the variability in the cash flows of the plant. As the primary beneficiary, PNM consolidates the entity in its financial statements. Accordingly, the assets, liabilities, operating expenses, and cash flows of Valencia are included in the consolidated financial statements of PNM although PNM has no legal ownership interest or voting control of the variable interest entity. The assets and liabilities of Valencia set forth below are immaterial to PNM and, therefore, not shown separately on the Consolidated Balance Sheets. The owner's equity and net income of Valencia are considered attributable to non-controlling interest.

Summarized financial information for Valencia is as follows:

Results of Operations

	Year ended December 31,		
	2013	2012	2011
		(In thousands)	
Operating revenues	$ 20,166	$ 19,585	$ 19,720
Operating expenses	(5,645)	(5,535)	(5,673)
Earnings attributable to non-controlling interest	$ 14,521	$ 14,050	$ 14,047

Financial Position

	December 31,	
	2013	2012
	(In thousands)	
Current assets	$ 2,658	$ 3,655
Net property, plant and equipment	75,137	77,953
Total assets	77,795	81,608
Current liabilities	766	765
Owners' equity – non-controlling interest	$ 77,029	$ 80,843

During the term of the PPA, PNM has the option to purchase and own up to 50% of the plant or the variable interest entity. The PPA specifies that the purchase price would be the greater of (i) 50% of book value reduced by related indebtedness or (ii)

50% of fair market value. On October 8, 2013, PNM notified the owner of Valencia that PNM may exercise the option to purchase 50% of the plant. As provided in the PPA, an appraisal process has been initiated since the parties failed to reach agreement on fair market value within 60 days. After the purchase price has been determined through the appraisal process, PNM may in its sole discretion determine whether or not it desires to exercise its option to purchase the 50% interest. In that regard, PNM will evaluate all its alternatives with respect to Valencia with the goal of achieving a fair and economical benefit for its customers. Also, PNM is in the process of developing its 2014 IRP (Note 17). Through this process, PNM will evaluate all of its resource options, including Valencia, to determine the optimal way to serve its customers. If PNM decides to exercise its option, the approval of the NMPRC and FERC would be required, which process could take up to 15 months. Since the purchase price is yet to be established, PNM cannot determine whether or not it will exercise its option or if required regulatory approvals would be received.

PVNGS Leases

PNM leases interests in Units 1 and 2 of PVNGS under arrangements, which were entered into in 1985 and 1986, that are accounted for as operating leases. There are currently eight separate lease agreements with eight different trusts whose beneficial owners are five different institutional investors. PNM is not the legal or tax owner of the leased assets. The beneficial owners of the trusts possess all of the voting control and pecuniary interests in the trusts. The leases provide PNM with an option to purchase the leased assets at appraised value at the end of the leases, but PNM does not have a fixed price purchase option and does not provide residual value guarantees. The leases also provide PNM with options to renew the leases at fixed rates set forth in the leases for two years beyond the termination of the original lease terms. The option periods on certain leases may be further extended for up to an additional six years if the appraised remaining useful lives and fair value of the leased assets are greater than parameters set forth in the leases. See Note 7 for additional information regarding the leases and actions PNM has taken with respect to its renewal and purchase options. Under GAAP, these renewal options are considered to be variable interests in the trusts and result in the trusts being considered variable interest entities. PNM is only obligated to make payments to the trusts for the scheduled semi-annual lease payments, which, net of amounts that will be returned to PNM through its ownership in related lessor notes and the Unit 2 beneficial trust, aggregate $52.5 million over the remaining original terms of the leases and $145.2 million during the renewal terms of the leases that PNM has elected to renew. Under certain circumstances (for example, final shutdown of the plant, the NRC issuing specified violation orders with respect to PVNGS, or the occurrence of specified nuclear events), PNM would be required to make specified payments to the beneficial owners and take title to the leased interests. If such an event had occurred as of December 31, 2013, PNM could have been required to pay the beneficial owners up to approximately $154.1 million, which would result in PNM taking ownership of the leased assets and termination of the leases. During the terms of the leases: PNM has no other financial obligations or commitments to the trusts or the beneficial owners; creditors of the trusts have no recourse to PNM's assets other than with respect to the contractual lease payments; and PNM has no additional rights to the assets of the trusts other than the use of the leased assets. PNM has no assets or liabilities recorded on its Consolidated Balance Sheets related to the trusts other than accrued lease payments of $26.0 million at December 31, 2013 and 2012, which are included in other current liabilities on the Consolidated Balance Sheets.

PNM has evaluated the PVNGS lease arrangements, including the notices provided through January 2014 to the lessors (Note 7), and concluded that it does not have the power to direct the activities that most significantly impact the economic performance of the trusts during the original and extended lease terms and, therefore, is not the primary beneficiary of the trusts under GAAP. The significant factors considered in reaching this conclusion are: the periods covered by fixed price renewal options are significantly shorter than the anticipated remaining useful lives of the assets, particularly since the operating licenses for the plants have been extended for twenty years through 2045 for Unit 1 and 2046 for Unit 2; PNM's only financial obligation to the trusts is to make the fixed lease payments and the payments do not vary based on the output of the plants or their performance; during the lease terms, the economic performance of the trusts is substantially fixed due to the fixed lease payments; PNM is only one of several participants in PVNGS and is not the operating agent for the plants, so does not significantly influence the day-to-day operations of the plants; furthermore, the operations of the plants, including plans for their decommissioning, are highly regulated by the NRC, leaving little room for the participants to operate the plants in a manner that impacts the economic performance of the trusts; the economic performance of the trusts at the end of the lease terms is dependent upon the fair value and remaining lives of the plants at that time, which are determined by factors such as power prices, outlook for nuclear power, and the impacts of potential carbon legislation or regulation, all which are outside of PNM's control; and while PNM has some potential benefit from its renewal options, the vast majority of the value at the end of the leases will accrue to the beneficial owners of the trusts, particularly given increases in the value of existing nuclear generating facilities, which have no GHG, resulting from potential carbon legislation or regulation.

Delta

PNM has a PPA covering the entire output of Delta, which is a variable interest under GAAP. PNM makes fixed and variable payments to Delta under the PPA. PNM also controls the dispatch of the generating plant, which impacts the variable payments made under the PPA and impacts the economic performance of the entity that owns Delta. For the years ended December 31, 2013, 2012, and 2011, PNM incurred fixed capacity charges of $6.4 million, $6.2 million, and $6.0 million and variable energy charges of $1.8 million, $0.8 million, and $1.5 million under the PPA. PNM's only quantifiable obligation under the PPA is to make the fixed payments, which as of December 31, 2013, aggregated $39.2 million through the end of the PPA in 2020. PNM will also pay variable costs, which cannot be quantified since the amounts are based on how much the generating plant is in operation.

This arrangement was entered into prior to December 31, 2003 and PNM was unsuccessful in obtaining the information necessary to determine if it is the primary beneficiary of the entity that owns Delta, or to consolidate that entity if it were determined that PNM is the primary beneficiary. Accordingly, PNM was unable to make those determinations and, as provided in GAAP, accounted for this PPA as an operating lease.

In December 2012, PNM entered into an agreement with the owners of Delta under which PNM would purchase the entity that owns Delta. At closing PNM would make a cash payment of $23.0 million, which would be adjusted for actual working capital compared to a targeted working capital and certain prepayments of debt. Delta had project financing debt of $19.2 million at December 31, 2012, including $3.0 million due in 2013, which PNM would retire at closing of the purchase. FERC approved the purchase on February 26, 2013 and the NMPRC approved the purchase on June 26, 2013. Closing is subject to the seller remedying specified operational, NERC compliance, and environmental issues, as well as other customary closing conditions. PNM and Delta are working with the City of Albuquerque and EPA in order to remedy certain environmental issues. Closing of the purchase will occur once those issues are resolved.

Delta informed PNM that at December 31, 2013 and December 31, 2012, it had total assets of $23.7 million and $26.6 million, including net property, plant, and equipment of $20.3 million and $23.1 million, and total liabilities of $18.2 million and $21.1 million. Delta's project financing debt amounted to $16.2 million at December 31, 2013, of which $3.3 million is due in 2014. Delta also indicated its 2013 and 2012 revenues were $9.5 million and $7.4 million and its net earnings were $1.2 million and $0.9 million. Consolidation of Delta would be immaterial to the Consolidated Balance Sheets for PNMR and PNM. Since all of Delta's revenues and expenses are attributable to its PPA arrangement with PNM, the primary impact of consolidating Delta to the Consolidated Statements of Earnings for PNMR and PNM would be to reclassify Delta's net earnings from operating expenses and reflect such amount as earnings attributable to a non-controlling interest, without any impact to net earnings attributable to PNMR and PNM.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

(10) Earnings and Dividends Per Share

In accordance with GAAP, dual presentation of basic and diluted earnings per share has been presented in the Consolidated Statements of Earnings of PNMR. Information regarding the computation of earnings per share and dividends per share is as follows:

	Year Ended December 31,		
	2013	2012	2011
	(In thousands, except per share amounts)		
Earnings Attributable to PNMR	$ 100,507	$ 105,547	$ 176,359
Average Number of Common Shares:			
Outstanding during year	79,654	79,654	85,558
Equivalents from convertible preferred stock (Note 5)	—	—	3,469
Vested awards of restricted stock	191	145	174
Average Shares - Basic	79,845	79,799	89,201
Dilutive Effect of Common Stock Equivalents [1]:			
Stock options and restricted stock	586	618	556
Average Shares – Diluted	80,431	80,417	89,757
Net Earnings Per Share of Common Stock:			
Basic	$ 1.26	$ 1.32	$ 1.98
Diluted	$ 1.25	$ 1.31	$ 1.96
Dividends Declared per Common Share	$ 0.68	$ 0.58	0.50

[1] Excludes out-of-the-money options for 509,916 shares of common stock at December 31, 2013. See Note 13.

(11) Income Taxes

PNMR

PNMR's income taxes consist of the following components:

	Year Ended December 31,		
	2013	2012	2011
	(In thousands)		
Current federal income tax	$ —	$ (1,296)	$ 1,319
Current state income tax	(917)	(37)	(4,208)
Deferred federal income tax	50,044	51,559	119,280
Deferred state income tax	12,578	6,921	7,462
Amortization of accumulated investment tax credits	(2,192)	(2,237)	(2,318)
Total income taxes	$ 59,513	$ 54,910	$ 121,535

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

PNMR's provision for income taxes differed from the federal income tax computed at the statutory rate for each of the years shown. The differences are attributable to the following factors:

	Year Ended December 31,		
	2013	2012	2011
	(In thousands)		
Federal income tax at statutory rates	$ 61,274	$ 61,262	$ 109,364
First Choice goodwill	—	—	15,055
Amortization of accumulated investment tax credits	(2,192)	(2,237)	(2,318)
Flow-through of depreciation items	1,132	1,284	3,659
Earnings attributable to non-controlling interest in Valencia	(5,082)	(4,918)	(4,917)
State income tax, net of federal benefit	3,818	4,646	3,395
Impairment of state production tax credits, net of federal benefit	3,880	718	—
Other	(3,317)	(5,845)	(2,703)
Total income taxes	$ 59,513	$ 54,910	$ 121,535
Effective tax rate	33.99%	31.37%	38.90%

The components of PNMR's net accumulated deferred income tax liability were:

	December 31,	
	2013	2012
	(In thousands)	
Deferred tax assets:		
Net operating loss	$ 134,418	$ 110,989
Pension	—	26,452
Regulatory liabilities related to income taxes	83,838	53,439
Other	144,126	129,801
Total deferred tax assets	362,382	320,681
Deferred tax liabilities:		
Depreciation and plant related	(814,671)	(759,587)
Investment tax credit	(25,855)	(14,242)
Regulatory assets related to income taxes	(66,352)	(59,471)
CTC	(22,262)	(24,934)
Pension	(58,780)	—
Other	(143,044)	(178,492)
Total deferred tax liabilities	(1,130,964)	(1,036,726)
Net accumulated deferred income tax liabilities	(768,582)	(716,045)
Current accumulated deferred income tax (asset) liability	(58,681)	258
Non-current accumulated deferred income tax liability	$ (827,263)	$ (715,787)

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

The following table reconciles the change in PNMR's net accumulated deferred income tax liability to the deferred income tax benefit included in the Consolidated Statement of Earnings:

	Year Ended December 31, 2013
	(In thousands)
Net change in deferred income tax liability per above table	$ 52,537
Change in tax effects of income tax related regulatory assets and liabilities	23,592
Tax effect of mark-to-market adjustments	(6,096)
Tax effect of excess pension liability	(9,305)
Adjustment for uncertain income tax positions	691
Other	(989)
Deferred income taxes	$ 60,430

PNM

PNM's income taxes consist of the following components:

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Current federal income tax	$ (479)	$ (12,951)	$ (46,364)
Current state income tax	(760)	(1,815)	(6,776)
Deferred federal income tax	42,806	56,194	78,673
Deferred state income tax	9,429	11,522	14,212
Amortization of accumulated investment tax credits	(2,192)	(2,237)	(2,318)
Total income taxes	$ 48,804	$ 50,713	$ 37,427

PNM's provision for income taxes differed from the federal income tax computed at the statutory rate for each of the years shown. The differences are attributable to the following factors:

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Federal income tax at statutory rates	$ 53,018	$ 54,710	$ 37,088
Amortization of accumulated investment tax credits	(2,192)	(2,237)	(2,318)
Flow-through of depreciation items	1,115	1,268	3,656
Earnings attributable to non-controlling interest in Valencia	(5,082)	(4,918)	(4,917)
State income tax, net of federal benefit	6,202	6,500	4,797
Other	(4,257)	(4,610)	(879)
Total income taxes	$ 48,804	$ 50,713	$ 37,427
Effective tax rate	32.22%	32.44%	35.32%

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

The components of PNM's net accumulated deferred income tax liability were:

	December 31,	
	2013	2012
	(In thousands)	
Deferred tax assets:		
Net operating loss	$ 99,247	$ 93,980
Pension	—	32,532
Regulatory liabilities related to income taxes	78,849	48,027
Other	67,179	55,629
Total deferred tax assets	245,275	230,168
Deferred tax liabilities:		
Depreciation and plant related	(661,239)	(624,724)
Investment tax credit	(25,855)	(14,242)
Regulatory assets related to income taxes	(55,844)	(48,726)
Pension	(52,104)	—
Other	(83,500)	(134,046)
Total deferred tax liabilities	(878,542)	(821,738)
Net accumulated deferred income tax liabilities	(633,267)	(591,570)
Current accumulated deferred income tax (asset) liability	(43,827)	3,447
Non-current accumulated deferred income tax liability	$ (677,094)	$ (588,123)

The following table reconciles the change in PNM's net accumulated deferred income tax liability to the deferred income tax benefit included in the Consolidated Statement of Earnings:

	Year Ended December 31, 2013
	(In thousands)
Net change in deferred income tax liability per above table	$ 41,697
Change in tax effects of income tax related regulatory assets and liabilities	23,704
Tax effect of mark-to-market adjustments	(6,121)
Tax effect of excess pension liability	(9,305)
Adjustment for uncertain income tax positions	691
Other	(623)
Deferred income taxes	$ 50,043

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

TNMP

TNMP's income taxes consist of the following components:

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Current federal income tax	$ (4,957)	$ 9,152	$ (3,578)
Current state income tax	1,916	1,822	1,981
Deferred federal income tax	20,688	4,406	15,507
Deferred state income tax	(26)	(28)	(29)
Total income taxes	$ 17,621	$ 15,352	$ 13,881

TNMP's provision for income taxes differed from the federal income tax computed at the statutory rate for each of the periods shown. The differences are attributable to the following factors:

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Federal income tax at statutory rates	$ 16,349	$ 14,735	$ 12,648
State income tax, net of federal benefit	1,247	1,185	1,288
Other	25	(568)	(55)
Total income taxes	$ 17,621	$ 15,352	$ 13,881
Effective tax rate	37.72%	36.47%	38.41%

The components of TNMP's net accumulated deferred income tax liability at December 31, were:

	December 31,	
	2013	2012
	(In thousands)	
Deferred tax assets:		
Regulatory liabilities related to income taxes	$ 4,988	$ 5,412
Other	23,479	16,702
Total deferred tax assets	28,467	22,114
Deferred tax liabilities:		
Depreciation and plant related	(151,581)	(133,686)
CTC	(22,262)	(24,934)
Regulatory assets related to income taxes	(10,509)	(10,745)
Loss on reacquired debt	(13,516)	(599)
Other	(14,295)	(14,729)
Total deferred tax liabilities	(212,163)	(184,693)
Net accumulated deferred income tax liabilities	(183,696)	(162,579)
Current accumulated deferred income tax (asset)	(6,501)	(1,131)
Non-current accumulated deferred income tax liability	$ (190,197)	$ (163,710)

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

The following table reconciles the change in TNMP's net accumulated deferred income tax liability to the deferred income tax benefit included in the Consolidated Statement of Earnings:

	Year Ended December 31, 2013
	(In thousands)
Net change in deferred income tax liability per above table	$ 21,117
Change in tax effects of income tax related regulatory assets and liabilities	(112)
Other	(343)
Deferred income taxes	$ 20,662

Other Disclosures

GAAP requires that the Company recognize only the impact of tax positions that, based on their technical merits, are more likely than not to be sustained upon an audit by the taxing authority. A reconciliation of unrecognized tax benefits (expenses) is as follows:

	PNMR	PNM	TNMP
		(In thousands)	
Balance at December 31, 2010	$ 36,105	$ 11,918	$ 7,788
Additions based on tax positions related to 2011	(790)	(717)	(74)
Reductions for tax positions of prior years	(15,735)	(449)	(13)
Settlements	—	—	—
Balance at December 31, 2011	19,580	10,752	7,701
Additions based on tax positions related to 2012	2,046	1,152	—
Reductions for tax positions of prior years	(2,428)	(1,522)	(905)
Settlements	—	—	—
Balance at December 31, 2012	19,198	10,382	6,796
Reductions based on tax positions related to 2013	(54)	(54)	—
Additions for tax positions of prior years	745	745	—
Settlements	—	—	—
Balance at December 31, 2013	$ 19,889	$ 11,073	$ 6,796

Included in the balance at December 31, 2013 are $5.6 million and $1.4 million of unrecognized tax benefits that, if recognized, would affect the effective tax rate for PNMR and PNM. None of TNMP's unrecognized tax benefits at December 31, 2013 would affect the effective tax rate if recognized. The Company believes that it is reasonably possible that approximately $5.5 million of PNMR's unrecognized tax expenses, $0.4 million of PNM's unrecognized tax benefits, and $6.8 million of TNMP's unrecognized tax expenses will be reduced or settled in 2014 as a result of the conclusion of income tax examinations. As discussed in Note 1, the Company has elected not to early adopt Accounting Standards Update 2013-11.

Estimated interest income related to refunds the Company expects to receive is included in Other Income and estimated interest expense and penalties related to potential cash settlements are included in interest expense in the Consolidated Statements of Earnings (Loss). Interest income (expense) related to income taxes is as follows:

	PNMR	PNM	TNMP
		(In thousands)	
2013	$ 242	$ 251	$ (2)
2012	$ 243	$ 244	$ (3)
2011	$ 467	$ 401	$ 2

Accumulated accrued interest receivable (payable) related to income taxes is as follows:

	PNMR	PNM	TNMP
		(In thousands)	
December 31, 2013:			
Accumulated accrued interest receivable	$ 4,048	$ 4,048	$ —
Accumulated accrued interest payable	$ (1,118)	$ (24)	$ (118)
December 31, 2012:			
Accumulated accrued interest receivable	$ 3,796	$ 3,796	$ —
Accumulated accrued interest payable	$ (1,108)	$ (23)	$ (116)

The Company files a federal consolidated and several consolidated and separate state income tax returns. The tax years prior to 2003 are closed to examination by either federal or state taxing authorities. Tax year 2003 is open for examination only for certain items. Tax year 2004 is closed to examination by federal and state taxing authorities. Other tax years are open to examination by federal and state taxing authorities. At December 31, 2013, the Company has $301.2 million of federal net operating loss carryforwards that expire beginning in 2030 and $40.6 million of federal tax credit carryforwards that expire beginning in 2023. State net operating losses expire beginning in 2015 and vary from federal due to differences between state and federal tax law.

PNMR has New Mexico wind energy production tax credit carry forwards with statutory expiration dates beginning in 2013. In 2012, PNMR impaired $0.7 million, after federal tax benefit, of the New Mexico wind energy production tax credit carry forwards that were not expected to be utilized prior to their expiration due to the Company's net operating loss position. The impairment is reflected in PNMR's Corporate and Other segment.

On January 3, 2013, the American Taxpayer Relief Act of 2012, which extended fifty percent bonus depreciation, was signed into law. Due to provisions in the act, taxes payable to the state of New Mexico for 2013 were reduced, which resulted in an impairment of New Mexico wind energy production tax credits. In accordance with GAAP, PNMR recorded this impairment, which after federal income tax benefit, amounted to $1.5 million as additional income tax expense during the year ended December 31, 2013. The impairment is reflected in PNMR's Corporate and Other segment.

On April 4, 2013, New Mexico House Bill 641 was signed into law. One of the provisions of the bill was to reduce the New Mexico corporate income tax rate from 7.6% to 5.9%. The rate reduction will be phased in from 2014 to 2018. In accordance with GAAP, PNMR and PNM adjusted accumulated deferred income taxes to reflect the tax rate at which the balances are expected to reverse. The portion of the adjustment related to PNM's regulated activities was recorded as a reduction in deferred tax liabilities, which was offset by an increase in a regulatory liability, on the assumption that PNM will be required to return the benefit to customers over time. The increase in the regulatory liability was $23.9 million. The portion of the adjustment that is not related to PNM's regulated activities was recorded as a reduction in deferred tax assets and an increase in income tax expense of $1.2 million during the year ended December 31, 2013. This additional income tax expense is reflected in PNMR's Corporate and Other segment.

The future reduction in taxes payable to the State of New Mexico resulting from the rate reduction in House Bill 641 and revisions in estimates of future taxable income resulted in a further impairment of New Mexico wind energy production tax credits. In accordance with GAAP, PNMR was required to record this impairment, which after federal income tax benefit, amounted to $2.4 million as additional income tax expense during the year ended December 31, 2013. This impairment is reflected in PNMR's Corporate and Other segment.

The impairments of the New Mexico wind energy production tax credits discussed above are reflected as a valuation allowance against deferred tax assets. At December 31, 2013, PNMR had a total allowance of $7.2 million, all of which is attributable to these credits. During the year ended December 31, 2013, the valuation allowance increased by $3.9 million. PNM and TNMP have no such valuation allowances.

In April 2013, the IRS issued Revenue Procedure 2013-24, which provides a safe harbor method of accounting that taxpayers may use to determine repair costs for electric generation property. Adoption of the safe harbor method is elective for

years ending on or after December 31, 2012. On July 11, 2013, the IRS issued a directive that suspends most current examination activity related to generation repairs methodology for any company that is eligible for the safe harbor. PNM is evaluating the possible effects of adopting the safe harbor method and the ultimate outcome cannot be determined at this time although the effects are not expected to be material.

In September 2013, the IRS issued final regulations addressing the recovery of amounts paid to acquire, produce, or improve tangible personal property and the accounting for and retirement of depreciable property. Also issued were proposed regulations addressing dispositions of property. Repairs of electric transmission and distribution property and repairs of electric generation property are specifically addressed in other Revenue Procedures issued by the IRS. The effects of the remainder of regulations are being evaluated by the Company and cannot be determined at this time. However, due to PNMR's net operating loss carryforward position for income tax purposes, the effects are not expected to be material.

In May 2013, PNMR received a refund of federal income taxes paid in prior years, which primarily was due to bonus tax depreciation and changes in the Company's method of accounting for repairs expense for income tax purposes. The total refund was $96.2 million of which $77.4 million was attributable to PNM.

(12) Pension and Other Postretirement Benefits

PNMR and its subsidiaries maintain qualified defined benefit pension plans, postretirement benefit plans providing medical and dental benefits, and executive retirement programs ("PNM Plans" and "TNMP Plans"). PNMR maintains the legal obligation for the benefits owed to participants under these plans. The periodic costs or income of the PNM Plans and TNMP Plans are included in regulated rates to the extent attributable to regulated operations. PNM receives a regulated return on the amount it has funded for its pension plan in excess of the periodic cost or income to the extent included in retail rates.

Participants in the PNM Plans include eligible employees and retirees of PNMR and other subsidiaries of PNMR. Participants in the TNMP Plans include eligible employees and retirees of TNMP. The PNM pension plan was frozen at the end of 1997 with regard to new participants, salary levels, and benefits. Through December 31, 2007, additional credited service could be accrued under the PNM pension plan up to a limit determined by age and service. The TNMP pension plan was frozen at December 31, 2005 with regard to new participants, salary levels, and benefits.

GAAP requires a plan sponsor to (a) recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year; and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur.

GAAP requires unrecognized prior service costs and unrecognized gains or losses to be recorded in AOCI and subsequently amortized. The amortization of these incurred costs will ultimately be included as pension and postretirement benefit periodic cost or income in subsequent years. To the extent the amortization of these items will ultimately be recovered in future rates, PNM and TNMP record the costs as a regulatory asset or regulatory liability.

For the PNM Plans and TNMP Plans, the Company has in place a policy that defines the investment objectives, establishes performance goals of the asset managers, and provides procedures for the manner in which investments are to be reviewed. The plans implement investment strategies to achieve the following objectives:

- Maximize the return on assets, commensurate with the risk that the Corporate Investment Committee deems appropriate to meet the obligations of the pension plans and OPEB plans, minimize the volatility of expense, and account for contingencies
- Transition asset mix over time to a higher proportion of high quality fixed income investments as the plans' funded statuses improve

Management is responsible for the determination of the asset target mix and the expected rate of return. The target asset allocations are determined based on consultations with external investment advisors. The expected long-term rate of return on pension and postretirement plan assets is calculated on the market-related value of assets. GAAP requires that actual gains and losses on pension and postretirement plan assets be recognized in the market-related value of assets equally over a period of not more than five years, which reduces year-to-year volatility. For the PNM Plans and TNMP Plans, the market-related value of assets is equal to the prior year's market related value of assets adjusted for contributions, benefit payments and investment gains

and losses that are within a corridor of plus or minus 4.0% around the expected return on market value. Gains and losses that are outside the corridor are amortized over five years.

Pension Plans

For defined benefit pension plans, including the executive retirement plans, the PBO represents the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to that date using assumptions regarding future compensation levels. The ABO represents the PBO without considering future compensation levels. Since the plans are frozen, the PBO and ABO are equal. The following table presents information about the PBO, fair value of plan assets, and funded status of the plans:

	PNM Plan		TNMP Plan	
	Year Ended December 31,		Year Ended December 31,	
	2013	2012	2013	2012
	(In thousands)			
PBO at beginning of year	$ 675,549	$ 588,874	$ 76,640	$ 67,234
Service cost	—	—	—	—
Interest cost	28,142	32,232	3,087	3,635
Plan amendment	(6,346)	—	—	—
Actuarial (gain) loss	(56,533)	94,361	(7,820)	11,434
Benefits paid	(41,275)	(39,918)	(5,748)	(5,663)
PBO at end of year	599,537	675,549	66,159	76,640
Fair value of plan assets at beginning of year	518,095	427,386	66,540	59,952
Actual return on plan assets	19,533	52,927	4,326	6,951
Employer contributions	60,000	77,700	1,000	5,300
Benefits paid	(41,275)	(39,918)	(5,748)	(5,663)
Fair value of plan assets at end of year	556,353	518,095	66,118	66,540
Funded status – asset (liability) for pension benefits	$ (43,184)	$ (157,454)	$ (41)	$ (10,100)

Effective January 1, 2014, the PNM Pension Plan was amended to allow for all participants, terminating after the effective date, to elect a lump sum payment of benefits. This change is reflected in the above table as of December 31, 2013.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

The following table presents pre-tax information about prior service cost and net actuarial (gain) loss in AOCI as of December 31, 2013.

	PNM Plan		TNMP Plan
	December 31, 2013		December 31, 2013
	Prior service cost	Net actuarial (gain) loss	Net actuarial (gain) loss
		(In thousands)	
Amounts in AOCI not yet recognized in net periodic benefit cost (income) at beginning of year	$ 32	$ 159,826	$ —
Experience loss (gain)	—	(34,136)	(7,297)
Regulatory asset (liability) adjustment	—	19,799	7,297
Plan amendment	(2,665)	—	—
Amortization recognized in net periodic benefit cost (income)	(32)	(6,233)	—
Amounts in AOCI not yet recognized in net periodic benefit cost (income) at end of year	$ (2,665)	$ 139,256	$ —
Amortization expected to be recognized in 2014	$ (405)	$ 5,469	$ —

The following table presents the components of net periodic benefit cost (income):

	Year Euded December 31,		
	2013	2012	2011
		(In thousands)	
PNM Plan			
Service cost	$ —	$ —	$ —
Interest cost	28,142	32,232	32,804
Expected return on plan assets	(41,930)	(41,301)	(37,075)
Amortization of net (gain) loss	14,840	10,516	9,209
Amortization of prior service cost	76	317	317
Net periodic benefit cost	$ 1,128	$ 1,764	$ 5,255
TNMP Plan			
Service cost	$ —	$ —	$ —
Interest cost	3,087	3,635	3,800
Expected return on plan assets	(4,849)	(5,324)	(5,470)
Amortization of net (gain) loss	1,049	462	346
Amortization of prior service cost	—	—	—
Net periodic benefit cost (income)	$ (713)	$ (1,227)	$ (1,324)

The following significant weighted-average assumptions were used to determine the PBO and net periodic benefit cost (income). Should actual experience differ from actuarial assumptions, the PBO and net periodic benefit cost (income) would be affected.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

	Year Ended December 31,		
PNM Plan	**2013**	**2012**	**2011**
Discount rate for determining December 31 PBO	5.27%	4.30%	5.67%
Discount rate for determining net periodic benefit cost (income)	4.30%	5.67%	5.72%
Expected return on plan assets	7.65%	8.25%	8.50%
Rate of compensation increase	N/A	N/A	N/A
TNMP Plan			
Discount rate for determining December 31 PBO	5.06%	4.19%	5.69%
Discount rate for determining net periodic benefit cost (income)	4.19%	5.69%	5.50%
Expected return on plan assets	7.65%	8.25%	8.50%
Rate of compensation increase	N/A	N/A	N/A

The assumed discount rate for determining the PBO was determined based on a review of long-term high-grade bonds and management's expectations. Changes in discount rates resulted in a decrease in the PNM PBO of $60.9 million at December 31, 2013 and an increase of $86.4 million at December 31, 2012. Changes in discount rates resulted in a decrease in the TNMP PBO of $6.4 million at December 31, 2013 and an increase of $10.7 million at December 31, 2012. Changes in demographic experiences also resulted in actuarial losses in the PNM PBO of $4.4 million and $8.0 million at December 31, 2013 and 2012. Changes in demographic experiences resulted in an actuarial gain in the TNMP PBO of $1.4 million at December 31, 2013 and an actuarial loss of $0.8 million at December 31, 2012. The impacts of other changes in assumptions and experience were not significant. These changes are reflected as actuarial (gain) loss above. In 2011, TNMP had an actuarial loss due to changes in demographics associated with the early retirement of First Choice employees. The loss was not significant and is not included in the net periodic benefit (income) cost above.

The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested, or to be invested, to provide for the benefits included in the PBO. Factors that are considered include, but are not limited to, historic returns on plan assets, current market information on long-term returns (e.g., long-term bond rates) and current and target asset allocations between asset categories. The expected long-term rate of return assumption for the PNM and TNMP pension plans compares to the actual return of 3.5% and 6.7% for the year ended December 31, 2013. If all other factors were to remain unchanged, a 1% decrease in the expected long-term rate of return would cause PNM's and TNMP's 2014 net periodic cost to increase $5.3 million and $0.7 million (analogous changes would result from a 1% increase).

The Company's long-term pension investment strategy is to invest in assets whose interest rate sensitivity is correlated with the pension liability. The Company has chosen to implement this strategy known as Liability Driven Investing ("LDI") by increasing the liability matching investments as the funded status of the pension plans improves. These liability matching investments are currently fixed income securities. The pension plans current targeted asset allocation is 21% equities, 65% fixed income, and 14% alternative investments. Equity investments are primarily in domestic securities that include large, mid, and small capitalization companies. The pension plans have a 6% targeted allocation to equities of companies domiciled primarily in developed countries outside of the United States. This category includes actively managed international and domestic equity securities that are benchmarked against a variety of style indices. Fixed income investments are primarily corporate bonds of companies from diversified industries, and government securities. Alternative investments include investments in hedge funds, real estate funds, and private equity funds. The hedge funds and private equity funds are structured as multi-manager multi-strategy fund of funds to achieve a diversified position in these asset classes. The hedge funds pursue various absolute return strategies such as relative value, long-short equity, and event driven. Private equity fund strategies include mezzanine financing, buy-outs, and venture capital. The real estate investment is structured as an open-ended, commingled private real estate portfolio that invests in a diversified portfolio of assets including commercial property and multi-family housing. See Note 8 for fair value information concerning assets held by the pension plans.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

The following pension benefit payments are expected to be paid:

	PNM Plan	TNMP Plan
	(In thousands)	
2014	$ 54,356	$ 6,111
2015	52,532	6,181
2016	52,204	5,831
2017	50,954	5,631
2018	49,325	5,696
2019 – 2023	222,241	23,804

Due to declines in the general price levels of marketable equity securities held by the pension plans, PNM and TNMP have been making contributions to the pension plans since 2010. The Company does not anticipate making any contributions to the pension plans in 2014 due to the current funded status of the PNM and TNMP pension plans. Based on current law, including recent amendments to funding requirements, and estimates of portfolio performance, contributions to the pension plan trust for 2015-2018 are estimated to total $61.5 million for PNM and none for TNMP. These anticipated contributions were developed using current funding assumptions with discount rates of 5.2% to 5.5%. Actual amounts to be funded in the future will be dependent on the actuarial assumptions at that time, including the appropriate discount rate.

Other Postretirement Benefit Plans

For postretirement benefit plans, the APBO is the actuarial present value of all future benefits attributed under the terms of the postretirement benefit plan to employee service rendered to date.

The following table presents information about the APBO, the fair value of plan assets, and the funded status of the plans:

	PNM Plan		TNMP Plan	
	Year Ended December 31,		Year Ended December 31,	
	2013	2012	2013	2012
	(In thousands)			
APBO at beginning of year	$ 99,613	$ 96,221	$ 13,678	$ 11,344
Service cost	260	217	299	244
Interest cost	4,113	5,293	566	624
Participant contributions	2,537	2,266	373	404
Actuarial (gain) loss	(4,566)	5,008	(1,080)	2,727
Benefits paid	(9,792)	(9,392)	(1,570)	(1,665)
APBO at end of year	92,165	99,613	12,266	13,678
Fair value of plan assets at beginning of year	64,464	58,776	8,643	8,303
Actual return on plan assets	12,780	9,285	1,813	1,259
Employer contributions	3,576	3,529	342	342
Participant contributions	2,537	2,266	373	404
Benefits paid	(9,792)	(9,392)	(1,570)	(1,665)
Fair value of plan assets at end of year	73,565	64,464	9,601	8,643
Funded status – asset (liability)	$ (18,600)	$ (35,149)	$ (2,665)	$ (5,035)

In the year ended December 31, 2013, actuarial gains of $12.3 million and $2.4 million were recorded as regulatory assets for the PNM Plan and TNMP Plan. There were no prior service costs recorded for the year ended December 31, 2013.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

The following table presents the components of net periodic benefit cost:

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
PNM Plan			
Service cost	$ 260	$ 217	$ 259
Interest cost	4,113	5,293	5,378
Expected return on plan assets	(5,043)	(4,901)	(5,388)
Amortization of net (gain) loss	4,242	3,888	3,205
Amortization of prior service credit	(1,343)	(1,343)	(2,648)
Net periodic benefit cost	$ 2,229	$ 3,154	$ 806
TNMP Plan			
Service cost	$ 299	$ 244	$ 306
Interest cost	566	624	654
Expected return on plan assets	(503)	(516)	(533)
Amortization of net (gain) loss	—	(209)	(193)
Amortization of prior service cost	57	57	60
Net periodic benefit cost	$ 419	$ 200	$ 294

The following significant weighted-average assumptions were used to determine the APBO and net periodic benefit cost. Should actual experience differ from actuarial assumptions, the APBO and net periodic benefit cost would be affected.

	Year Ended December 31,		
PNM Plan	2013	2012	2011
Discount rate for determining December 31 APBO	5.21%	4.26%	5.70%
Discount rate for determining net periodic benefit cost	4.26%	5.70%	5.59%
Expected return on plan assets	8.50%	8.50%	8.50%
Rate of compensation increase	N/A	N/A	N/A
TNMP Plan			
Discount rate for determining December 31 APBO	5.21%	4.26%	5.70%
Discount rate for determining net periodic benefit cost	4.26%	5.70%	5.59%
Expected return on plan assets	6.50%	6.50%	6.30%
Rate of compensation increase	N/A	N/A	N/A

The assumed discount rate for determining the APBO was determined based on a review of long-term high-grade bonds and management's expectations. Changes in the discount rates resulted in a decrease in the PNM APBO of $8.8 million at December 31, 2013 and an increase of $13.1 million at December 31, 2012. Changes in discount rates resulted in a decrease in the TNMP APBO of $1.3 million at December 31, 2013 and an increase of $2.0 million at December 31, 2012. Changes in claims, contributions, medical trends and demographic experience also resulted in actuarial losses in the PNM plan of $4.2 million at December 31, 2013 and actuarial gains of $8.1 million at December 31, 2012. Changes in claims, contributions, and demographic experience resulted in an actuarial losses in the TNMP plan of $0.2 million at December 31, 2013 and $0.8 million at December 31, 2012. The impacts of other changes in assumptions and experience were not significant. These changes are reflected as actuarial (gain) loss above.

The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested, or to be invested, to provide for the benefits included in the APBO. Factors that are considered include, but are not limited to, historic returns on plan assets, current market information on long-term returns (e.g., long-term bond rates), and current and target asset allocations between asset categories. The expected long-term rate of return assumption for the PNM and TNMP postretirement

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

benefit plans compares to the actual return of 20.4% and 22.1% for the year ended December 31, 2013. If all other factors were to remain unchanged, a 1% decrease in the expected long-term rate of return would cause PNM's and TNMP's 2014 postretirement benefit cost to increase $0.7 million and $0.1 million (analogous changes would result from a 1% increase).

TNMP's exposure to cost increases in the postretirement benefit plan is minimized by a provision that limits TNMP's share of costs under the plan. Costs of the plan in excess of the limit are wholly borne by the participants. TNMP reached the cost limit at the end of 2001. As a result, a one-percentage-point change in assumed health care cost trend rates would have no effect on either the net periodic expense or the year-end APBO.

The following table shows the assumed health care cost trend rates:

	PNM Plan	
	December 31,	
	2013	2012
Health care cost trend rate assumed for next year	7.5%	7.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2019	2017

The following table shows the impact of a one-percentage-point change in assumed health care cost trend rates:

	PNM Plan	
	1-Percentage-Point Increase	1-Percentage-Point Decrease
	(In thousands)	
Effect on total of service and interest cost	$ 322	$ (274)
Effect on APBO	$ 5,859	$ (4,826)

The Company's other postretirement benefit plans invest in a portfolio that is diversified by asset class and style strategies. The other postretirement benefit plans generally use the same pension fixed income and equity investment managers and utilize the same overall investment strategy as described above for the pension plans, except there is no allocation to alternative investments. The other postretirement benefit plans have a target asset allocation of 70% equities and 30% fixed income. See Note 8 for fair value information concerning assets held by the other postretirement benefit plans.

The following other postretirement benefit payments, which reflect expected future service, are expected to be paid:

	PNM Plan	TNMP Plan
	(In thousands)	
2014	$ 6,586	$ 787
2015	6,720	795
2016	6,943	815
2017	7,080	833
2018	7,306	852
2019 - 2023	36,569	4,558

PNM expects to make contributions to the PNM postretirement benefit plan totaling $3.5 million in 2014 and $14.0 million for 2015-2018. TNMP expects to make contributions to the TNMP postretirement benefit plan totaling $0.3 million in 2014 and $1.4 million for 2015-2018 .

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

Executive Retirement Programs

For the executive retirement programs, the following table presents information about the PBO and funded status of the plans:

	PNM Plan		TNMP Plan	
	Year Ended December 31,		Year Ended December 31,	
	2013	2012	2013	2012
	(In thousands)			
PBO at beginning of year	$ 17,467	$ 16,191	$ 902	$ 844
Service cost	—	—	—	—
Interest cost	720	876	36	45
Actuarial (gain) loss	(330)	1,895	(21)	107
Benefits paid	(1,494)	(1,495)	(94)	(94)
PBO at end of year – funded status	16,363	17,467	823	902
Less current liability	1,536	1,452	94	90
Non-current liability	$ 14,827	$ 16,015	$ 729	$ 812

The following table presents pre-tax information about net actuarial loss in AOCI as of December 31, 2013.

	December 31, 2013	
	PNM Plan	TNMP Plan
	(In thousands)	
Amount in AOCI not yet recognized in net periodic benefit cost at beginning of year	$ 2,069	$ —
Experience loss (gain)	(330)	(22)
Regulatory asset (liability) adjustment	192	22
Amortization recognized in net periodic benefit cost (income)	(98)	—
Amount in AOCI not yet recognized in net periodic benefit cost at end of year	$ 1,833	$ —
Amortization expected to be recognized in 2014	$ 88	$ —

The following table presents the components of net periodic benefit:

	Year Ended December 31,		
	2013	2012	2011
	(In thousands)		
PNM Plan			
Service cost	$ —	$ —	$ —
Interest cost	720	876	930
Amortization of net (gain) loss	232	83	93
Amortization of prior service cost	—	—	—
Net periodic benefit cost	$ 952	$ 959	$ 1,023
TNMP Plan			
Service cost	$ —	$ —	$ —
Interest cost	36	45	46
Amortization of net (gain) loss	—	—	—
Amortization of prior service cost	—	—	—
Net periodic benefit cost	$ 36	$ 45	$ 46

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

The following significant weighted-average assumptions were used to determine the PBO and net periodic benefit cost. Should actual experience differ from actuarial assumptions, the PBO and net periodic benefit cost would be affected.

	Year Ended December 31,		
PNM Plan	**2013**	**2012**	**2011**
Discount rate for determining December 31 PBO	5.27%	4.30%	5.67%
Discount rate for determining net periodic benefit cost	4.30%	5.67%	5.72%
Long-term rate of return on plan assets	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A
TNMP Plan			
Discount rate for determining December 31 PBO	5.06%	4.19%	5.69%
Discount rate for determining net periodic benefit cost	4.19%	5.69%	5.50%
Long-term rate of return on plan assets	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A

The assumed discount rate for determining the PBO was determined based on a review of long-term high-grade bonds and management's expectations. The impacts of changes in assumptions or experience were not significant.

The following executive retirement plan payments, which reflect expected future service, are expected:

	PNM Plan	TNMP Plan
	(In thousands)	
2014	$ 1,535	$ 93
2015	1,516	92
2016	1,494	90
2017	1,468	88
2018	1,438	85
2019 – 2023	6,580	365

Other Retirement Plans

PNMR sponsors a 401(k) defined contribution plan for eligible employees, including those of its subsidiaries. PNMR's contributions to the 401(k) plan consist of a discretionary matching contribution equal to 75% of the first 6% of eligible compensation contributed by the employee on a before-tax basis. PNMR also makes a non-matching contribution ranging from 3% to 10% of eligible compensation based on the eligible employee's age.

PNMR also provides executive deferred compensation benefits through an unfunded, non-qualified plan. The purpose of this plan is to permit certain key employees of PNMR who participate in the 401(k) defined contribution plan to defer compensation and receive credits without reference to the certain limitations on contributions. Eligible employees are allowed to save on an after-tax basis. This plan has been amended and the after-tax provision will be eliminated on June 30, 2015.

A summary of expenses for these other retirement plans is as follows:

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
PNMR			
401(k) plan	$ 16,785	$ 16,185	$ 17,000
Non-qualified plan	$ 2,204	$ 1,491	$ 1,931
PNM			
401(k) plan	$ 12,952	$ 12,427	$ 12,541
Non-qualified plan	$ 1,691	$ 1,143	$ 1,407
TNMP			
401(k) plan	$ 3,953	$ 3,739	$ 3,723
Non-qualified plan	$ 513	$ 327	$ 431

(13) Stock-Based Compensation Plans

PNMR has various stock-based compensation programs, including stock options, restricted stock, and performance shares granted under the Performance Equity Plan ("PEP"). Although certain PNM and TNMP employees participate in the PNMR plans, PNM and TNMP do not have separate employee stock-based compensation plans. In 2011, the Company changed its approach to awarding stock-based compensation. As a result, no stock options were granted in 2011, 2012, or 2013 and awards of restricted stock increased. Certain restricted stock awards are subject to achieving performance or market targets and some also have time vesting requirements. Other awards of restricted stock are only subject to time vesting requirements.

Performance Equity Plan

The PEP provides for the granting of non-qualified stock options, restricted stock rights, performance shares, performance units, and stock appreciation rights to officers, key employees, and non-employee board members. Restricted stock under the PEP refers to awards of stock subject to vesting, performance, or market conditions not to shares with contractual post-vesting restrictions. Generally, the awards vest ratably over three years from the grant date of the award. However, certain awards with performance or market conditions vest upon satisfaction of those conditions and plan provisions provide that upon retirement, participants become 100% vested in stock awards. The total number of shares of PNMR common stock subject to all awards under the PEP may not exceed 12.34 million shares, subject to adjustment under certain circumstances defined in the PEP. The number of shares of PNMR common stock subject to the grant of restricted stock rights, performance shares and units and stock appreciation rights is limited to 3.24 million shares. Re-pricing of stock options is prohibited unless specific shareholder approval is obtained.

Source of Shares

The source of shares for exercised stock options and vested restricted stock is shares acquired on the open market by an independent agent, rather than newly issued shares.

Accounting for Stock Awards

The stock-based compensation expense related to stock options and restricted stock awards without performance or market conditions is amortized to compensation expense over the requisite vesting period, which is generally three years. However, compensation expense for stock options and restricted stock awards to participants that are retirement eligible on the grant date is recognized immediately at the grant date and is not amortized. Compensation expense for performance-based shares is recognized ratably over the performance period and is adjusted periodically to reflect the level of achievement expected to be attained. Compensation expense related to market-based shares is recognized ratably over the measurement period, regardless of the actual level of achievement, provided the employees remain with the Company during the period.

Total compensation expense for stock-based payment arrangements recognized by PNMR for the years ended December 31, 2013, 2012, and 2011 was $5.3 million, $3.6 million, and $6.2 million. Stock compensation expense of $3.8 million, $2.7 million, and $4.3 million was charged to PNM and $1.5 million, $1.0 million, and $1.4 million was charged to TNMP.

PNMR receives a tax deduction for certain stock option exercises during the period the options are exercised, generally for the excess of the price at which the options are sold over the exercise prices of the options, and a tax deduction for the value of restricted stock at the vesting date.

At December 31, 2013, PNMR had no unrecognized compensation expense related to stock options. Unrecognized compensation expense of $3.4 million related to restricted stock and performance-based shares and $1.2 million related to market-based shares is expected to be recognized over an average of 1.7 years.

The Company uses the Black Scholes option pricing model to estimate the fair value of stock option awards based on multiple factors, including historical exercise patterns of employees in relatively homogenous groups with respect to exercise and post-vesting employment termination behaviors, expected exercising patterns for these same homogenous groups, and both the implied and historical volatility of PNMR's stock price. The grant date fair value for restricted stock and stock awards with Company internal performance targets is determined based on the market price of PNMR common stock on the date of the agreements reduced by the present value of future dividends, which will not be received prior to vesting, applied to the total number of shares that are anticipated to vest, although the number of performance shares that ultimately vest cannot be determined until after the performance periods end. The grant date fair value of stock awards with market targets is determined using Monte Carlo simulation models, which provide grant date fair values that include an expectation of the number of shares to vest at the end of the measurement period.

The following table summarizes the weighted-average assumptions used to determine the awards grant date fair value:

	Year Ended December 31,		
Restricted Shares and Performance-Based Shares	**2013**	**2012**	**2011**
Expected quarterly dividends per share	$ 0.165	$ 0.145	$ 0.125
Risk-free interest rate	0.34%	1.22%	1.35%
Market-Based Shares			
Dividend yield	2.86%	3.45%	N/A
Expected volatility	25.11%	43.98%	N/A
Risk-free interest rate	0.36%	1.04%	N/A

The following table summarizes activity in stock options and restricted stock awards, including performance-based and market-based shares:

	Stock Options		Restricted Stock	
	Shares	**Weighted Average Exercise Price**	**Shares**	**Weighted-Average Grant Date Fair Value**
Outstanding at December 31, 2012	1,992,700	$ 20.72	353,722	$ 14.03
Granted	—	$ —	249,113	$ 20.03
Exercised	(319,239)	$ 14.47	(275,988)	$ 15.92
Forfeited	—	$ —	(11,542)	$ 18.39
Expired	(329,795)	$ 27.17	—	—
Outstanding at December 31, 2013	1,343,666	$ 20.63	315,305	17.87

Included as restricted stock granted and exercised above are 100,593 shares that were based upon achieving performance or market targets for the 2011 through 2012 performance period. The Board approved these shares in February 2013, including shares with market targets at near maximum levels.

As of December 31, 2013, PNMR's stock-based compensation program provides for performance and market targets through 2015. Excluded from the above table are 112,864 shares approved by the Board in February 2014 (based upon achieving market targets, weighted at 60%, at maximum levels and performance targets, weighted at 40%, at below threshold levels for the 2011 through 2013 performance period), as well as maximums of 198,369 and 179,811 shares for the three-year performance periods ending in 2014 and 2015 that would be awarded if all performance and market criteria are achieved at maximum levels and all executives remain eligible.

In March 2012, the Company entered into a retention award agreement with its Chairman, President, and Chief Executive Officer under which she would receive 135,000 shares of PNMR's common stock if the Company meets specific market targets at the end of 2016 and she remains an employee of the Company. If the Company achieves specific market targets at the end of 2014 and she remains an employee of the Company, she would receive 35,000 of the total shares at that time. The retention award was made under the PEP and was approved by the Board on February 28, 2012. The above table does not include any restricted stock shares under the retention award agreement.

At December 31, 2013, the aggregate intrinsic value of stock options outstanding, all of which are exercisable, was $7.3 million with a weighted-average remaining contract life of 3.43 years. At December 31, 2013, the exercise price of 509,916 outstanding stock options is greater than the closing price of PNMR common stock on that date so those options have no intrinsic value.

The following table provides additional information concerning stock options, and restricted stock activity including performance-based and market-based shares:

	Year Ended December 31,		
Stock Options	**2013**	**2012**	**2011**
Weighted-average grant date fair value of options granted	$ —	$ —	$ —
Total fair value of options that vested (in thousands)	$ 625	$ 1,054	$ 1,189
Total intrinsic value of options exercised (in thousands)	$ 2,721	$ 6,356	$ 2,616
Restricted Stock			
Weighted-average grant date fair value	$ 20.03	$ 16.75	$ 13.79
Total fair value of restricted shares that vested (in thousands)	$ 4,395	$ 5,099	$ 1,240

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

(14) Construction Program and Jointly-Owned Electric Generating Plants

PNM's expenditures for additions to utility plant were $239.9 million in 2013, including expenditures on jointly-owned projects. TNMP does not participate in the ownership or operation of any generating plants, but incurred expenditures for additions to utility plant of $89.1 million during 2013. On a consolidated basis, PNMR's expenditures for additions to utility plant were $348.0 million in 2013.

Joint Projects

Under the agreements for the jointly-owned projects, PNM has an undivided interest in each asset and liability of the project and records its pro-rata share of each item in the corresponding asset and liability account on PNM's Consolidated Balance Sheets. Likewise, PNM records its pro-rata share of each item of operating and maintenance expenses for its jointly-owned plants within the corresponding operating expense account in its Consolidated Statements of Earnings. PNM is responsible for financing its share of the capital and operating costs of the joint projects.

At December 31, 2013, PNM's interests and investments in jointly-owned generating facilities are:

Station (Fuel Type)	Plant in Service	Accumulated Depreciation	Construction Work in Progress	Composite Interest
		(In thousands)		
SJGS (Coal)	$ 1,004,138	$ (414,054)	$ 13,860	46.30%
PVNGS (Nuclear) [1]	$ 508,426	$ (141,347)	$ 43,627	10.20%
Four Corners Units 4 and 5 (Coal)	$ 159,016	$ (100,462)	$ 3,236	13.00%
Luna (Gas)	$ 62,873	$ (17,743)	$ 169	33.33%

[1] Includes interest in PVNGS Unit 3, interest in common facilities for all PVNGS units, and owned interests in PVNGS Units 1 and 2.

San Juan Generating Station

PNM operates and jointly owns SJGS. SJGS Units 1 and 2 are owned on a 50% shared basis with Tucson. SJGS Unit 3 is owned 50% by PNM, 41.8% by SCPPA, and 8.2% by Tri-State. SJGS Unit 4 is owned 38.457% by PNM, 28.8% by M-S-R Public Power Agency, 10.04% by the City of Anaheim, California, 8.475% by the City of Farmington, New Mexico, 7.2% by the County of Los Alamos, New Mexico, and 7.028% by UAMPS. See Note 16 for additional information about SJGS, including the potential restructuring of SJGS ownership.

Palo Verde Nuclear Generating Station

PNM is a participant in the three units of PVNGS, also known as the Arizona Nuclear Power Project, with APS (the operating agent), SRP, EPE, SCE, SCPPA, and The Department of Water and Power of the City of Los Angeles. PNM has a 10.2% undivided interest in PVNGS, with portions of its interests in Units 1 and 2 held under leases. See Note 7 for additional information concerning the PVNGS leases, including PNM's notices that it will exercise its option to purchase the assets underlying certain of the leases at the expiration of the leases on January 15, 2016.

Operation of each of the three PVNGS units requires an operating license from the NRC. The NRC issued full power operating licenses for Unit 1 in June 1985, Unit 2 in April 1986, and Unit 3 in November 1987. The full power operating licenses were originally for a period of 40 years and authorize APS, as operating agent for PVNGS, to operate the three PVNGS units. On April 21, 2011, the NRC approved extensions in the operating licenses for the plants for 20 years through June 2045 for Unit 1, April 2046 for Unit 2, and November 2047 for Unit 3. In April 2010, APS entered into a Municipal Effluent Purchase and Sale Agreement that provides effluent water rights necessary for cooling purposes at PVNGS through 2050.

Four Corners Power Plant

PNM is a participant in two units of Four Corners with APS (the operating agent), EPE, SRP, and Tucson. PNM has a 13.0% undivided interest in Units 4 and 5 of Four Corners. The Four Corners plant site is leased from the Navajo Nation and is also subject to an easement from the federal government. APS, on behalf of the Four Corners participants, negotiated amendments to an existing facility lease with the Navajo Nation, which extends the Four Corners leasehold interest from 2016 to 2041. The Navajo Nation approved these amendments in March 2011. The effectiveness of the amendments also requires the approval of the DOI, as does a related federal rights-of-way grant, which the Four Corners participants are pursuing. A federal environmental review is underway as part of the DOI review process. APS will also require a PSD permit from EPA to install SCR technology at Four Corners. PNM cannot predict whether these federal approvals will be granted, and if so on a timely basis, or whether any conditions that may be attached to them will be acceptable to PNM and the other Four Corners owners. See Note 16 for additional information about Four Corners.

Luna Energy Facility

Luna is a combined-cycle power plant near Deming, New Mexico. Luna is owned equally by PNM, Tucson, and Freeport McMoRan. The operation and maintenance of the facility has been contracted to North American Energy Services.

Construction Program

The Company anticipates making substantial capital expenditures for the construction and acquisition of utility plant and other property and equipment. An unaudited summary of the budgeted construction expenditures, including expenditures for jointly-owned projects, and nuclear fuel, is as follows:

	2014	2015	2016	2017	2018	Total
			(In millions)			
PNM	$ 360.8	$ 433.7	$ 387.3	$ 335.4	$ 181.7	$ 1,698.9
TNMP	129.9	76.0	87.8	93.9	106.4	494.0
Corporate and Other	18.3	14.3	14.2	13.8	13.7	74.3
Total PNMR	$ 509.0	$ 524.0	$ 489.3	$ 443.1	$ 301.8	$ 2,267.2

The construction expenditure estimates are under continuing review and subject to ongoing adjustment, as well as to Board review and approval. The construction expenditures above include estimated amounts of $80.0 million related to environmental upgrades at SJGS to address regional haze and $276.3 million related to the identified sources of replacement capacity under the revised plan for compliance described in Note 16. The above construction expenditures also include additional renewable resources anticipated to be required to meet the RPS, additional peaking resources needed to meet needs outlined in PNM's current IRP, environmental upgrades at Four Corners estimated to be $80.3 million, the purchase of the leased portion of the EIP and the assets underlying three of the PVNGS Unit 2 leases at the expiration of those leases, and the anticipated purchase of Delta.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

(15) Asset Retirement Obligations

AROs are recorded based on the determination of underlying assumptions, such as discount rates, estimates of the future costs for decommissioning, and the timing of the removal activities to be performed. Any changes in these assumptions underlying the required calculations may require revisions to the estimated AROs when identified. A reconciliation of the ARO liability is as follows:

	PNMR	PNM	TNMP
		(In thousands)	
Liability at December 31, 2010	$ 76,637	$ 75,888	$ 648
Liabilities incurred	60	60	—
Liabilities settled	(4)	—	(4)
Accretion expense	6,114	6,051	55
Revisions to estimated cash flows [1]	(3,574)	(3,574)	—
Liability at December 31, 2011	79,233	78,425	699
Liabilities incurred	—	—	—
Liabilities settled	(25)	—	(25)
Accretion expense	6,685	6,617	58
Liability at December 31, 2012	85,893	85,042	732
Liabilities incurred	—	—	—
Liabilities settled	(79)	(67)	(12)
Accretion expense	7,245	7,174	62
Revisions to estimated cash flows[1]	3,076	3,076	—
Liability at December 31, 2013	$ 96,135	$ 95,225	$ 782

[1] Based on studies to estimate the amount and timing of future ARO expenditures. PNM has an ARO for PVNGS that includes the obligations for nuclear decommissioning of that facility. In 2011 and 2013, new decommissioning studies for PVNGS were implemented reflecting updated cash flow estimates, including the extended operating licenses. The new studies resulted in a $4.2 million decrease to the ARO in 2011 and an increase of $0.5 million to the ARO in 2013. In addition, a new decommissioning study for SJGS was implemented in 2013, resulting in a $2.5 million increase to the ARO.

(16) Commitments and Contingencies

Overview

There are various claims and lawsuits pending against the Company. The Company is also subject to federal, state, and local environmental laws and regulations and periodically participates in the investigation and remediation of various sites. In addition, the Company occasionally enters into financial commitments in connection with its business operations. The Company is also involved in various legal and regulatory (Note 17) proceedings in the normal course of its business. It is not possible at this time for the Company to determine fully the effect of all litigation and other legal and regulatory proceedings on its financial position, results of operations, or cash flows.

With respect to some of the items listed below, the Company has determined that a loss is not probable or that, to the extent probable, cannot be reasonably estimated. In some cases, the Company is not able to predict with any degree of certainty the range of possible loss that could be incurred. Notwithstanding these facts, the Company has assessed these matters based on current information and made judgments concerning their potential outcome, giving due consideration to the nature of the claim, the amount and nature of damages sought, and the probability of success. Such judgments are made with the understanding that the outcome of any litigation, investigation, and other legal proceeding is inherently uncertain. In accordance with GAAP, the Company records liabilities for matters where it is probable a loss has been incurred and the amount of loss is reasonably estimable.

The actual outcomes of the items listed below could ultimately differ from the judgments made and the differences could be material. The Company cannot make any assurances that the amount of reserves or potential insurance coverage will be sufficient to cover the cash obligations that might be incurred as a result of litigation or regulatory proceedings. The Company does not expect that any known lawsuits, environmental costs, and commitments will have a material effect on its financial condition, results of operations, or cash flows.

Commitments and Contingencies Related to the Environment

PVNGS Decommissioning Funding

PNM has a program for funding its share of decommissioning costs for PVNGS, including portions held under leases. The nuclear decommissioning funding program is invested in equities and fixed income instruments in qualified and non-qualified trusts. PNM funded $4.9 million, $2.6 million, and $2.6 million for the years ended December 31, 2013, 2012, and 2011 into the qualified and non-qualified trust funds. The estimated market value of the trusts at December 31, 2013 and 2012 was $222.5 million and $189.0 million.

Nuclear Spent Fuel and Waste Disposal

Nuclear power plant operators are required to enter into spent fuel disposal contracts with the DOE that require the DOE to accept and dispose of all spent nuclear fuel and other high-level radioactive wastes generated by domestic power reactors. Although the Nuclear Waste Policy Act required the DOE to develop a permanent repository for the storage and disposal of spent nuclear fuel by 1998, the DOE announced that it would not be able to open the repository by 1998 and sought to excuse its performance of these requirements. In November 1997, the D.C. Circuit issued a decision preventing the DOE from excusing its own delay, but refused to order the DOE to begin accepting spent nuclear fuel. Based on this decision and the DOE's delay, a number of utilities, including APS (on behalf of itself and the other PVNGS owners, including PNM), filed damages actions against the DOE in the Court of Federal Claims. In 2010, the court ordered an award to the PVNGS owners for their damages claim for costs incurred through December 2006. As part of the 2010 Electric Rate Case, the NMPRC ordered PNM to refund $1.3 million of the DOE settlement to customers, which was recorded as a regulatory disallowance in 2011. See Note 17. APS filed a subsequent lawsuit, on behalf of itself and the other PVNGS owners, against DOE in the Court of Federal Claims on December 19, 2012. The lawsuit alleges that from January 1, 2007, through June 30, 2011, APS, as a co-owner of PVNGS, incurred additional damages due to DOE's continuing failure to remove spent nuclear fuel and high level waste from PVNGS. PNM is unable to predict the outcome of this matter.

PNM estimates that it will incur approximately $58.0 million (in 2013 dollars) for its share of the costs related to the on-site interim storage of spent nuclear fuel at PVNGS during the term of the operating licenses. PNM accrues these costs as a component of fuel expense as the fuel is consumed. At December 31, 2013 and 2012, PNM had a liability for interim storage costs of $11.9 million and $13.9 million included in other deferred credits.

On June 8, 2012, the D.C. Circuit issued its decision on a challenge by several states and environmental groups of the NRC's rulemaking regarding temporary storage and permanent disposal of high-level nuclear waste and spent nuclear fuel. The petitioners had challenged the NRC's 2010 update to the agency's Waste Confidence Decision. The D.C. Circuit found that the agency's 2010 Waste Confidence Decision update constituted a major federal action, which requires either an environmental impact statement or a finding of no significant impact from the agency's actions. The D.C. Circuit found that the NRC's evaluation of the environmental risks from spent nuclear fuel was deficient, and therefore remanded the 2010 Waste Confidence Decision update for further action. In September 2012, the NRC issued a directive to its staff to proceed with development of a generic environmental impact statement to support an updated Waste Confidence Decision within 24 months. In September 2013, the NRC issued its draft environmental impact statement to support an updated Waste Confidence Decision. In late 2013, the NRC held a series of nationwide public meetings to receive stakeholder input on the draft environmental impact statement. NRC Commissioners have instructed the staff to issue the final generic environmental impact statement and rule by no later than September 2014. Untimely resolution by the NRC of the remand from the D.C. Circuit could have an adverse impact on certain NRC licensing actions. Currently, PVNGS does not have any licensing actions pending with the NRC. The petitioners had also sought a writ requiring the NRC to comply with the law and resume processing DOE's pending license application for a nuclear waste site at Yucca Mountain in Nevada. In August 2013, the D.C. Circuit ordered the NRC to resume reviewing the license application. PNM is unable to predict the impact of these decisions.

In 2011, the National Association of Regulatory Utility Commissioners and the Nuclear Energy Institute challenged DOE's 2010 determination of the adequacy of the one tenth of a cent per KWh fee (the "one-mill fee") paid by the nation's commercial nuclear power plant owners pursuant to their individual contracts with the DOE. This fee is recovered by PNM in its retail rates. In June 2012, the D.C. Circuit held that DOE failed to conduct a sufficient fee analysis in making the 2010 determination. The D.C. Circuit remanded the 2010 determination to the DOE with instructions to conduct a new fee adequacy determination within six months. In February 2013, upon completion of DOE's revised one-mill fee adequacy determination, the court reopened the proceedings. On November 19, 2013, the D.C. Circuit ordered the DOE to notify Congress of the intent to suspend collecting annual fees for nuclear waste disposal from nuclear power plant operators. On January 3, 2014, the DOE notified Congress of the intention to suspend collection of the one-mill fee, subject to Congress' disapproval. PNM anticipates challenges to this action and is unable to predict its ultimate outcome, but is continuing to accrue the one-mill fee.

The Clean Air Act

Regional Haze

In 1999, EPA developed a regional haze program and regional haze rules under the CAA. The rule directs each of the 50 states to address regional haze. Pursuant to the CAA, states have the primary role to regulate visibility requirements by promulgating SIPs. States are required to establish goals for improving visibility in national parks and wilderness areas (also known as Class I areas) and to develop long-term strategies for reducing emissions of air pollutants that cause visibility impairment in their own states and for preventing degradation in other states. States must establish a series of interim goals to ensure continued progress. The first planning period specifies setting reasonable progress goals for improving visibility in Class I areas by the year 2018. In July 2005, EPA promulgated its final regional haze rule guidelines for states to conduct BART determinations for certain covered facilities, including utility boilers, built between 1962 and 1977 that have the potential to emit more than 250 tons per year of visibility impairing pollution. If it is demonstrated that the emissions from these sources cause or contribute to visibility impairment in any Class I area, then BART must be installed by 2018.

SJGS

BART Determination Process - SJGS is a source that is subject to the statutory obligations of the CAA to reduce visibility impacts. The State of New Mexico submitted its SIP on the regional haze and interstate transport elements of the visibility rules for review by EPA in June 2011. The SIP found that BART to reduce NOx emissions from SJGS is selective non-catalytic reduction technology ("SNCR"). Nevertheless, in August 2011, EPA published its FIP, stating that it was required to do so by virtue of a consent decree it had entered into with an environmental group in litigation concerning the interstate transport requirements of the CAA. The FIP included a regional haze BART determination for SJGS that requires installation of selective catalytic reduction technology ("SCR") with stringent NOx emission limits on all four units by September 21, 2016.

PNM, the Governor of New Mexico, and NMED petitioned the Tenth Circuit to review EPA's decision and requested EPA to reconsider its decision. The Tenth Circuit denied petitions to stay the effective date of the rule on March 1, 2012. These parties have also formally asked EPA to stay the effective date of the rule. Several environmental groups have intervened in support of EPA. WEG also filed an action to challenge EPA's rule in the Tenth Circuit, seeking to shorten the rule's compliance period from five years to three years and PNM has intervened in this action. Oral arguments on the merits of the FIP challenges were held in October 2012 in the Tenth Circuit. In accordance with the court's order, the parties have filed supplemental information.

In litigation involving several environmental groups, the United States District Court for the District of Columbia entered a consent decree, which, as amended, required EPA to issue a final rulemaking on New Mexico's regional haze SIP by November 15, 2012. EPA approved all components of the SIP, except for the NOx BART determination for SJGS. With respect to that element of the SIP, EPA determined that with the FIP in place, it had met its obligation under the consent decree.

Because the unchanged compliance deadline of the FIP required PNM to continue to take steps to commence installation of SCRs at SJGS, PNM entered into a contract in October 2012 with an engineering, procurement, and construction contractor to install SCRs on behalf of the SJGS owners. The construction contract, which includes termination provisions in the event that SCRs are determined in the future to be unnecessary, has been suspended through November 1, 2014. At that time, PNM estimated the total cost to install SCRs on all four units of SJGS to be between approximately $824 million and $910 million, which amounts include costs for construction management, gross receipts taxes, AFUDC, and other PNM costs, although final costs would be

refined through an "open book" subcontractor bidding process. The costs for the project to install SCRs would also encompass installation of technology to comply with the NAAQS requirements described below.

Also, PNM had previously indicated it estimated the cost of SNCRs on all four units of SJGS to be between approximately $85 million and $90 million based on a conceptual design study. Along with the SNCR installation, additional equipment would be required to be installed to meet the NAAQS requirements described below, the cost of which had been estimated to total between approximately $105 million and $110 million for all four units of SJGS. The estimates for SNCRs and the NAAQS requirements include gross receipts taxes, AFUDC, and other PNM costs.

Based upon its current SJGS ownership interest, PNM's share under either SCRs or SNCRs would be about 46.3%.

During 2012 and early 2013, PNM, as the operating agent for SJGS, engaged in discussions with NMED and EPA regarding an alternative to the FIP and SIP. Following approval by a majority of the other SJGS owners, PNM, NMED, and EPA agreed on February 15, 2013 to pursue a revised plan that could provide a new BART path to comply with federal visibility rules at SJGS, subject to approval by EIB and EPA. The terms of the non-binding agreement would result in the retirement of SJGS Units 2 and 3 by the end of 2017 and the installation of SNCRs on Units 1 and 4 by the later of January 31, 2016 or 15 months after EPA approval of a revised SIP. Certain aspects of this alternative are subject to approval by the NMPRC. At December 31, 2013, PNM's net book value of its ownership share of SJGS Units 2 and 3 was approximately $287 million.

Contemporaneously with the signing of the non-binding agreement, EPA indicated in writing that if the terms agreed to do not move forward due to circumstances outside of the control of PNM and NMED, EPA will work with the State of New Mexico and PNM to create a reasonable FIP compliance schedule to reflect the time used to develop the revised SIP.

This revised plan primarily focuses on how SJGS would meet the regional haze rule and also indicates that PNM would build a natural gas-fired generating plant to be sited at SJGS to partially replace the capacity from the retired coal units. Detailed replacement power strategies also would be finalized. PNM believes adequate replacement power alternatives will be available to meet its generation needs and ensure reliability.

In connection with the implementation of the revised plan, retirement of SJGS Units 2 and 3 could result in shifts in ownership among SJGS owners or other changes in the contractual cost sharing arrangements, as may be agreed upon by the owners. See SJGS Ownership Restructuring Matters below. Owners of the affected units also may seek approvals of their utility commissions or governing boards.

The parties file periodic status reports with the Tenth Circuit. To demonstrate that progress has been made toward settling the Tenth Circuit litigation, information, including the non-binding agreement and its accompanying timeline, was submitted to the Tenth Circuit. Following the parties' submission of their status reports, on February 28, 2013, the Tenth Circuit referred the litigation to the Tenth Circuit Mediation Office, which has authority to require the parties to attend mediation conferences to informally resolve issues in the pending appeals. On October 17, 2013, the court ruled on a motion filed by PNM for abatement of the pending petitions for review and seeking deferral of briefing on a simultaneously filed motion to stay the EPA rule. The court placed the pending petitions for review in abeyance and set a schedule for the parties to file status reports. The court ruled that, if at any time the agreement in principle fails or is not implemented as was indicated in the term sheet and timeline, any party to the litigation may file a motion seeking to lift the abatement. PNM is continuing to evaluate the impacts of these matters, but is unable to predict their ultimate outcomes.

Due to the long lead times on certain equipment purchases, PNM began taking steps to prepare for the potential installation of SNCRs on Units 1 and 4. In April 2013, PNM issued an RFP for SNCR system design and technology. In May 2013, PNM entered into an SNCR equipment and related services contract with an SNCR technology provider, but has not yet entered into a construction and procurement contract.

On July 10, 2013, the NMPRC issued an order initiating a proceeding regarding the possible retirement of SJGS Units 2 and 3 and impacts on service reliability, and other items. The order required PNM to make monthly presentations to the NMPRC on this matter. The NMPRC closed this docket on January 22, 2014.

In accordance with the revised plan, PNM submitted a new BART analysis to NMED on April 1, 2013, reflecting the terms of the non-binding agreement, including the installation of SNCRs on Units 1 and 4 and the retirement of Units 2 and 3. NMED developed a revised SIP and submitted it to the EIB for approval in May 2013. After a public hearing, the EIB approved the revised SIP in September 2013 and the revised SIP was submitted to EPA for approval on October 18, 2013. EPA deemed the SIP application complete on December 17, 2013. It is anticipated that EPA will publish its proposed action on the revised SIP within 135 days of determining it was complete. Final EPA action on the revised SIP is expected within 150 days of publishing the proposed action, which would be about the end of September 2014.

On December 20, 2013, PNM made a filing with the NMPRC requesting certain approvals necessary to effectuate the revised SIP. In this filing, PNM requests:

- Permission to retire SJGS Units 2 and 3 at December 31, 2017 and to recover over 20 years their net book value at that date, currently estimated to be approximately $205 million, along with a regulated return on those costs
- A CCN to include PNM's ownership of PVNGS Unit 3, amounting to 134 MW, as a resource to serve New Mexico retail customers at a proposed value of $2,500 per KW, effective January 1, 2018
- An order allowing cost recovery for PNM's share of the installation of SNCR equipment and the additional equipment to comply with NAAQS requirements on SJGS Units 1 and 4, not to exceed a total cost of $82 million
- A CCN for an exchange of capacity out of SJGS Unit 3 and into SJGS Unit 4, resulting in ownership of an additional 78 MW in Unit 4 for PNM. The expected net impact of this transaction and the retirement of Units 2 and 3 will be a reduction of 340 MW in PNM's ownership of SJGS.

In its filing, PNM requested the NMPRC to issue its final ruling on the application no later than December 2014. On January 22, 2014, the NMPRC directed PNM to file supplemental testimony in support of its application, determined that the application was incomplete, and that the statutory time clock for a decision on the CCNs has not started. PNM filed the supplemental testimony on February 5, 2014. On February 11, 2014, the Hearing Examiner issued an order finding that PNM's application is now complete. The order also stated that there was not a statutory time clock for the request to retire SJGS Units 2 and 3 and the statutory time clock on the CCN requests has not yet begun. The Hearing Examiner indicated the NMPRC should proceed with the review of PNM's application and establish a schedule that would allow NMPRC action on the application by the end of 2014. The Hearing Examiner indicated that he will schedule a public hearing to begin on August 19, 2014.

The above estimate of PNM's share of the costs to install SNCRs and the additional equipment to comply with NAAQS requirements on SJGS Units 1 and 4 includes gross receipts taxes, AFUDC, and other PNM costs. This amount and the above estimate of net book value of SJGS Units 2 and 3 at December 31, 2017 reflect the requested exchange of capacity out of SJGS Unit 3 and into SJGS Unit 4 resulting in PNM's ownership share of SJGS Units 1 and 4 aggregating approximately 52%. The December 20, 2013 filing identifies a new 177 MW natural gas fired generation source and 40 MW of new utility-scale solar generation to replace a portion of PNM's share of the reduction in generating capacity due to the retirement of SJGS Units 2 and 3. Specific approvals to acquire these facilities and the treatment of associated costs will be made in future filings. PNM estimates the cost of these identified resources would be approximately $276.3 million. These amounts are included in PNM's current construction expenditure forecast although approval of the plan remains subject to numerous conditions. Although operating costs will be reduced due to the retirement of SJGS Units 2 and 3, the operating costs for SJGS Units 1 and 4 would increase with the installation of either SCRs or SNCRs. See Note 17 for additional information concerning PNM's filing for NMPRC approvals regarding these matters.

PNM can provide no assurance that the requirements of the plan agreed to on February 15, 2013 will be accomplished within the required timeframes or at all. If the February 15, 2013 plan is not implemented, PNM would seek to work with NMED and EPA to develop a revised timetable for implementation of the FIP. If an agreement on a revised timetable cannot be reached, PNM will likely be unable to complete the installation of SCRs on all four units at SJGS by the FIP deadline of September 21, 2016. In such event, PNM would need to rely on EPA's pledge to work with PNM and the State of New Mexico to develop a reasonable FIP compliance plan or otherwise negotiate a solution with EPA or seek relief from the Tenth Circuit in order to continue

to be able to operate the plant, including during the installation process for any alternate solution. If relief is not granted, PNM could be forced to temporarily cease operation of some or all of the SJGS units. If a shutdown was required, PNM would then have to acquire temporary replacement power through short-term or open-market purchases in order to serve the needs of its customers. There can be no assurance that sufficient replacement power will be available to serve PNM's needs or, if available, what costs would be incurred.

PNM is unable to predict the ultimate outcome of these matters or what additional pollution control equipment will be required at SJGS. PNM will seek recovery from its ratepayers for all costs that may be incurred as a result of the CAA requirements. Although the additional equipment and other final requirements will result in additional capital and operating costs being incurred, PNM believes that its access to the capital markets is sufficient to be able to finance the installation. It is possible that requirements to comply with the CAA, combined with the financial impact of possible future climate change regulation or legislation, if any, other environmental regulations, the result of litigation, and other business considerations, could jeopardize the economic viability of SJGS or the ability or willingness of individual participants to continue participation in the plant.

SJGS Ownership Restructuring Matters - SJGS is jointly owned by PNM and eight other entities, including three participants that operate in the State of California. Furthermore, each participant does not have the same ownership interest in each unit. The SJPPA that governs the operation of SJGS expires on July 1, 2022 and the contract with SJCC to supply the coal requirements of the plant expires on December 31, 2017. The California participants have indicated that, under California law, they may be prohibited from making significant capital improvements to SJGS. Accordingly, they have stated they would be unable to fully fund the construction of either SCRs or SNCRs at SJGS. Therefore, the California participants have expressed the intent to exit their ownership in SJGS no later than the expiration of the current SJPPA. One other participant has also expressed a similar intent to exit ownership in the plant. PNM is unable to predict the actions of the SJGS participants. Likewise, PNM cannot predict the impact of those actions on the ownership of SJGS or the operations of SJGS and PNM.

The SJGS participants have engaged in negotiations concerning the implementation of the revised SIP to address BART at SJGS. The negotiations have included potential shifts in ownership among participants and between units in order to facilitate the shutdown of SJGS Units 2 and 3 to comply with the revised SIP and to accommodate the intent of the participants desiring to exit ownership in SJGS. This could result in certain of the continuing participants, including PNM, acquiring additional ownership interests in Unit 4. In this regard, PNM's December 20, 2013 filing requested NMPRC approval to exchange 78 MW of its capacity in SJGS Unit 3 for an equal amount of capacity in SJGS Unit 4. In addition to shifts in ownership, the discussions among the SJGS participants regarding restructuring have included, among other matters, the treatment of plant decommissioning obligations, mine reclamation obligations, environmental matters, and certain ongoing operating costs. These discussions could result in PNM acquiring more than 78 MW of SJGS Unit 4. The SJGS participants have engaged a mediator to assist in facilitating resolution of a number of outstanding matters among the owners. Although discussions are continuing, no agreements have been reached. PNM is unable to predict the outcome of the negotiations.

The SJPPA requires PNM, as operating agent, to obtain approval of capital improvement project expenditures from participants who have an ownership interest in the relevant unit or common property. As provided in the SJPPA, specified percentages of both the outstanding participant shares, based on MW ownership, and the number of participants in the unit or common property must be obtained in order for a capital improvement project to be approved. PNM presented the SNCR project, including NAAQS compliance requirements, to the participants in Unit 1 and Unit 4 for approval in late October 2013. The project was approved for Unit 1, but the Unit 4 project, which includes some of the California participants, did not obtain the required percentage of votes for approval. Other capital projects related to Unit 4 were also not approved by the participants. The SJPPA provides that PNM, in its capacity as operating agent of SJGS, is authorized and obligated to take reasonable and prudent actions necessary for the successful and proper operation of SJGS pending the resolution, by arbitration or otherwise, of any inability or failure to agree by the participants. PNM is evaluating its responsibilities and obligations as operating agent under the SJPPA regarding the SJGS Unit 4 capital projects that were not approved by the participants and will take reasonable and prudent actions as it deems necessary. PNM cannot predict the outcome of this matter, its impact on SJGS' compliance with the CAA, or the impact on PNM's financial position and results of operations.

Four Corners

On August 6, 2012, EPA issued its final BART determination for Four Corners. The rule included two compliance alternatives. On December 30, 2013, APS notified EPA that the Four Corners participants selected the alternative that required APS to close permanently Units 1-3 by January 1, 2014 and install SCR post-combustion NOx controls on each of Units 4 and 5 by July 31, 2018. PNM owns a 13% interest in Units 4 and 5, but has no ownership interest in Units 1, 2, and 3, which were shutdown by APS on December 30, 2013. For particulate matter emissions, EPA is requiring Units 4 and 5 to meet an emission limit of 0.015 lb/MMBTU and the plant to meet a 20% opacity limit, both of which are achievable through operation of the existing baghouses. Although unrelated to BART, the final BART rule also imposes a 20% opacity limitation on certain fugitive dust emissions from Four Corners' coal and material handling operations.

SCE, a participant in Four Corners, indicated that certain California legislation may prohibit it from making emission control expenditures at Four Corners. APS and SCE entered into an asset purchase agreement, providing for the purchase by APS of SCE's 48% interest in each of Units 4 and 5 of Four Corners. A principal condition to closing was the execution of a new coal supply contract for Four Corners on terms reasonably acceptable to APS. See Coal Supply below.

On December 30, 2013, APS announced the closing of its purchase of SCE's 48% interest in each of Units 4 and 5 of Four Corners. Concurrently with the closing of the SCE transaction, the ownership of the coal supplier and operator of the mine that serves Four Corners, was transferred to a company formed by the Navajo Nation to own the mine and develop other energy projects. Also occurring concurrently, the Four Corners co-owners executed a long term agreement for the supply of coal to Four Corners from July 2016, when the current coal supply agreement expires, through 2031.

The Four Corners participants' obligations to comply with EPA's final BART determinations, coupled with the financial impact of possible future climate change regulation or legislation, other environmental regulations, and other business considerations, could jeopardize the economic viability of Four Corners or the ability of individual participants to continue their participation in Four Corners.

PNM is continuing to evaluate the impacts of EPA's BART determination for Four Corners. PNM estimates its share of costs, including PNM's AFUDC, to be up to approximately $80.3 million for post-combustion controls at Four Corners Units 4 and 5. PNM would seek recovery from its ratepayers of all costs that are ultimately incurred. PNM is unable to predict the ultimate outcome of this matter.

Four Corners BART FIP Challenge

On October 22, 2012, WEG filed a petition for review in the Ninth Circuit challenging the Four Corners BART FIP. In its petition, WEG alleges that the final BART rule results in more air pollution being emitted into the air than allowed by law and that EPA failed to follow the requirements of the ESA. APS intervened in this matter and filed a motion to dismiss this lawsuit for lack of jurisdiction or alternatively to transfer the lawsuit to the Tenth Circuit. On February 25, 2013, the Ninth Circuit denied APS' motion to dismiss, but granted the request to transfer the case to the Tenth Circuit. Oral argument was presented before the Tenth Circuit on January 23, 2014. A decision is expected before the end of 2014. PNM cannot currently predict the outcome of this matter or the range of its potential impact.

Regional Haze Challenges

On December 27, 2012, WEG filed a petition for review in the Tenth Circuit challenging the SO_2 and particulate matter emissions elements of EPA's approval of New Mexico's Regional Haze SIP. On February 26, 2013, HEAL Utah and other environmental groups filed petitions in the Tenth Circuit challenging EPA's final approval of the remaining elements of New Mexico's Regional Haze SIP, as well as EPA's approval of the Albuquerque/Bernalillo County Air Quality Control Board SIP. PNM was granted intervention in both matters and the Tenth Circuit consolidated the two matters based on the similarity of issues. This matter is now proceeding in the Tenth Circuit. All briefing has been completed and filed with the court. Oral argument is scheduled before the Tenth Circuit on March 20, 2014. PNM is continuing to evaluate the impacts of these matters, but is unable to predict their ultimate outcomes.

SJGS Operating Permit Challenge

On February 16, 2012, EPA issued its response to a WEG petition objecting to SJGS's operating permit granted by the NMED in January 2011. In its order, EPA required NMED to provide clarification on several of the matters raised by WEG. EPA's order in this matter does not constitute a finding that the plant has violated any provision of the CAA or that it has exceded any emission limits.

In August 2012, NMED issued a response to the EPA order stating that SJGS's operating permit would be reopened to make certain modifications to the permit. NMED issued a public notice regarding proposed modifications to the SJGS operating permit on September 19, 2012 and issued a revised operating permit on November 26, 2012. The revised permit includes changes to the SO_2 and particulate matter emission limits that were previously incorporated into the SJGS NSR permit. In addition, the revised permit requires PNM to submit a compliance plan to address carbon monoxide ("CO") emissions increases at SJGS Unit 2. PNM submitted a compliance plan in May 2013 and considers this matter resolved.

National Ambient Air Quality Standards ("NAAQS")

The CAA requires EPA to set NAAQS for pollutants considered harmful to public health and the environment. EPA has set NAAQS for certain pollutants, including NOx, SO_2, ozone, and particulate matter. In 2010, EPA updated the primary NOx and SO_2 NAAQS to include a 1-hour maximum standard while retaining the annual standards for NOx and SO_2 and the 24-hour SO_2 standard. New Mexico is in attainment for the 1-hour NOx NAAQS. EPA has issued draft guidance on how to determine whether areas in a state comply with the new 1-hour SO_2 NAAQS. On May 21, 2013, EPA released draft guidance on characterizing air quality in areas with limited or no monitoring data near existing SO_2 sources. This characterization will result in these areas being designated as attainment, nonattainment, or unclassified for compliance with the 1-hour SO_2 NAAQS. Although the determination process has not been finalized, PNM believes that compliance with the 1-hour SO_2 standard may require operational changes and/or equipment modifications at SJGS. On June 4, 2013, Sierra Club and National Resource Defense Council issued a NOI to sue EPA for failure to issue non-attainment designations for areas they claim to be in violation of the 2010 1-hour SO_2 standard. On April 6, 2012, PNM filed an application for an amendment to its air permit for SJGS, which would be required for the installation of either SCRs or SNCRs described above. In addition, this application included a proposal by PNM to install equipment modifications for the purpose of reducing fugitive emissions, including NOx, SO_2, and particulate matter. These modifications would help SJGS meet the NAAQS. It is anticipated that this technology would be installed at the same time as the installation of regional haze BART controls, in order to most efficiently and cost effectively conduct construction activities at SJGS. The cost of this technology is dependent upon the type of control technology that is ultimately determined to be NOx BART at SJGS. See Regional Haze - SJGS above.

EPA finalized revisions to its NAAQS for fine particulate matter on December 14, 2012. PNM believes the equipment modifications discussed above will assist the plant in complying with the particulate matter NAAQS.

In January 2010, EPA announced it would strengthen the 8-hour ozone standard by setting a new standard in a range of 0.060-0.070 parts per million. EPA is reviewing its 2008 standard and has stated it intends to propose a new standard. Although EPA has not announced a timeline for its review, it may release new proposed standards in the second half of 2014. Depending upon where the standard for ozone is set, San Juan County, where SJGS is situated, could be designated as not attaining the standard for ozone. If that were to occur, NMED would have responsibility for bringing the county into compliance and would look at all sources of NOx and volatile organic compounds since these are the pollutants that form ground-level ozone. As a result, SJGS could be required to install further NOx controls to meet a new ozone NAAQS. In addition, other counties in New Mexico, including Bernalillo County, may be designated as non-attainment. PNM cannot predict the outcome of this matter, the impact of other potential environmental mitigations, or if additional NOx controls would be required as a result of ozone non-attainment designation.

Citizen Suit Under the Clean Air Act

The operations of SJGS are covered by a Consent Decree with the Grand Canyon Trust and Sierra Club and with the NMED that includes stipulated penalties for non-compliance with specified emissions limits. Stipulated penalty amounts are placed in escrow on a quarterly basis pending review of SJGS's emissions performance. In May 2011, PNM entered into an agreement with NMED and the plaintiffs to resolve a dispute over the applicable NOx emission limits under the Consent Decree.

Under the agreement, so long as the NOx emissions limits imposed under the EPA FIP and the New Mexico SIP meet a specified emissions limit, and PNM does not challenge these limits, the parties' dispute is deemed settled.

In May 2010, PNM filed a petition with the federal district court seeking a judicial determination on a dispute relating to PNM's mercury controls. NMED and plaintiffs seek to require PNM to implement additional mercury controls. PNM estimates the implementation would increase annual mercury control costs for the entire station, which are currently $0.7 million, to a total of $6.6 million. The court appointed a special master to evaluate the technical arguments in the case and to address the detection and determination limits of the mercury monitors at SJGS and the appropriate brominated activated carbon injection rate that maximizes the reduction of mercury emissions from SJGS. The special master issued a report indicating he was unable to make a determination on either of these issues. In September 2012, PNM submitted objections to certain portions of the special master report and requested an evidentiary hearing. Also in September 2012, NMED and plaintiffs filed a motion asking the court to affirm certain findings in the special master report and order PNM to conduct additional mercury testing. The parties filed a joint status update on January 23, 2014, advising the court that the parties had reached an agreement, subject to final approval by each party's respective managing body. If approved, the parties would file a stipulated order with the court. PNM cannot predict if the agreement will be approved, the court will approve a stipulated order, or the ultimate outcome of this matter.

Section 114 Request

In April 2009, APS received a request from EPA under Section 114 of the CAA seeking detailed information regarding projects at and operations of Four Corners. EPA has taken the position that many utilities have made physical or operational changes at their plants that should have triggered additional regulatory requirements under the NSR provisions of the CAA. APS has responded to EPA's request. PNM is currently unable to predict the timing or content of EPA's response, if any, or any resulting actions.

Four Corners Clean Air Act Lawsuit

In October 2011, Earthjustice, on behalf of several environmental organizations, filed a lawsuit in the United States District Court for the District of New Mexico against APS and the other Four Corners participants alleging violations of the NSR provisions of the CAA and NSPS violations. The plaintiffs seek to have the court enjoin operations at Four Corners until APS applies for and obtains any required NSR permits and complies with the NSPS. The plaintiffs further request the court to order the payment of civil penalties, including a beneficial mitigation project. The case is being held in abeyance while the parties seek to negotiate a settlement. On March 30, 2013, upon joint motion of the parties, the court issued an order deeming the motions to dismiss withdrawn without prejudice during pendency of the stay. At such time as the stay is lifted, the Four Corners owners may reinstate their motions to dismiss without risk of default. PNM cannot currently predict the outcome of this matter or the range of its potential impact.

WEG v. OSM NEPA Lawsuit

In February 2013, WEG filed a Petition for Review in the United States District Court of Colorado against OSM challenging federal administrative decisions affecting seven different mines in four states issued at various times from 2007 through 2012. In its petition, WEG challenges several unrelated mining plan modification approvals, which were each separately approved by OSM. Of the fifteen claims for relief in the WEG Petition, two concern SJCC's San Juan mine. WEG's allegations concerning the San Juan mine arise from OSM administrative actions in 2008. WEG alleges various National Environmental Policy Act violations against OSM, including, but not limited to, OSM's alleged failure to provide requisite public notice and participation, alleged failure to analyze certain environmental impacts, and alleged reliance on outdated and insufficient documents. WEG's petition seeks various forms of relief, including voiding, reversing, and remanding the various mining modification approvals, enjoining the federal defendants from re-issuing the mining plan approvals for the mines, and enjoining operations at the seven mines. SJCC intervened in this matter and seeks to sever SJCC's claims from the lawsuit and transfer venue to the United States District Court for the District of New Mexico. PNM cannot currently predict the outcome of this matter or the range of its potential impact.

Navajo Nation Environmental Issues

Four Corners is located on the Navajo Reservation and is held under an easement granted by the federal government, as well as a lease from the Navajo Nation. The Navajo Acts purport to give the Navajo Nation Environmental Protection Agency authority to promulgate regulations covering air quality, drinking water, and pesticide activities, including those activities that occur at Four Corners. In October 1995, the Four Corners participants filed a lawsuit in the District Court of the Navajo Nation challenging the applicability of the Navajo Acts to Four Corners. In May 2005, APS and the Navajo Nation signed an agreement resolving the dispute regarding the Navajo Nation's authority to adopt operating permit regulations under the Navajo Nation Air Pollution Prevention and Control Act. As a result of this agreement, APS sought, and the courts granted, dismissal of the pending litigation in the Navajo Nation Supreme Court and the Navajo Nation District Court, to the extent the claims relate to the CAA. The agreement does not address or resolve any dispute relating to other aspects of the Navajo Acts. PNM cannot currently predict the outcome of these matters or the range of their potential impacts.

Endangered Species Act

In January 2011, the Center for Biological Diversity, Diné Citizens Against Ruining Our Environment, and San Juan Citizens Alliance filed a lawsuit in the United States District Court for the District of Colorado against the OSM and the DOI, alleging that OSM failed to engage in mandatory ESA consultation with the United States Fish and Wildlife Service prior to authorizing the renewal of an operating permit for the mine that serves Four Corners. The lawsuit alleges that activities at the mine, including mining and the disposal of coal combustion residue, will adversely affect several endangered species and their critical habitats. The lawsuit requested the court to vacate and remand the mining permit and enjoin all activities carried out under the permit until OSM has complied with the ESA. Neither PNM nor APS was a party to the lawsuit. The court dismissed the lawsuit without prejudice and this matter is concluded.

Cooling Water Intake Structures

EPA issued its proposed cooling water intake structures rule in April 2011, which would provide national standards for certain cooling water intake structures at existing power plants and other facilities under the Clean Water Act to protect fish and other aquatic organisms by minimizing impingement mortality (the capture of aquatic wildlife on intake structures or against screens) and entrainment mortality (the capture of fish or shellfish in water flow entering and passing through intake structures). The proposed rule would require facilities such as Four Corners and SJGS to either demonstrate that impingement mortality at its cooling water intakes does not exceed a specified rate or reduce the flow at those structures to less than a specified velocity and to take certain protective measures with respect to impinged fish. The proposed rule would also require these facilities to either meet the definition of a closed cycle recirculating cooling system or conduct a "structured site-specific analysis" to determine what site-specific controls, if any, should be required.

The proposed rule would require existing facilities to comply with the impingement mortality requirements as soon as possible, but no later than eight years after the effective date of the rule, and to comply with the entrainment requirements as soon as possible under a schedule of compliance established by the permitting authority. EPA was required to issue a final rule by June 27, 2013; however, that date was extended to January 14, 2014. On January 10, 2014, EPA announced it would not meet that deadline. On February 10, 2014, EPA indicated it would issue the final rule by April 17, 2014 and did not intend to seek any more extensions. PNM and APS continue to follow the rulemaking and are performing analyses to determine the potential costs of compliance with the proposed rule. PNM is unable to predict the outcome of this matter or a range of the potential costs of compliance.

Effluent Limitation Guidelines

On June 7, 2013, EPA published proposed revised effluent limitation guidelines establishing technology-based wastewater discharge limitations for fossil fuel-fired electric power plants. EPA's proposal offers numerous options that target metals and other pollutants in wastewater streams originating from fly ash and bottom ash handling activities, scrubber activities, and non-chemical metal cleaning waste operations. The preferred alternatives differ with respect to the scope of requirements that would be applicable to existing discharges of pollutants found in wastestreams generated at existing power plants. All four alternatives would establish a "zero discharge" effluent limit for all pollutants in fly ash transport water. However, requirements governing bottom ash transport water differ depending on which alternative EPA ultimately chooses and could range from effluent limits based on Best Available Technology Economically Achievable to "zero discharge" effluent limits. Depending on which alternative

EPA finalizes, Four Corners may be required to change equipment and operating practices affecting boilers and ash handling systems, as well as change its waste disposal techniques. PNM has reviewed the proposed rule and continues to assess the potential impact to SJGS and Reeves Station, the only PNM-operated power plants that would be covered by the proposed rule. EPA is currently subject to a consent decree deadline to finalize the revised guidelines by May 2014, although it is in negotiations to obtain an extension of time. PNM is unable to predict the outcome of this matter or a range of the potential costs of compliance.

Santa Fe Generating Station

PNM and the NMED are parties to agreements under which PNM installed a remediation system to treat water from a City of Santa Fe municipal supply well, an extraction well, and monitoring wells to address gasoline contamination in the groundwater at the site of the former Santa Fe Generating Station and service center. PNM believes the observed groundwater contamination originated from off-site sources, but agreed to operate the remediation facilities until the groundwater meets applicable federal and state standards or until the NMED determines that additional remediation is not required, whichever is earlier. The City of Santa Fe has indicated that since the City no longer needs the water from the well, the City would prefer to discontinue its operation and maintain it only as a backup water source. However, for PNM's groundwater remediation system to operate, the water well must be in service. Currently, PNM is not able to assess the duration of this project or estimate the impact on its obligations if the City of Santa Fe ceases to operate the water well.

The Superfund Oversight Section of the NMED has conducted multiple investigations into the chlorinated solvent plume in the vicinity of the site of the former Santa Fe Generating Station. In February 2008, a NMED site inspection report was submitted to EPA, which states that neither the source nor extent of contamination has been determined and also states that the source may not be the former Santa Fe Generating Station. The NMED investigation is ongoing. In January 2013, NMED notified PNM that monitoring results from April 2012 showed elevated concentrations of nitrate in three monitoring wells and an increase in free-phase hydrocarbons in another well. None of these wells are routinely monitored as part of PNM's obligations under the settlement agreement. In April 2013, NMED conducted the same level of testing on the wells as was conducted in April 2012, which produced similar results. PNM is unable to predict the outcome of this matter and does not believe the former generating station is the source of the nitrates or the increased levels of free-phase hydrocarbons, but no conclusive determinations have been made.

Coal Combustion Byproducts Waste Disposal

Regulation

CCBs consisting of fly ash, bottom ash, and gypsum from SJGS are currently disposed of in the surface mine pits adjacent to the plant. SJGS does not operate any CCB impoundments. The Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department currently regulates mine placement of ash with federal oversight by the OSM. APS disposes of CCBs in ash ponds and dry storage areas at Four Corners and also sells a portion of its fly ash for beneficial uses, such as a constituent in concrete production. Ash management at Four Corners is regulated by EPA and the New Mexico State Engineer's Office.

In June 2010, EPA published a proposed rule that includes two options for waste designation of coal ash. One option is to regulate CCBs as a hazardous waste, which would allow EPA to create a comprehensive federal program for waste management and disposal of CCBs. The other option is to regulate CCBs as a non-hazardous waste, which would provide EPA with the authority to develop performance standards for waste management facilities handling the CCBs and would be enforced primarily by state authorities or through citizen suits. Both options allow for continued use of CCBs in beneficial applications. EPA's proposal does not address the placement of CCBs in surface mine pits for reclamation. An OSM CCB rulemaking team has been formed to develop a proposed rule.

On April 5, 2012, several environmental groups, including Sierra Club, filed a citizen suit in the D.C. Circuit claiming that EPA has failed to review and revise RCRA's regulations with respect to CCBs. The groups allege that EPA has already determined that revisions to the CCBs regulations are necessary and that EPA now has a non-discretionary duty to revise the regulations. The environmental groups asked the court to direct EPA to complete its review of the regulation of CCBs and a hazardous waste analytical procedure and to issue necessary revisions of such regulations as soon as possible. Two industry group members subsequently filed separate lawsuits in the D.C. Circuit seeking to ensure that disposal of coal ash would not be regulated as a hazardous waste. The environmental and industry lawsuits have been consolidated. On January 29, 2014, EPA entered into

a consent decree directing EPA to publish its final action regarding whether or not to pursue the proposed non-hazardous waste option for CCBs by December 19, 2014.

PNM advocates for the non-hazardous regulation of CCBs. If CCBs are ultimately regulated as a hazardous waste, costs could increase significantly. PNM would seek recovery from its ratepayers of all costs that are ultimately incurred. PNM cannot predict the outcome of EPA's or OSM's proposed rulemaking regarding CCB regulation, including mine placement of CCBs, or whether these actions will have a material impact on its operations, financial position, or cash flows.

Sierra Club Allegations

In April 2010, the Sierra Club filed suit against PNMR, PNM, SJCC, and BHP in the United States District Court for the District of New Mexico. In the complaint, as amended, Sierra Club alleged that activities at SJGS and SJCC's San Juan mine were causing imminent and substantial harm to the environment, including ground and surface water in the region, and that placement of CCBs at the San Juan mine constituted "open dumping" in violation of RCRA. The suit also includes claims against SJCC and BHP under the Surface Mine Control and Reclamation Act. The complaint requested judgment for injunctive relief, payment of civil penalties, and an award of plaintiffs' attorney's fees and costs.

On March 28, 2012, the parties filed an executed consent decree with the court, which was approved by the court on April 12, 2012, settling the litigation. Under the terms of the consent decree, the SJGS owners and SJCC will construct and operate a slurry wall and recovery trench, fund other environmental projects, and pay Sierra Club's attorneys' and experts' fees. The total estimated cost of the settlement is $10.2 million, of which about $4.5 million is PNM's share. Substantially all of the income statement impact related to this settlement was recorded in 2011. The consent decree also includes a release of claims and a covenant not to sue by Sierra Club. PNM is complying with the requirements of the consent decree.

Hazardous Air Pollutants ("HAPs") Rulemaking

In December 2011, the EPA issued its final Mercury and Air Toxics Standards ("MATS") to reduce emissions of heavy metals, including mercury, arsenic, chromium, and nickel, as well as acid gases, including hydrochloric and hydrofluoric gases, from coal and oil-fired electric generating units with a capacity of at least 25 MW. Existing facilities will generally have up to four years to demonstrate compliance with the new rule. PNM's assessment of MATS indicates that the control equipment currently used at SJGS allows the plant to meet the emission standards set forth in the rule although the plant may be required to install additional monitoring equipment. With regard to mercury, stack testing performed for EPA during the MATS rulemaking process showed that SJGS achieved a mercury removal rate of 99% or greater. APS has determined that no additional equipment will be required at Four Corners Units 4 and 5 to comply with the rule.

Other Commitments and Contingencies

Coal Supply

The coal requirements for SJGS are being supplied by SJCC, a wholly owned subsidiary of BHP. In addition to coal delivered to meet the current needs of SJGS, PNM prepays SJCC for certain coal mined but not yet delivered to the plant site. At December 31, 2013 and 2012, prepayments for coal, which are included in other current assets, amounted to $12.3 million and $9.9 million. These amounts reflect delivery of a portion of the prepaid coal and its utilization due to the mine fire incident described below. SJCC holds certain federal, state, and private coal leases and has an underground coal sales agreement to supply processed coal for operation of SJGS through 2017. Under the coal sales agreement, SJCC is reimbursed for all costs for mining and delivering the coal, including an allocated portion of administrative costs, and receives a return on its investment. BHP Minerals International, Inc. has guaranteed the obligations of SJCC under the coal agreement. The coal agreement contemplates the delivery of coal that would supply substantially all the requirements of SJGS through December 31, 2017.

APS purchases all of Four Corners' coal requirements from a supplier that is also a subsidiary of BHP and has a long-term lease of coal reserves with the Navajo Nation. That contract was to expire on July 6, 2016 with pricing determined using an escalating base-price. In December 2012, BHP announced that it has entered into a Memorandum of Understanding with the Navajo Nation setting out the key terms under which the coal mine would be sold to the Navajo Nation. As discussed under The Clean Air Act - Regional Haze - Four Corners above, on December 30, 2013, ownership of the mine was transferred to an entity

owned by the Navajo Nation and a new coal supply contract for Four Corners, expiring in 2031, was entered into with that entity. The BHP subsidiary is to be retained as the mine manager and operator until July 2016. Coal costs are anticipated to increase approximately 26% beginning in July 2016 under the terms of the new contract. PNM anticipates that its share of the increased costs will be recovered through its FPPAC.

In 2013, PNM updated its study of the final reclamation costs for both the surface mines that previously provided coal to SJGS and the current underground mine providing coal and revised its estimates of the final reclamation costs. This estimate reflects that, with the proposed shutdown of SJGS Units 2 and 3 described above, the mine providing coal to SJGS will continue to operate through 2053, the anticipated life of SJGS. The 2013 estimate for decommissioning the Four Corners mine reflects the operation of the mine through 2031, the term of the new coal supply agreement. Based on the 2013 estimates, remaining payments for mine reclamation, in future dollars, are estimated to be $55.7 million for the surface mines at both SJGS and Four Corners and $93.3 million for the underground mine at SJGS as of December 31, 2013. At December 31, 2013 and 2012, liabilities, in current dollars, of $23.8 million and $26.8 million for surface mine reclamation and $7.8 million and $4.2 million for underground mine reclamation were recorded in other deferred credits. On June 1, 2012, the SJGS owners entered into a trust funds agreement to provide funding to compensate SJCC for post-term reclamation obligations under the coal sales agreement. The trust funds agreement requires each owner to enter into an individual trust agreement with a financial institution as trustee, create an irrevocable trust, and periodically deposit funding into the trust for the owner's share of the mine reclamation obligation. Deposits, which are based on funding curves, must be made on an annual basis. PNM funded $0.3 million in 2013 and $3.5 million in 2012. Future funding requirements are currently expected to approximate $0.6 million annually.

PNM collects a provision for surface and underground mine reclamation costs in its rates. The NMPRC has capped the amount that can be collected from ratepayers for final reclamation of the surface mines at $100.0 million. Previously, PNM recorded a regulatory asset for the $100.0 million (See Note 4) and recovers the amortization of this regulatory asset in rates. If future estimates increase the liability for surface mine reclamation, the excess would be expensed at that time. In conjunction with the proposed shutdown of SJGS Units 2 and 3 to comply with the BART requirements of the CAA discussed under The Clean Air Act - Regional Haze - SJGS above, an updated coal mine reclamation study was requested by the SJGS participants. As discussed under Coal Combustion Byproducts Waste Disposal above, SJGS currently disposes of CCBs from the plant in the surface mine pits adjacent to the plant. The updated coal mine reclamation study indicates reclamation costs have increased, including significant increases due to the proposed shutdown of SJGS Units 2 and 3, although the timing of payments will be delayed. The shutdown of Units 2 and 3 would reduce the amount of CCBs generated over the remaining life of SJGS, which could result in a significant increase in the amount of fill dirt required to remediate the underground mine area thereby increasing the overall reclamation costs. It has not been decided how costs would be divided among the owners of SJGS. Regulatory determinations made by the NMPRC may also affect the impact on PNM. The reclamation amounts discussed above reflect PNM's estimates of its share of the revised costs. PNM is currently unable to determine the outcome of these matters or the range of possible impacts.

San Juan Underground Mine Fire Incident

On September 9, 2011, a fire was discovered at the underground mine owned and operated by SJCC that provides coal for SJGS. The federal Mine Safety and Health Administration ("MSHA") was notified of the incident. On September 12, 2011, SJCC informed PNM that the fire was extinguished. However, MSHA required sealing the incident area and confirmation of a noncombustible environment before allowing re-entry of the sealed area. SJCC regained entry into the sealed area of the mine in early March 2012. At that time, MSHA conducted a root cause analysis inspection of the incident area, but has not yet issued its report. SJCC has completed inspection of the mine equipment and reported no significant damage. SJCC removed the equipment from the impacted mine panel and reassembled it at a new panel face. On May 4, 2012, SJCC received approval from MSHA and resumed longwall mining operations. If further difficulties occur in the longwall mining operation, PNM and the other owners of SJGS would need to consider alternatives for operating SJGS, including running at less than full capacity or shutting down one or more units, the impacts of which cannot be determined at the current time.

The costs of the mine recovery flowed through the cost-reimbursable component of the coal supply agreement. PNM anticipates that it will recover through its FPPAC the portion of such costs allocable to its customers subject to New Mexico regulation. PNM's filings with the NMPRC reflected an estimate that this incident increased coal costs and the deferral of cost recovery under the FPPAC by between $17.4 million and $21.6 million. SJCC submitted an insurance claim regarding the costs it incurred due to the mine fire and has informed PNM that it has settled with its insurance carrier. PNM believes the settlement proceeds obtained by SJCC through its insurance carrier are reimbursable (in whole or in part) to the owners of SJGS through the

coal sales agreement. PNM's portion of the insurance recovery is estimated to be $18.7 million. PNM has credited its FPPAC balancing account for the amount of its estimated insurance proceeds allocable to PNM's New Mexico jurisdictional customers. See Note 17.

Continuous Highwall Mining Royalty Rate

In August 2013, the DOI Bureau of Land Management ("BLM") issued a proposed rulemaking that would retroactively apply the surface mining royalty rate of 12.5% to continuous highwall mining ("CHM"). Comments regarding the rulemaking were due on October 11, 2013, and PNM submitted comments in opposition to the proposed rule.

SJCC utilized the CHM technique from 2000 to 2003 and, with the approval of the Farmington, New Mexico Field Office of BLM to reclassify the final highwall as underground reserves, applied the 8.0% underground mining royalty rate to coal mined using CHM and sold to SJGS. In March 2001, SJCC learned that the DOI Minerals Management Service ("MMS") disagreed with the application of the underground royalty rate to CHM. In August 2006, SJCC and MMS entered into a settlement agreement tolling the statute of limitations on any administrative action to recover unpaid royalties until BLM issued a final, non-appealable determination as to the proper rate for CHM-mined coal. The proposed BLM rulemaking has the potential to terminate the tolling provision of the settlement agreement, and underpaid royalties of approximately $5 million for SJGS would become due if the proposed BLM rule is adopted as proposed. PNM's share of any amount that is ultimately paid would be approximately 46.3%, none of which would be passed through PNM's FPPAC. PNM is unable to predict the outcome of this matter.

SJCC Arbitration

The coal supply agreement for SJGS provides that the participants in SJGS have the right to audit the costs billed by SJCC. An independent accounting firm has been engaged to perform audits of the costs billed under the provisions of the contract. The audit for the period from 2006 through 2009 resulted in disagreements between the SJGS participants and SJCC. As provided in the contract, certain issues have been submitted to a panel for binding arbitration. In October 2013, the arbitration panel ruled on one issue and set other issues for hearing. The panel ruled that the SJGS participants owe SJCC $1.5 million for disputed mining costs. PNM's share of this amount is $0.7 million of which $0.5 million was passed through PNM's FPPAC. The remaining issues are: 1) whether the SJGS participants owe SJCC unbilled mining costs of $5.2 million or whether SJCC owes the SJGS participants overbilled mining costs of $1.1 million, and 2) whether SJCC billed the SJGS participants $13.9 million as mining costs that SJCC should have considered to be capital costs, which are not billable under the mining contract. PNM's share of any amounts resulting from the arbitration would be approximately 46.3%. Of PNM's share of the costs, approximately 33% of the first remaining issue as well as approximately 25% of the second remaining issue would be passed through PNM's FPPAC and the rest would impact earnings. A hearing before the arbitration panel on the remaining issues is scheduled to be held in May 2014. PNM is unable to predict the outcome of the arbitration hearing.

Four Corners Severance Tax Assessment

On May 23, 2013, the New Mexico Taxation and Revenue Department ("NMTRD") issued a notice of assessment for coal severance surtax, penalty, and interest totaling approximately $30 million related to coal supplied under the coal supply agreement for Four Corners. PNM's share of any amounts paid related to this assessment would be approximately 8%, all of which would be passed through PNM's FPPAC. For procedural reasons, on behalf of the Four Corners co-owners, including PNM, the coal supplier made a partial payment of the assessment and immediately filed a refund claim with respect to that partial payment in August 2013. The NMTRD denied the refund claim. On December 19, 2013, the coal supplier and APS, on its own behalf and as operating agent for Four Corners, filed a complaint in the New Mexico District Court contesting both the validity of the assessment and the refund claim denial. PNM believes the assessment and the refund claim denial are without merit, but cannot predict the outcome of this matter.

PVNGS Liability and Insurance Matters

Public liability for incidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. In accordance with the Price-Anderson Act, the PVNGS participants have insurance for public liability exposure for a nuclear incident totaling $13.6 billion per occurrence. Commercial insurance carriers provide $375 million and $13.2 billion is provided through a mandatory industry wide retrospective assessment program. If losses at any nuclear power plant covered by the program

exceed the accumulated funds, PNM could be assessed retrospective premium adjustments. Based on PNM's 10.2% interest in each of the three PVNGS units, PNM's maximum potential assessment per incident for all three units is $38.9 million, with an annual payment limitation of $5.7 million.

The PVNGS participants maintain "all risk" (including nuclear hazards) insurance for damage to, and decontamination of, property at PVNGS in the aggregate amount of $2.75 billion, a substantial portion of which must first be applied to stabilization and decontamination. These coverages are provided by Nuclear Electric Insurance Limited ("NEIL"). Effective April 1, 2013, a sublimit of $1.5 billion for non-nuclear property damage losses has been enacted to the primary policy offered by NEIL. If NEIL's losses in any policy year exceed accumulated funds, PNM is subject to retrospective assessments of $4.3 million for each retrospective assessment declared by NEIL's Board of Directors. The insurance coverages discussed in this and the previous paragraph are subject to policy conditions and exclusions.

Natural Gas Supply

PNM procures gas supplies for its power plants from third-party sources and contracts with third party transportation providers.

Water Supply

Because of New Mexico's arid climate and periodic drought conditions, there is concern in New Mexico about the use of water, including that used for power generation. PNM has secured groundwater rights in connection with the existing plants at Reeves Station, Delta, Afton, Luna, and Lordsburg. Water availability is not an issue for these plants at this time. However, prolonged drought, ESA activities, and a Federal lawsuit by the State of Texas (suing the State of New Mexico over water allocations) could pose a threat of reduced water availability for these plants.

PNM, APS, and BHP have undertaken activities to secure additional water supplies for SJGS, Four Corners, and related mines to accommodate the possibility of inadequate precipitation in coming years. Since 2004, PNM has entered into agreements for voluntary sharing of the impacts of water shortages with tribes and other water users in the San Juan basin. This agreement has been extended through 2016. In addition, in the case of water shortage, PNM, APS, and BHP have reached agreement with the Jicarilla Apache Nation on a long-term supplemental contract relating to water for SJGS and Four Corners that runs through 2016. Although PNM does not believe that its operations will be materially affected by drought conditions at this time, it cannot forecast the weather or its ramifications, or how policy, regulations, and legislation may impact PNM should water shortages occur in the future.

In April 2010, APS signed an agreement on behalf of the PVNGS participants with five cities to provide cooling water essential to power production at PVNGS for forty years.

PVNGS Water Supply Litigation

In 1986, an action commenced regarding the rights of APS and the other PVNGS participants to the use of groundwater and effluent at PVNGS. APS filed claims that dispute the court's jurisdiction over PVNGS' groundwater rights and their contractual rights to effluent relating to PVNGS and, alternatively, seek confirmation of those rights. In 1999, the Arizona Supreme Court issued a decision finding that certain groundwater rights may be available to the federal government and Indian tribes. In addition, the Arizona Supreme Court issued a decision in 2000 affirming the lower court's criteria for resolving groundwater claims. Litigation on these issues has continued in the trial court. No trial dates have been set in these matters. PNM does not expect that this litigation will have a material impact on its results of operation, financial position, or cash flows.

San Juan River Adjudication

In 1975, the State of New Mexico filed an action in New Mexico District Court to adjudicate all water rights in the San Juan River Stream System, including water used at Four Corners and SJGS. PNM was made a defendant in the litigation in 1976. In March 2009, President Obama signed legislation confirming a 2005 settlement with the Navajo Nation. Under the terms of the settlement agreement, the Navajo Nation's water rights would be settled and finally determined by entry by the court of two proposed adjudication decrees. The court issued an order in August 2013 finding that no evidentiary hearing was warranted in the Navajo Nation proceeding, and on November 1, 2013 issued a Partial Final Judgment and Decree of the Water Rights of the

Navajo Nation approving the proposed settlement with the Navajo Nation. Several parties filed a joint motion for a new trial, which was denied by the court. A number of parties subsequently appealed to the New Mexico Court of Appeals. PNM is in the process of entering its appearance in the appellate case. No hearing dates or deadlines have been set at this time.

PNM is participating in this proceeding since PNM's water rights in the San Juan Basin may be affected by the rights recognized in the settlement agreement as being owned by the Navajo Nation, which comprise a significant portion of water available from sources on the San Juan River and in the San Juan Basin. PNM is unable to predict the ultimate outcome of this matter or estimate the amount or range of potential loss and cannot determine the effect, if any, of any water rights adjudication on the present arrangements for water at SJGS and Four Corners. Final resolution of the case cannot be expected for several years. An agreement reached with the Navajo Nation in 1985, however, provides that if Four Corners loses a portion of its rights in the adjudication, the Navajo Nation will provide, for an agreed upon cost, sufficient water from its allocation to offset the loss.

Conflicts at San Juan Mine Involving Oil and Gas Leaseholders

SJCC, through leases with the federal government and the State of New Mexico, owns coal interests with respect to the San Juan underground mine. Certain gas producers have leases in the area of the underground coal mine and have asserted claims against SJCC that its coal mining activities are interfering with gas production. SJCC has reached settlement with several gas leaseholders and has prevailed in court in defeating the claims of other claimants. Several other claims and potential claimants remain. PNM cannot predict the outcome of existing or future disputes between SJCC and gas leaseholders or the range of potential outcomes.

Rights-of-Way Matter

On January 28, 2014, the the County Commission of Bernalillo County, New Mexico passed an ordinance requiring utilities to enter into a use agreement and pay a yet to be determined fee as a condition to installing, maintaining, and operating facilities on county rights-of-way. The fee is purported to compensate the county for costs of administering, maintaining, and capital improvements to the rights-of-way. On February 27, 2014, PNM and other utilities filed a Complaint for Declaratory and Injunctive Relief in the United States District Court for the District of New Mexico challenging the validity of the ordinance. If the challenge to the ordinance is unsuccessful, PNM believes any fees paid pursuant to the ordinance would be considered franchise fees and would be recoverable from customers. PNM is unable to predict the outcome of this matter or its impact on PNM's operations.

Complaint Against Southwestern Public Service Company

In September 2005, PNM filed a complaint under the Federal Power Act against SPS alleging SPS overcharged PNM for deliveries of energy through its fuel cost adjustment clause practices and that rates for sales to PNM were excessive. PNM also intervened in a proceeding brought by other customers raising similar arguments relating to SPS' fuel cost adjustment clause practices and issues relating to demand cost allocation (the "Golden Spread Proceeding"). In addition, PNM intervened in a proceeding filed by SPS to revise its rates for sales to PNM ("SPS 2006 Rate Proceeding"). In 2008, FERC issued its order in the Golden Spread Proceeding affirming an ALJ decision that SPS violated its fuel cost adjustment clause tariffs, but shortening the refund period applicable to the violation of the fuel cost adjustment clause issues that had been ordered by the ALJ. FERC also reversed the decision of the ALJ, which had been favorable to PNM, on the demand cost allocation issues. PNM and SPS filed petitions for rehearing and clarification of the scope of the remedies that were ordered and seeking reversal of various rulings in the order. On August 15, 2013, FERC issued separate orders in the Golden Spread Proceeding and in the SPS 2006 Rate Proceeding. The order in the Golden Spread Proceeding determined that PNM was not entitled to refunds for SPS' fuel cost adjustment clause practices. That order and the order in the SPS 2006 Rate Proceeding decided the demand cost allocation issues using the method that PNM had advocated. PNM, SPS, and other customers of SPS have filed requests for rehearing of these orders and they are pending further action by FERC. PNM cannot predict the final outcome of the case at FERC or the range of possible outcomes.

Navajo Nation Allottee Matters

A putative class action was filed against PNM and other utilities in February 2009 in the United States District Court for the District of New Mexico. Plaintiffs claim to be allottees, members of the Navajo Nation, who pursuant to the Dawes Act of 1887, were allotted ownership in land carved out of the Navajo Nation and allege that defendants, including PNM, are rights-of-way grantees with rights-of-way across the allotted lands and are either in trespass or have paid insufficient fees for the grant of rights-of-way or both. In March 2010, the court ordered that the entirety of the plaintiffs' case be dismissed. The court did not

grant plaintiffs leave to amend their complaint, finding that they instead must pursue and exhaust their administrative remedies before seeking redress in federal court. In May 2010, plaintiffs filed a Notice of Appeal with the Bureau of Indian Affairs ("BIA"), which was denied by the BIA Regional Director. In May 2011, plaintiffs appealed the Regional Director's decision to the DOI, Office of Hearings and Appeals, Interior Board of Indian Appeals. Following briefing on the merits, on August 20, 2013, that board issued a decision upholding the Regional Director's decision that the allottees had failed to perfect their appeals, and dismissed the allottees' appeals, without prejudice. The allottees have not refiled their appeals. PNM continues to participate in this matter in order to preserve its interests regarding any PNM-acquired rights-of-way implicated in the appeal. PNM cannot predict the outcome of the proceeding or the range of potential outcomes at this time.

In a separate matter, in September 2012, forty-three landowners claiming to be Navajo allottees, filed a notice of appeal with the BIA appealing a March 2011 decision of the BIA Regional Director regarding renewal of a right-of-way for a PNM transmission line. The allottees, many of whom are also allottees in the above matter, generally allege that they were not paid fair market value for the right-of-way, that they were denied the opportunity to make a showing as to their view of fair market value, and thus denied due process. On January 6, 2014, PNM received notice that the BIA, Navajo Region, requested a review of an appraisal report on 58 allotment parcels. After review, the BIA concluded it would continue to rely on the values of the original appraisal. Although this matter is currently stayed, PNM continues to participate in this matter in order to preserve its interests regarding the right-of-way implicated in the appeal. PNM cannot predict the outcome of the proceeding or the range of potential outcomes at this time.

(17) Regulatory and Rate Matters

The Company is involved in various regulatory matters, some of which contain contingencies that are subject to the same uncertainties as those described in Note 16.

PNM

Renewable Portfolio Standard

The REA establishes a mandatory RPS requiring a utility to acquire a renewable energy portfolio equal to 10% of retail electric sales by 2011, 15% by 2015, and 20% by 2020. The NMPRC requires renewable energy portfolios to be "fully diversified." Prior to December 2012, the diversity requirements were 20% from wind energy, 20% from solar energy, 10% from other renewable technologies, and 1.5% from distributed generation with the distributed generation component increasing to 3% in 2015. In December 2012, the NMPRC issued an order that amended the diversity requirements to 30% wind, 20% solar, 5% other, and 1.5% distributed generation, increasing to 3% in 2015, and adopted other changes to its renewable energy rule, including the increase in the RCT discussed below. In December 2013, the NMPRC modified the RCT calculation to establish a two to one REC weighting for renewable energy from the non-wind/non-solar category, such as geothermal resources. This weighting applies to future procurement approved and brought into service after December 18, 2013. The NMPRC has granted motions for rehearing of amendments in order to address the merits of the motions.

The REA provides for streamlined proceedings for approval of utilities' renewable energy procurement plans, assures utilities that they recover costs incurred consistent with approved procurement plans, and requires the NMPRC to establish a RCT for the procurement of renewable resources to prevent excessive costs being added to rates. The NMPRC established a RCT for 2011 of 2% of all customers' aggregated overall annual electric charges that increased by 0.25% annually until reaching 3% in 2015. In December 2012, the NMPRC approved an amended RCT set at 3% of customers' annual electric charges beginning in 2013 and continuing thereafter.

In August 2010, the NMPRC partially approved PNM's revised 2010 procurement plan, including PNM's investment in 22 MW of solar PV facilities at various PNM sites and the construction of a solar-storage demonstration project. Construction of these facilities was completed in 2011 at a total cost of approximately $95 million.

In July 2010, PNM filed its renewable energy procurement plan for 2011. The NMPRC rejected PNM's proposed REC-only purchase and ordered PNM to acquire actual renewable energy and the associated RECs. An appeal of the order was dismissed by the New Mexico Supreme Court. PNM made the required renewable energy procurement and is recovering those costs through the renewable rider discussed below.

In July 2011, PNM filed its renewable energy procurement plan for 2012. The plan requested a variance from the RPS due to RCT limitations. The plan was diversity-compliant based on the reduced RPS, except for non-wind/non-solar resources, which were not available. In December 2011, the NMPRC approved PNM's 2012 plan, but ordered PNM to spend an additional $0.9 million on renewable procurements in 2012. PNM is recovering the costs of the supplemental procurements through the renewable rider discussed below. The NMPRC also required PNM to file its 2013 renewable energy procurement plan by April 30, 2012. The 2013 plan proposed procurements for 2013 and 2014 of 20 MW of PNM-owned solar PV facilities, at an estimated cost of $45.5 million, wind and solar REC purchases in 2013, and a PPA for the output of the new 10 MW Lightning Dock Geothermal facility. The plan also included an additional procurement of 2 MW of PNM-owned solar PV facilities at an estimated cost of $4.5 million to supply the energy sold under PNM's voluntary renewable energy tariff. The plan would enable PNM to comply with the statutory RPS in 2013, but required a variance from the NMPRC's diversity requirements in 2013 while the proposed geothermal facilities were being constructed. The NMPRC approved the plan in December 2012, but reduced the additional solar PV procurement from 2 MW to 1.5 MW. In 2013, PNM made renewable procurements consistent with the 2013 plan approved by the NMPRC. Construction of the solar PV facilities was completed in 2013 at a cost of $48.9 million. The geothermal facility began providing power to PNM in January 2014. The current output of the facility is 4 MW and future expansion may result in up to 10 MW of generation capacity. PNM does not believe this delay will affect its ability to comply with its 2014 non-wind/non-solar diversity requirements, as amended in December 2012.

PNM filed its 2014 renewable energy procurement plan on July 1, 2013. The plan meets RPS and diversity requirements within the RCT in 2014 and 2015. PNM's proposed procurements include 50,000 MWh of wind generated RECs in 2014, the construction by December 31, 2014 of 23 MW of PNM-owned solar PV facilities at a cost of $46.7 million, a 20-year PPA for the output of Red Mesa Wind, an existing wind facility having an aggregate capacity of 102 MW beginning January 1, 2015 at a first year cost estimated to be $5.8 million, and the purchase of 120,000 MWh of wind RECs in 2015. The NMPRC approved the plan on December 18, 2013.

PNM is recovering certain renewable procurement costs from customers through a rate rider. See Renewable Energy Rider below.

Renewable Energy Rider

On August 14, 2012, the NMPRC authorized PNM to recover certain renewable procurement costs through a rate rider billed on a per KWh basis. The approved rates were $0.0022335 per KWh in 2012 and $0.0028371 per KWh in 2013. The order disapproved the recovery of the cost of a supplemental REC procurement ordered by the NMPRC in the 2012 procurement plan case because the NMPRC had not yet acted on the specific $0.9 million procurement proposed by PNM. The NMPRC subsequently approved the supplemental REC procurement, but ordered that a hearing be held prior to inclusion of the costs in the rider. Upon NMPRC approval, PNM implemented the rider on August 20, 2012. The rider will terminate upon a final order in PNM's next general rate case unless the NMPRC authorizes PNM to continue it. Amounts collected under the rider were capped at $18.0 million in 2012 and $24.6 million in 2013, which amounts were not exceeded. As a separate component of the rider, if PNM's earned return on jurisdictional equity in 2013, adjusted for weather and other items not representative of normal operations, exceeded 10.5%, which did not occur, PNM would have been required to refund the amount over 10.5% to customers during May through December 2014.

In compliance with the NMPRC's rate rider order, PNM filed a notice to implement an increase in the current rider rate effective with May 2013 bills. On May 15, 2013, the NMPRC approved the requested increase. PNM implemented the new rate of $0.0030468 per KWh on May 28, 2013.

In its 2014 renewable energy procurement plan described above, PNM proposed to increase the rider rate to $0.0044391 effective January 1, 2014. This increase was approved by the NMPRC on December 18, 2013.

Energy Efficiency and Load Management

Program Costs

Public utilities are required by the Efficient Use of Energy Act to achieve specified levels of energy savings and to obtain NMPRC approval to implement energy efficiency and load management programs. Costs to implement approved programs are recovered through a rate rider. In 2013, this act was amended to set an annual program budget equal to 3% of an electric utility's annual revenue.

In September 2010, PNM filed an energy efficiency program application for programs to be offered beginning July 1, 2011. The NMPRC issued an order in June 2011 that approved a rider recovery amount of $17.1 million in program costs. The new rider rate was effective with bills rendered July 27, 2011.

In April 2011, PNM filed a reconciliation of energy efficiency program costs and collections as of December 31, 2010. Included in this filing was an adjustment of the adder amount to reflect the measured and verified savings for 2010 program participation. After a hearing, the NMPRC issued an order in November 2011 that authorized recovery of substantially all of the $2.6 million in under-collected program costs.

In October 2012, PNM filed an energy efficiency program application for programs to be offered beginning in May 2013. The filing included proposed program costs of $22.5 million plus a proposed profit incentive of $4.2 million. PNM subsequently revised its proposed profit incentive to $2.9 million. The NMPRC approved PNM's program application and an annual profit incentive of $1.7 million on November 6, 2013.

Disincentives/Incentives

The Efficient Use of Energy Act requires the NMPRC to remove utility disincentives to implementing energy efficiency and load management programs and to provide incentives for such programs. In 2010 PNM began implementing a NMPRC rule that authorized electric utilities to collect rate adders to remove disincentives and to provide incentives for energy and demand savings related to energy efficiency and demand response programs. In July 2011, the New Mexico Supreme Court annulled and vacated the order adopting the rule and remanded the matter to the NMPRC. As a result of the Supreme Court decision, PNM filed revised tariffs and ceased collecting this adder for 2010 program savings on August 21, 2011. Of the $4.2 million authorized for recovery, $2.6 million was collected through August 20, 2011.

In June 2011, prior to the Supreme Court decision, the NMPRC approved PNM-specific incentives for savings due to programs implemented in 2011. PNM collected approximately $1.3 million, on an annual basis, in incentive revenues through November 2013 consistent with this order. After the Supreme Court decision vacating the rule, the NMPRC initiated a proceeding to determine whether PNM should be required to cease collecting the PNM-specific incentives and to refund such revenues collected since December 2010. In November 2011, the NMPRC issued orders that PNM was not required to refund any incentive revenues and is authorized to continue collecting the incentives. However, in an order on rehearing, which it subsequently rescinded, the NMPRC reduced the amount of the PNM-specific incentives. In March 2012, the Supreme Court granted PNM's motion to vacate the rehearing order and dismissed PNM's appeal. In a separate appeal and writ proceeding in the Supreme Court, NMIEC and the NMAG sought to overturn the NMPRC order allowing PNM to continue to collect incentives in light of the 2011 Supreme Court decision. On May 21, 2012, the Supreme Court dismissed the writ proceeding. On September 20, 2013, the Supreme Court affirmed the NMPRC's decision authorizing the PNM-specific incentives and remanded the case to the NMPRC. On October 2, 2013, the NMPRC closed the docket.

On March 27, 2013, PNM filed its reconciliation for actual energy efficiency program costs, associated incentives, and actual collections for calendar year 2012. The reconciliation filing showed a net over-recovery of $0.2 million, composed of an over-recovery of $1.0 million of program costs and an under-recovery of incentives of $0.8 million. PNM subsequently revised the estimated incentive under-recovery to $0.5 million. PNM and the NMPRC staff filed a motion seeking to substitute the new reconciliation filing with a proposed effective date of May 28, 2013. On April 24, 2013, the NMPRC issued an order granting the motion. PNM implemented the new rate on May 28, 2013.

Energy Efficiency Rulemaking

On May 17, 2012, the NMPRC issued a NOPR that would have amended the NMPRC's energy efficiency rule to authorize use of a decoupling mechanism to recover certain fixed costs of providing retail electric service as the mechanism for removal of disincentives associated with the implementation of energy efficiency programs. The proposed rule also addressed incentives associated with energy efficiency. On July 26, 2012, the NMPRC closed the proposed rulemaking and opened a new energy efficiency rulemaking docket that may address decoupling and incentives. Workshops to develop a proposed rule have been held, but no order proposing a rule has been issued. PNM is unable to predict the outcome of this matter.

On October 2, 2013, the NMPRC issued a NOPR and a proposed rule to implement amendments to the New Mexico Efficient Use of Energy Act. Included in the proposed rule is a provision that would limit incentive awards to an amount equal to the product (expressed in dollars) of the utility's WACC (expressed as a percent) and its approved annual program costs. The NMPRC received comments and a public hearing was held on November 20, 2013.

2010 Electric Rate Case

PNM filed its 2010 Electric Rate Case application with the NMPRC in June 2010 for rate increases totaling $165.2 million for all PNM retail customers to be effective April 1, 2011. The application proposed separate rate increases for customers served by TNMP prior to its acquisition by PNMR ("PNM South") and other customers of PNM ("PNM North"). PNM also proposed to implement a FPPAC for PNM South. The filed revenue requirements were based on a future test period ending December 31, 2011.

On August 21, 2011, PNM implemented a $72.1 million annual increase in rates as authorized by an order of the NMPRC, which modified a stipulation agreed to by PNM and several other parties. The amended stipulation limits the amount that can be recovered on an annual basis for fuel costs, renewable energy costs, and energy efficiency costs during certain years. Costs in excess of the limits are deferred, without carrying costs, for recovery in future periods. The fuel cost caps are $38.8 million for the FPPAC year beginning July 1, 2012, which PNM began collecting at that time, and $36.2 million for the FPPAC year beginning July 1, 2013. PNM estimates that the caps will result in approximately $48.6 million of FPPAC costs being deferred for future collection at June 30, 2014. This amount reflects the pending settlement in the FPPAC Continuation Application case discussed below. The portion of the costs and insurance recovery attributable to customers covered by the FPPAC resulting from the mine fire incident discussed in Note 16 are included in the FPPAC amounts.

As a result of the modified stipulation, PNM recorded pre-tax losses for the $10.0 million of fuel costs that will not be recovered through the FPPAC and $7.5 million for other costs that will not be recovered in rates. These amounts were recorded as of June 30, 2011 and are reflected as regulatory disallowances on PNM's Consolidated Statement of Earnings.

FPPAC Continuation Application

Pursuant to the rules of the NMPRC, public utilities are required to file an application to continue using their FPPAC every four years. On May 28, 2013, PNM filed the required continuation application and requested that its current FPPAC be modified to increase the reset frequency of the fuel factor from annually to quarterly, to allow PNM to retain 10% of its off-system sales margin, and to apply the same carrying charge rate to both over and under collections in the balancing account. On December 20, 2013, a stipulated agreement was filed that would resolve this case. The settlement would allow PNM to retain 10% of off-system sales margin from July 1, 2013 through December 31, 2016, would resolve all costs related to the San Juan Coal mine fire discussed in Note 16, resolve the ratemaking treatment for the coal pre-treatment at SJGS until the next rate case, require PNM to write-off $10.5 million of the under-collected balance in its FPPAC balancing account, and require PNM to extend the recovery of the remaining under-collected balance over 18 months beginning July 1, 2014. PNM recorded the $10.5 million write-off as a regulatory disallowance in 2013. A public hearing on the stipulation was held on February 25, 2014. The hearing examiner stated at the hearing's conclusion that he would recommend approval of the settlement in its entirety to the NMPRC. PNM is unable to predict the outcome of this proceeding.

Integrated Resource Plan

NMPRC rules require that investor owned utilities file an IRP every three years. The IRP is required to cover a 20-year planning period and contain an action plan covering the first four years of that period. In its most recent IRP, which was filed in July 2011, PNM indicated that it planned to meet its anticipated load growth through a combination of new natural gas-fired generating plants, renewable energy resources, load management, and energy efficiency programs. As required by NMPRC rules, PNM utilized a public advisory group process during the development of the 2011 IRP. Two protests were filed to the IRP requesting rejection of the plan. On September 18, 2013, the NMPRC issued an order that closed the docket on the 2011 IRP.

PNM has initiated the process to prepare its 2014 IRP. Public participation meetings have been held. The 2014 IRP is scheduled to be filed at the NMPRC by June 30, 2014.

Emergency FPPAC

In 2008, the NMPRC authorized PNM to implement an Emergency FPPAC from June 2, 2008 through June 30, 2009. The NMPRC order approving the Emergency FPPAC also provided that if PNM's base load generating units did not operate at or above a specified capacity factor and PNM was required to obtain replacement power to serve jurisdictional customers, PNM would be required to make a filing with the NMPRC seeking approval of the replacement power costs. In its required filing, PNM stated that the costs of the replacement power amounting to $8.0 million were prudently incurred and made a motion that they be approved. The NMPRC staff opposed PNM's motion and recommended that PNM be required to refund the amount collected. Auditors selected by the NMPRC found that PNM was prudent in operating its base load units and in securing replacement power but had not obtained prior NMPRC approval in the manner required by the NMPRC order. PNM continues to assert that its recovery of replacement power costs was proper and did not violate the NMPRC's order. The NMPRC has not ruled on this matter. Under the terms of the approved stipulation in the 2010 Electric Rate Case, the parties to the stipulation, including the NMPRC staff, jointly requested that the NMPRC take no further action in this matter and close the docket. No party opposed that request. Although the NMPRC has not acted on the joint request, the NMPRC electronic docket shows the docket closed.

Applications for Approvals to Purchase Delta

As discussed in Note 9, PNM has entered in to an agreement to purchase Delta, a 132 MW natural gas peaking unit from which PNM currently acquires energy and capacity under a PPA. The agreement to purchase Delta required approvals by the NMPRC and FERC. On June 26, 2013, the NMPRC granted PNM's CCN application and approved PNM's proposed ratemaking treatment. FERC approved the purchase on February 26, 2013. Closing on the purchase will occur once certain environmental issues are resolved.

Application for Approval of La Luz Generating Station

On May 17, 2013, PNM filed an application with the NMPRC for a CCN to construct, own, and operate a 40 MW gas-fired generating facility near Belen, New Mexico. The application also requested a determination of related ratemaking principles and treatment. The facility is expected to cost approximately $63.2 million and go into service in the first quarter of 2016. PNM has entered into a contract for purchase of the turbine to be used for this project and a separate contract for the construction of the facility on a turn-key basis. Both contracts allow PNM to cancel if NMPRC approval is not obtained. On February 20, 2014, a stipulated agreement was filed that would resolve the case. The parties to the stipulation are PNM, the NMPRC staff, and another intervenor. The parties to the stipulation agree that a CCN should be granted and establishes a rate base value of up to $56 million for the facility. PNM is unable to predict the outcome of this matter.

San Juan Generating Station Units 2 and 3 Retirement

As discussed in Note 16, on December 20, 2013, PNM filed an application at the NMPRC to retire SJGS Units 2 and 3 on December 31, 2016. In that application, PNM also seeks approval to recover the net book value of SJGS Units 2 and 3 at the date of retirement, for a CCN to include PNM's share of PVNGS Unit 3 as a resource to serve New Mexico consumers, authority to install SNCRs on SJGS Units 1 and 4, and a CCN to exchange 78 MW in SJGS for the same amount of capacity in SJGS Unit 4. PNM will also make an application at FERC to seek approval of the restructured SJGS participation agreements. PNM requested the NMPRC issue its final ruling on the application no later than December 2014. A public hearing on the application has been scheduled to commence on August 19, 2014. PNM is unable to predict the outcome of this matter.

Transmission Rate Case

In October 2010, PNM filed a notice with FERC to increase its wholesale electric transmission revenues by $11.1 million annually, based on a return on equity of 12.25%. The filing also sought to revise certain Open Access Transmission Tariff provisions and bi-lateral contractual terms. In December 2010, FERC issued an order accepting PNM's filing and suspending the proposed tariff revisions for five months. The proposed rates were implemented on June 1, 2011, subject to refund. The rate increase applied to all of PNM's wholesale electric transmission service customers, which include other utilities, electric cooperatives, and entities that use PNM's transmission system to transmit power at the wholesale level. The rate increase did not impact PNM's retail customers. On January 2, 2013, FERC approved an unopposed settlement agreement, which increases transmission service revenues by $2.9 million annually. In addition, the parties agreed that if PNM files for a formula based rate change within one year from FERC's approval of the settlement agreement, no party will oppose the general principle of a formula rate, although the parties may still object to particular aspects of the formula. PNM refunded amounts collected in excess of the settled rates in January 2013 concluding this matter.

Formula Transmission Rate Case

On December 31, 2012, PNM filed an application with FERC for authorization to move from charging stated rates for wholesale electric transmission service to a formula rate mechanism pursuant to which rates for wholesale transmission service are calculated annually in accordance with an approved formula. The proposed formula includes updating cost of service components, including investment in plant and operating expenses, based on information contained in PNM's annual financial report filed with FERC, as well as including projected large transmission capital projects to be placed into service in the following year. The projections included are subject to true-up in the following year formula rate. Certain items, including changes to return on equity and depreciation rates, require a separate filing to be made with FERC before being included in the formula rate. The rates resulting from PNM's application are intended to replace the rates approved by the FERC on January 2, 2013 in the transmission rate case discussed above. As filed, PNM's request would result in a $3.2 million wholesale electric transmission rate increase, based on PNM's 2011 data and a 10.81% return on equity, and authority to adjust transmission rates annually based on an approved formula. The proposed $3.2 million rate increase would be in addition to the $2.9 million rate increase approved by the FERC on January 2, 2013.

On March 1, 2013, FERC issued an order (1) accepting PNM's revisions to its rates for filing and suspending the proposed revisions to become effective August 2, 2013, subject to refund; (2) directing PNM to submit a compliance filing to establish its return-on-equity ("ROE") using the median, rather than the mid-point, of the ROEs from a proxy group of companies; (3) directing PNM to submit a compliance filing to remove from its rate proposal the acquisition adjustment related to PNM's 60% ownership of the EIP transmission line, which was acquired in 2003 ; and (4) setting the proceeding for hearing and settlement judge procedures. PNM would be allowed to make a separate filing related to recovery of the EIP acquisition adjustment. On April 1, 2013, PNM made the required compliance filing. In addition, PNM filed for rehearing of FERC's order regarding the ROE. On June 3, 2013, PNM made additional filings incorporating final 2012 data into the formula rate request. The updated formula rate would result in a $1.3 million rate increase over the rates approved by FERC on January 2, 2013. The new rates will apply to all of PNM's wholesale electric transmission service customers. The new rates will not apply to PNM's retail customers. On June 10, 2013, FERC denied PNM's motion for rehearing regarding FERC's order requiring PNM to use the median, instead of the midpoint, to calculate its ROE for the formula rate case. On August 2, 2013, the new rates went into effect, subject to refund. Settlement negotiations are ongoing concerning issues in this proceeding. PNM is unable to predict the outcome of this proceeding.

Firm-Requirements Wholesale Customers

Navopache Electric Cooperative, Inc. Rate Case

In September 2011, PNM filed an unexecuted amended sales agreement between PNM and NEC with FERC. The agreement proposed a cost of service based rate for the electric service and ancillary services PNM provides to NEC, which would result in an annual increase of $8.7 million or a 39.8% increase over existing rates. PNM also requested a FPPAC and full recovery of certain third-party transmission charges PNM incurs to serve NEC. NEC filed a protest to PNM's filing with FERC. In November 2011, FERC issued an order accepting the filing, suspending the effective date to be effective April 14, 2012, subject to refund, and set the proceeding for settlement. The parties finalized a settlement agreement and PNM filed for the necessary FERC approval on December 6, 2012. The settlement agreement provided for an annual increase of $5.3 million, an extension of the contract for 10 years, and an agreement that PNM will be able to file an application for formula based rates to be effective in 2015. On April

5, 2013, FERC approved the settlement agreement. PNM has refunded the amounts collected in excess of the settled rates concluding this matter.

City of Gallup, New Mexico Contract

PNM provides both energy and power services to Gallup, PNM's second largest firm-requirements wholesale customer, under an electric service agreement that was to expire on June 30, 2013. On May 1, 2013, PNM and Gallup agreed to extend the term of the agreement to June 30, 2014 and to increase the demand and energy rates under the agreement. On May 1, 2013, PNM requested FERC approval of the amended agreement to be effective July 1, 2013. On June 21, 2013, FERC approved the amended agreement. Revenue from Gallup will have increased by $3.1 million during the term of the amended agreement.

On September 26, 2013, Gallup issued a request for proposals for long-term power supply. PNM submitted a proposal in November 2013. On January 13, 2014, PNM was notified that its proposal was not the highest ranked. Gallup has stated that a contract is being negotiated with the top-ranked bidder. If those negotiations do not result in the execution of a contract, Gallup could enter into negotiations with PNM or others. If a contract is executed with the top-ranked bidder, PNM's contract with Gallup would expire on June 30, 2014. PNM's 2013 revenues for power sold under the Gallup contract were $11.7 million. PNM is unable to predict the outcome of this matter.

TNMP

Interest Rate Compliance Tariff

Following a revision of the interest rate on TNMP's CTC, TNMP filed a compliance tariff to implement the new lower 8.31% rate. Intervenors asserted objections and, after regulatory proceedings, the PUCT issued an order making the new rate retroactive to July 20, 2006. Ultimately, the Texas 3rd Court of Appeals reaffirmed the PUCT's decision. Due to the new retroactive ratemaking theory contained in the Texas 3rd Court of Appeals opinion, TNMP recorded a pre-tax regulatory disallowance of $3.9 million in 2011 to reflect the impact of applying the 8.31% rate retroactively. In June 2012, the Texas Supreme Court denied TNMP's petition for review. TNMP filed a motion for rehearing, which was denied in August 2012 concluding this matter.

2010 Rate Case

In August 2010, TNMP filed with the PUCT for a $20.1 million increase in revenues. In January 2011, the PUCT approved a settlement that provided for a revenue increase of $10.25 million, a return on equity of 10.125%, and a target 55%/45% debt-equity capital structure. The PUCT approved the settlement in January 2011. TNMP implemented the new rates on February 1, 2011.

2010 Rate Case Expense Proceeding

The determination of the amount of reasonable rate case expenses incurred by TNMP and other parties in TNMP's 2010 Rate Case was severed into a separate proceeding. The parties agreed to a settlement of the case, which was approved by the PUCT in May 2011. TNMP began collecting $2.8 million over three years on July 1, 2011.

Advanced Meter System Deployment

In July 2011, the PUCT approved a settlement and authorized an AMS deployment plan that permits TNMP to collect $113.3 million in deployment costs through a surcharge over a 12-year period. TNMP began collecting the surcharge on August 11, 2011. Deployment of advanced meters began in September 2011 and is scheduled to be completed over a 5-year period.

In February 2012, the PUCT opened a proceeding to consider the feasibility of an "opt-out" program for retail consumers that wish to decline receipt of an advanced meter. The PUCT has requested comments and convened a public meeting to hear various issues. However, various individuals filed a petition with the PUCT seeking a moratorium on any advanced meter deployment. The PUCT denied the petition and an appeal was filed with the Texas District Court on September 28, 2012.

On February 21, 2013, the PUCT filed a proposed rule to permit customers to opt-out of the AMS deployment. The PUCT adopted a rule on August 15, 2013 creating a non-standard metering service for retail customers choosing to decline standard metering service via an advanced meter. The cost of providing non-standard metering service will be borne by opt-out customers

through an initial fee and ongoing monthly charge. All transmission and distribution utilities in ERCOT are required to initiate proceedings to establish these charges.

On September 30, 2013, TNMP filed an application to set the initial fee and monthly charges to be assessed for non-standard metering service provided to those retail customers who choose to decline the advanced meter necessary for standard metering service. TNMP's filing seeks recovery of $0.2 million through proposed initial fees ranging from $142.84 to $247.48. An additional $0.5 million in ongoing expenses would be recovered via a proposed monthly charge of $38.99. A hearing on this matter is scheduled for April 8, 2014. TNMP cannot predict the outcome of this proceeding although TNMP does not expect it to have a material impact on its financial position, results of operations, or cash flows.

Remand of ERCOT Transmission Rates for 1999 and 2000

Following a variety of appeals, the ERCOT transmission rates approved in 1999 and 2000 were remanded back to the PUCT. These dockets concern the recalculation of rates for the fourth quarter of 1999 and all of 2000. In October 2011, TNMP joined in a non-unanimous settlement of the issues relating to resettlement of the last four months of 1999. In January 2012, the PUCT approved the non-unanimous settlement. TNMP received $1.6 million under the settlement. In June 2012, TNMP filed its transmission cost recovery factor filing ("TCRF") seeking $3.2 million in additional transmission costs. The PUCT staff requested a hearing asserting the settlement proceeds from the 1999 remand settlement need to be credited against the costs TNMP requested in its TCRF. TNMP maintains that the settlement proceeds should not be passed on to customers since TNMP was unable to recover those costs in 1999. Subsequently, the PUCT staff agreed to interim rate relief permitting TNMP to add $1.6 million in uncontested costs to its existing TCRF and add $1.6 million in costs in a subsequent TCRF if TNMP is successful in the contested case. The ALJ approved the interim relief on July 16, 2012. TNMP implemented the interim rates on September 1, 2012. On September 26, 2012, the contested portion of the case was remanded to the PUCT pursuant to an agreed resolution that permits the $1.6 million in interim rates to become final and authorizes TNMP to institute a surcharge in March 2013 to collect the additional $1.6 million in initially disputed costs plus interest at the PUCT under-billing rate. The PUCT approved the joint resolution on November 19, 2012.

Energy Efficiency

TNMP recovers the costs of its energy efficiency programs through an energy efficiency cost recovery factor. The PUCT approved TNMP's collection of its 2010 energy efficiency program costs of $2.6 million over 11 months beginning February 1, 2010. Recovery of the 2011 program costs of $2.7 million were approved for collection beginning January 1, 2011. In September 2011, the PUCT approved a settlement that allows TNMP to collect the estimated 2012 energy efficiency program costs of $3.4 million and a $0.3 million bonus for 2010. TNMP's new rates were effective January 1, 2012. On August 28, 2012, the PUCT approved a settlement that permits TNMP to collect estimated 2013 program costs of $4.8 million, plus recovery of an aggregate of $0.4 million in under-collected costs from prior years, case expenses, and a performance bonus for 2011. TNMP's new rates were effective January 1, 2013. On May 15, 2013, TNMP filed its 2014 energy efficiency cost recovery factor application with the PUCT. The application seeks approval to collect $5.6 million, which includes $4.7 million in estimated program expenses for 2014, a $0.7 million performance bonus for 2012, a refund of $0.1 million over collection of energy savings expenses for the 2012 program year, and case expenses. In July 2013, the parties filed a settlement to permit TNMP to collect the substantially all of the requested $5.6 million beginning March 1, 2014. The settlement was approved by the PUCT on October 25, 2013.

Transmission Cost of Service Rates

TNMP can update its transmission rates twice per year to reflect changes in its invested capital. Updated rates reflect the addition and retirement of transmission facilities, including appropriate depreciation, federal income tax and other associated taxes, and the approved rate of return on such facilities.

On August 23, 2012, TNMP filed an application to update its transmission rates to reflect changes in its invested capital. The application reflected an increase in total rate base of $26.4 million and requested an increase in revenues of $2.5 million annually. The PUCT approved the interim adjustment and TNMP implemented it on September 27, 2012.

On January 31, 2013, TNMP filed an application to further update its transmission rates to reflect changes in its invested capital. The requested increase in total rate base is $21.9 million, which will increase revenues $2.9 million annually. The PUCT ALJ approved TNMP's interim transmission cost of service filing and rates went into effect with bills rendered on March 20, 2013.

On August 1, 2013, TNMP filed an application to further update its transmission rates to reflect changes in its invested capital. The requested increase in total rate base is $18.1 million, which would increase revenues by $2.8 million annually. The PUCT ALJ approved TNMP's interim transmission cost of service filing and rates went into effect with bills rendered on September 17, 2013.

On January 21, 2014, TNMP filed an application to further update its transmission rates resulting from changes in its invested capital. The requested increase in total rate base is $18.2 million, which would increase revenues by $2.9 million annually. TNMP has requested approval by March 23, 2014.

Periodic Distribution Rate Adjustment

In September 2011, the PUCT approved a new rule permitting interim rate adjustments to reflect changes in investments in distribution assets. The rule permits distribution utilities to file for a periodic rate adjustment between April 1 and April 8 of each year as long as the electric utility is not earning more than its authorized rate of return using weather-normalized data.

Consolidated Tax Savings Adjustment

On June 14, 2013, the Governor of Texas signed into law a bill eliminating the consolidated tax savings adjustment ("CTSA") from electric utility ratemaking in Texas. Previously, the CTSA required electric utilities to artificially reduce their respective tax expenses due to the losses incurred by their affiliates. The bill became effective on September 1, 2013.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

(18) Related Party Transactions

PNMR, PNM, and TNMP are considered related parties as defined under GAAP. TNMP provides transmission and distribution services to First Choice. On November 1, 2011, PNMR sold First Choice (Note 3). TNMP revenues from First Choice through October 31, 2011 are considered related party revenues and included in the table below. PNMR Services Company provides corporate services to PNMR and its subsidiaries in accordance with shared services agreements. These services are billed at cost on a monthly basis to the business units. Optim Energy was a related party prior to September 23, 2011 (Note 20). PNMR Services Company provided corporate services to Optim Energy under a services agreement. There was also a services agreement for Optim Energy to provide services to PNMR.

PNMR files a consolidated federal income tax return with its affiliated companies. A tax allocation agreement exists between PNMR and each of its affiliated companies. These agreements provide that the subsidiary company will compute its taxable income on a stand-alone basis. If the result is a net tax liability, such amount shall be paid to PNMR. If there are net operating losses and/or tax credits, the subsidiary shall receive payment for the tax savings from PNMR to the extent that PNMR is able to utilize those benefits.

See Note 6 for information on intercompany borrowing arrangements. The table below summarizes the nature and amount of related party transactions of PNMR, PNM and TNMP:

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Electricity, transmission and distribution related services billings:			
TNMP to PNMR	$ —	$ —	$ 33,813
Services billings:			
PNMR to PNM	92,597	99,986	98,914
PNMR to TNMP	28,937	29,110	29,353
PNM to TNMP	562	595	550
TNMP to PNMR	7	15	164
PNMR to Optim Energy	—	—	4,083
Optim Energy to PNMR	—	—	23
Income tax sharing payments:			
PNMR to TNMP	—	1,951	—
PNMR to PNM	77,433	63,114	—
TNMP to PNMR	3,643	—	—
Interest payments:			
PNM to PNMR	4	1	54
TNMP to PNMR	481	137	40

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

(19) Accumulated Other Comprehensive Income (Loss)

AOCI reports a measure for accumulated changes in equity that result from transactions and other economic events other than transactions with shareholders. Information regarding AOCI is as follows:

	Accumulated Other Comprehensive Income (Loss)			
	Unrealized Gain on Available-for-Sale Securities	Pension Liability Adjustment	Fair Value Adjustment for Cash Flow Hedges	Total
	(In thousands)			
PNMR				
Balance at December 31, 2010	$ 16,211	$ (83,254)	$ (1,623)	$ (68,666)
Amounts reclassified from AOCI (pre-tax)	(35,251)	4,292	3,448	(27,511)
Income tax impact of amounts reclassified	13,956	(1,699)	(1,230)	11,027
Other OCI changes (pre-tax)	34,295	(2,958)	(1,002)	30,335
Income tax impact of other OCI changes	(13,577)	1,187	349	(12,041)
Net change after income taxes	(577)	822	1,565	1,810
Balance at December 31, 2011	15,634	(82,432)	(58)	(66,856)
Amounts reclassified from AOCI (pre-tax)	(37,269)	4,611	182	(32,476)
Income tax impact of amounts reclassified	14,755	(1,825)	(65)	12,865
Other OCI changes (pre-tax)	38,548	(30,084)	(428)	8,036
Income tax impact of other OCI changes	(15,262)	11,910	153	(3,199)
Net change after income taxes	772	(15,388)	(158)	(14,774)
Balance at December 31, 2012	16,406	(97,820)	(216)	(81,630)
Amounts reclassified from AOCI (pre-tax)	(11,956)	6,364	207	(5,385)
Income tax impact of amounts reclassified	4,734	(2,524)	(73)	2,137
Other OCI changes (pre-tax)	27,419	17,136	(279)	44,276
Income tax impact of other OCI changes	(10,855)	(6,781)	98	(17,538)
Net change after income taxes	9,342	14,195	(47)	23,490
Balance at December 31, 2013	$ 25,748	$ (83,625)	$ (263)	$ (58,140)

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

	Accumulated Other Comprehensive Income (Loss)			
	Unrealized Gain on Available-for-Sale Securities	Pension Liability Adjustment	Fair Value Adjustment for Cash Flow Hedges	Total
	(In thousands)			
PNM				
Balance at December 31, 2010	$ 16,211	$ (82,981)	$ (16)	$ (66,786)
Amounts reclassified from AOCI (pre-tax)	(35,251)	4,278	27	(30,946)
Income tax impact of amounts reclassified	13,956	(1,694)	(11)	12,251
Other OCI changes (pre-tax)	34,295	(3,369)	—	30,926
Income tax impact of other OCI changes	(13,577)	1,334	—	(12,243)
Net change after income taxes	(577)	549	16	(12)
Balance at December 31, 2011	15,634	(82,432)	—	(66,798)
Amounts reclassified from AOCI (pre-tax)	(37,269)	4,611	—	(32,658)
Income tax impact of amounts reclassified	14,755	(1,825)	—	12,930
Other OCI changes (pre-tax)	38,548	(30,084)	—	8,464
Income tax impact of other OCI changes	(15,262)	11,910	—	(3,352)
Net change after income taxes	772	(15,388)	—	(14,616)
Balance at December 31, 2012	16,406	(97,820)	—	(81,414)
Amounts reclassified from AOCI (pre-tax)	(11,956)	6,364	—	(5,592)
Income tax impact of amounts reclassified	4,734	(2,524)	—	2,210
Other OCI changes (pre-tax)	27,419	17,136	—	44,555
Income tax impact of other OCI changes	(10,855)	(6,781)	—	(17,636)
Net change after income taxes	9,342	14,195	—	23,537
Balance at December 31, 2013	$ 25,748	$ (83,625)	$ —	$ (57,877)

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

	Accumulated Other Comprehensive Income (Loss)			
	Unrealized Gain on Available-for-Sale Securities	Pension Liability Adjustment	Fair Value Adjustment for Cash Flow Hedges	Total
	(In thousands)			
TNMP				
Balance at December 31, 2010	$ —	$ (275)	$ (1,210)	$ (1,485)
Amounts reclassified from AOCI (pre-tax)	—	13	2,997	3,010
Income tax impact of amounts reclassified	—	(5)	(1,068)	(1,073)
Other OCI changes (pre-tax)	—	414	(1,207)	(793)
Income tax impact of other OCI changes	—	(147)	430	283
Net change after income taxes	—	275	1,152	1,427
Balance at December 31, 2011	—	—	(58)	(58)
Amounts reclassified from AOCI (pre-tax)	—	—	182	182
Income tax impact of amounts reclassified	—	—	(65)	(65)
Other OCI changes (pre-tax)	—	—	(428)	(428)
Income tax impact of other OCI changes	—	—	153	153
Net change after income taxes	—	—	(158)	(158)
Balance at December 31, 2012	—	—	(216)	(216)
Amounts reclassified from AOCI (pre-tax)	—	—	207	207
Income tax impact of amounts reclassified	—	—	(73)	(73)
Other OCI changes (pre-tax)	—	—	(279)	(279)
Income tax impact of other OCI changes	—	—	98	98
Net change after income taxes	—	—	(47)	(47)
Balance at December 31, 2013	$ —	$ —	$ (263)	$ (263)

Pre-tax amounts reclassified from AOCI related to Unrealized Gain on Available-for-Sale Securities are included in Gains on available-for-sale securities in the Consolidated Statements of Earnings. Pre-tax amounts reclassified from AOCI related to Pension Liability Adjustment are reclassified to Operating Expenses - Administrative and general in the Consolidated Statements of Earnings. For the year ended December 31, 2013, approximately 18.7% of the amount reclassified was capitalized into construction work in process and approximately 3.0%was capitalized into other accounts. Pre-tax amounts reclassified from AOCI related to Fair Value Adjustment for Cash Flow Hedges are reclassified to Interest Charges in the Consolidated Statements of Earnings. An insignificant amount is then capitalized as AFUDC. The income tax impacts of all amounts reclassified from AOCI are included in Income Taxes in the Consolidated Statements of Earnings.

(20) Optim Energy

In January 2007, Optim Energy was created by PNMR and ECJV, a wholly owned subsidiary of Cascade, to serve expanding energy markets, principally the areas of Texas covered by ERCOT. PNMR and ECJV each had a 50 percent ownership interest in Optim Energy, a limited liability company. Optim Energy had a bank financing arrangement that provided for a revolving line of credit, the issuance of bank letters of credit support certain contractual arrangements, and a maturity of May 31, 2012. Cascade and ECJV guaranteed Optim Energy's obligations on this facility. Optim Energy's debt was non-recourse to PNMR.

Beginning in 2009, Optim Energy was affected by adverse market conditions, primarily low natural gas and power prices. Under GAAP, there were indicators of impairment that required PNMR to perform an impairment analyses of its investment in Optim Energy as of December 31, 2010. PNMR's analysis indicated that its entire investment in Optim Energy was impaired at December 31, 2010. Accordingly, PNMR reduced the carrying value of its investment in Optim Energy to zero at December 31,

2010. In accordance with GAAP, PNMR did not record income or losses associated with its investment in Optim Energy in 2011 as PNMR had no contractual requirement or agreement to provide Optim Energy with additional financial resources.

As a result of the adverse market conditions described above, PNMR (in collaboration with Optim Energy and ECJV) assessed various strategic alternatives relating to Optim Energy. On September 23, 2011, PNMR, ECJV, and Cascade agreed to restructure Optim Energy and ECJV made an equity contribution to Optim Energy in exchange for an increased ownership interest, which resulted in PNMR's ownership in Optim Energy being reduced from 50% to 1%. As part of this transaction, PNMR did not make any equity contribution to Optim Energy nor was it required to make any future contribution. PNMR Services Company provided certain corporate services to Optim Energy through December 31, 2011 and thereafter with respect to certain open tax matters. On January 4, 2012, ECJV exercised its option to acquire PNMR's remaining 1% ownership interest in Optim Energy at fair market value, which was determined to be zero.

As discussed above, PNMR fully impaired its investment in Optim Energy at December 31, 2010 and did not recognize losses of Optim Energy from January 1, 2011 through September 23, 2011 when PNMR ceased to account for its investment using the equity method of accounting. Accordingly, Optim Energy has no impact on PNMR's 2011 statement of earnings and statement of cash flows. For the nine months ended September 30, 2011, Optim Energy reported operating revenues of $256.8 million, margin of $84.7 million, and a net loss of $21.4 million.

(21) Goodwill and Other Intangible Assets; Impairments

The excess purchase price over the fair value of the assets acquired and the liabilities assumed by PNMR for its June 6, 2005 acquisition of TNP was recorded as goodwill and was pushed down to the businesses acquired. In 2007, the TNMP assets that were included in its New Mexico operations, including goodwill, were transferred to PNM. Additionally, the trade name "First Choice" and the First Choice customer list were acquired in the TNP acquisition. The trade name was considered to have an indefinite useful life; therefore, no amortization was recorded. The useful life of the customer list was estimated to be approximately eight years. As discussed in Note 3, PNMR completed the sale of First Choice on November 1, 2011. As a result, the goodwill and other intangible assets of First Choice are no longer included in PNMR's Consolidated Balance Sheet and PNMR no longer has any other intangible assets.

GAAP requires the Company to evaluate its goodwill and non-amortizing intangible assets for impairment annually at the reporting unit level or more frequently if circumstances indicate that the goodwill or intangible assets may be impaired. The Company evaluates goodwill impairment as of April 1st of each year. PNMR's current reporting units that have goodwill are PNM and TNMP. Application of the impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, and determination of the fair value of each reporting unit.

GAAP provides that in certain circumstances an entity may perform a qualitative analysis to conclude that the goodwill of a reporting unit is not impaired. Under a qualitative assessment, an entity considers macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, other relevant entity-specific events affecting a reporting unit, as well as whether a sustained decrease (both absolute and relative to its peers) in share price had occurred. An entity considers the extent to which each of the adverse events and circumstances identified could affect the comparison of a reporting unit's fair value with its carrying amount. An entity places more weight on the events and circumstances that most affect a reporting unit's fair value or the carrying amount of its net assets. An entity also considers positive and mitigating events and circumstances that may affect its determination of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative analysis is not required.

In other circumstances, an entity may perform a quantitative analysis to reach the conclusion regarding impairment with respect to a reporting unit. The first step of the quantitative impairment test requires an entity to compare the fair value of the reporting unit with its carrying value, including goodwill. If as a result of this analysis, the entity concludes there is an indication of impairment in a reporting unit having goodwill, the entity is required to perform the second step of the impairment analysis, determining the amount of goodwill impairment to be recorded. The amount is calculated by comparing the implied fair value of the goodwill to its carrying amount. This exercise requires the entity to allocate the fair value determined in step one to the individual assets and liabilities of the reporting unit. Any remaining fair value would be the implied fair value of goodwill on the testing date. To the extent the recorded amount of goodwill of a reporting unit exceeds the implied fair value determined in step

two, an impairment loss would be reflected in results of operations. Prior to 2012, the Company also compared the fair value of non-amortizing intangibles other than goodwill to the recorded value.

An entity may choose to perform a quantitative analysis without performing a qualitative analysis and may perform a qualitative analysis for certain reporting units, but a quantitative analysis for others. Prior to 2013, the Company performed qualitative analyses for all reporting units having goodwill. For the annual evaluation performed as of April 1, 2013, PNMR utilized a qualitative analysis for the TNMP reporting unit and a quantitative analysis for the PNM reporting unit.

The 2013 qualitative analysis for the TNMP reporting unit, which has goodwill of $226.7 million, included the consideration of various reporting unit specific factors as well as industry and macroeconomic factors to determine whether these factors were reasonably likely to have a material impact on the fair value of the reporting unit. Factors considered included the results of the April 1, 2012 quantitative analysis, which indicated that fair value exceeded carrying value of the reporting unit by approximately 26%, current and long-term forecasted financial results, regulatory environment, credit rating, interest rate environment, absolute and relative price of PNMR's common stock, and operating strategy. TNMP believes it is operating within a generally favorable regulatory environment, its historical and forecasted financial results are positive, and its credit is perceived positively. Based on the analysis of the relevant factors, PNMR concluded that it is more likely than not that the fair value of the TNMP reporting unit exceeds its carrying value.

For the PNM reporting unit, a discounted cash flow methodology was primarily used as the quantitative analysis to estimate the fair value of the reporting unit. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of long-term growth rates for the business, and determination of appropriate weighted average cost of capital for each reporting unit. Changes in these estimates and assumptions could materially affect the determination of fair value and the conclusion of impairment. The April 1, 2013 and 2012 quantitative evaluations indicated the fair value of the PNM reporting unit, which has goodwill of $51.6 million, exceeded its carrying value by approximately 27% and 15%. An increase of 0.5% in the expected return on equity capital utilized in discounting the forecasted cash flows, would have reduced the excess of PNM's fair value over carrying value to approximately 20% at April 1, 2013.

The annual evaluations performed as of April 1, 2013 and 2012 did not indicate impairments of the goodwill of any of PNMR's reporting units. Since the April 1, 2013 annual evaluation, there have been no indications that the fair values of the reporting units with recorded goodwill have decreased below the carrying values.

Prior annual evaluations have not indicated impairments of any of PNMR's reporting units, except in 2008. During 2008, the market capitalization of PNMR's common stock was significantly below book value. In addition, changes in the ERCOT market significantly impacted the results of operations of First Choice. The financial challenges facing First Choice were exacerbated by the impacts of Hurricane Ike and depressed economic conditions resulting in significant increases in the levels of uncollectible accounts. As a result, the Company recorded goodwill impairments of $51.1 million for PNM, $34.5 million for TNMP, and $88.8 million for First Choice in 2008. Pre-tax impairment losses of $42.6 million for the First Choice trade name and $4.8 million for the First Choice customer list were also recorded in 2008. Since 2008, the price of PNMR's common stock has increased, improving the relationship between PNMR's market capitalization and book value. In addition, improved regulatory treatment has been experienced by PNM in New Mexico and by TNMP in Texas. Furthermore, First Choice's business became more stable, primarily due to more predictable power and fuel price patterns in the ERCOT market. These factors resulted in more predictable earnings and increased fair values of the reporting units. Since 2008, the annual evaluations have not indicated that the fair values of the reporting units with recorded goodwill have decreased below their carrying values.

(22) Quarterly Operating Results (Unaudited)

Unaudited operating results by quarters for 2013 and 2012 are presented below. In the opinion of management of the Company, all adjustments (consisting of normal recurring accruals) necessary for a fair statement of the results of operations for such periods have been included.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

	Quarter Ended			
	March 31	June 30	September 30	December 31
	(In thousands, except per share amounts)			
PNMR				
2013				
Operating revenues	$ 317,665	$ 347,599	$ 399,730	$ 322,929
Operating income	50,704	77,867	117,739	40,532
Net earnings	13,962	31,383	58,814	11,397
Net earnings attributable to PNMR	10,626	27,678	54,555	7,648
Net Earnings Attributable to PNMR per Common Share:				
Basic	0.13	0.35	0.68	0.10
Diluted	0.13	0.34	0.68	0.10
2012				
Operating revenues	$ 305,374	$ 323,860	$ 390,411	$ 322,758
Operating income	53,729	65,106	118,150	36,736
Net earnings	20,477	25,099	61,976	12,573
Net earnings attributable to PNMR	17,080	21,512	57,864	9,091
Net Earnings Attributable to PNMR per Common Share:				
Basic	0.21	0.27	0.73	0.11
Diluted	0.21	0.27	0.72	0.11
PNM				
2013				
Operating revenues	$ 257,894	$ 279,690	$ 326,026	$ 252,702
Operating income	37,239	58,302	95,217	18,427
Net earnings	14,773	29,697	51,950	6,256
Net earnings attributable to PNM	11,569	26,124	47,823	2,639
2012				
Operating revenues	$ 250,416	$ 260,094	$ 321,731	$ 260,023
Operating income	42,105	46,669	96,973	20,135
Net earnings	21,077	20,340	54,891	9,293
Net earnings attributable to PNM	17,812	16,885	50,911	5,943
TNMP				
2013				
Operating revenues	$ 59,771	$ 67,909	$ 73,704	$ 70,227
Operating income	13,054	19,667	22,254	17,210
Net earnings	3,726	8,339	10,106	6,919
2012				
Operating revenues	$ 54,958	$ 63,766	$ 68,680	$ 62,736
Operating income	11,791	18,897	20,970	15,862
Net earnings	3,011	8,018	9,084	6,634

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
PNM Resources, Inc.:

We have audited and reported separately herein on the consolidated balance sheet of PNM Resources, Inc and subsidiaries (the Company) as of December 31, 2013, and the related consolidated statement of earnings, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended. In connection with our audit of the aforementioned consolidated financial statements, we also audited the related financial statement schedules as listed within Item 15. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audit.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Albuquerque, New Mexico
February 28, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Public Service Company of New Mexico:

We have audited and reported separately herein on the consolidated balance sheet of Public Service Company of New Mexico and subsidiaries (the Company) as of December 31, 2013, and the related consolidated statement of earnings, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended. In connection with our audit of the aforementioned consolidated financial statements, we also audited the related financial statement schedule as listed within Item 15. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audit.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Albuquerque, New Mexico
February 28, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Texas-New Mexico Power Company:

We have audited and reported separately herein on the consolidated balance sheet of Texas-New Mexico Power Company and subsidiaries (the Company) as of December 31, 2013, and the related consolidated statement of earnings, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended. In connection with our audit of the aforementioned consolidated financial statements, we also audited the related financial statement schedule as listed within Item 15. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audit.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Albuquerque, New Mexico
February 28, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
PNM Resources, Inc.
Albuquerque, New Mexico

We have audited the consolidated financial statements of PNM Resources, Inc. and subsidiaries (the "Company") as of December 31, 2012, and for each of the two years in the period ended December 31, 2012, and have issued our reports thereon dated March 1, 2013; such consolidated financial statements and reports are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedules of the Company listed in Item 15 as of December 31, 2012 and for each of the two years in the period ended December 31, 2012. These consolidated financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth herein.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona
March 1, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Public Service Company of New Mexico
Albuquerque, New Mexico

and

Texas-New Mexico Power Company
Lewisville, Texas

We have audited the consolidated financial statements of Public Service Company of New Mexico and subsidiaries and Texas-New Mexico Power Company and subsidiaries (the "Companies") as of December 31, 2012, and for each of the two years in the period ended December 31, 2012, and have issued our report thereon dated March 1, 2013; such consolidated financial statements and reports are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedules of the Companies listed in Item 15 as of December 31, 2012 and for each of the two years in the period ended December 31, 2012. These consolidated financial statement schedules are the responsibility of the Companies' management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth herein.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona
March 1, 2013

SCHEDULE I
PNM RESOURCES, INC.
CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY
STATEMENTS OF EARNINGS

	Year ended December 31,		
	2013	2012	2011
		(In thousands)	
Operating Revenues	$ —	$ —	$ —
Operating Expenses	941	3,287	20,547
Operating income (loss)	(941)	(3,287)	(20,547)
Other Income and Deductions:			
Equity in earnings of subsidiaries	116,634	117,900	205,215
Other income	769	670	59
Other deductions	(22,825)	(20,904)	(34,124)
Net other income (deductions)	94,578	97,666	171,150
Earnings Before Income Taxes	93,637	94,379	150,603
Income Tax Expense (Benefit)	(6,870)	(11,168)	(25,756)
Net Earnings	$ 100,507	$ 105,547	$ 176,359

SCHEDULE I
PNM RESOURCES, INC.
CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY
STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Cash Flows From Operating Activities:			
Net earnings	$ 100,507	$ 105,547	$ 176,359
Adjustments to reconcile net earnings to net cash flows from operating activities:			
Depreciation and amortization	4,192	5,000	7,654
Deferred income tax expense	(51,820)	(46,632)	(34,396)
Equity in (earnings) of subsidiaries	(116,634)	(117,900)	(205,215)
Loss on reacquired debt	3,253	—	9,209
Stock based compensation expense	5,320	3,585	6,556
Changes in certain assets and liabilities:			
Other current assets	28,460	(43,638)	42,687
Other assets	46,558	34,096	59,975
Accounts payable	620	8	(1)
Accrued interest and taxes	(9,266)	(28,855)	27,348
Other current liabilities	(146)	3,876	4,765
Other liabilities	(27,756)	(29,601)	(12,854)
Net cash flows from operating activities	(16,712)	(114,514)	82,087
Cash Flows From Investing Activities:			
Utility plant additions	(960)	(7,524)	—
Investments in subsidiaries	(13,800)	—	(43,000)
Cash dividends from subsidiaries	158,772	61,406	285,757
Net cash flows from investing activities	144,012	53,882	242,757
Cash Flows From Financing Activities:			
Short-term borrowings (repayments), net	(37,600)	120,900	(15,300)
Short-term borrowings (repayments) – affiliate, net	—	—	300
Repayment of long-term debt	(29,468)	(2,387)	(60,391)
Purchase of preferred stock	—	—	(73,475)
Purchase of common stock	—	—	(125,683)
Proceeds from stock option exercise	4,618	11,684	5,622
Purchases to satisfy awards of common stock	(13,807)	(25,168)	(10,104)
Dividends paid	(50,980)	(44,609)	(45,128)
Other, net	—	—	(747)
Net cash flows from financing activities	(127,237)	60,420	(324,906)
Change in Cash and Cash Equivalents	63	(212)	(62)
Cash and Cash Equivalents at Beginning of Period	29	241	303
Cash and Cash Equivalents at End of Period	$ 92	$ 29	$ 241
Supplemental Cash Flow Disclosures:			
Interest paid	$ 14,510	$ 15,007	$ 19,215
Income taxes paid (refunded), net	$ 22,378	$ 1,501	$ 5,454

SCHEDULE I

PNM RESOURCES, INC.
CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY
BALANCE SHEETS

	December 31,	
	2013	2012
	(In thousands)	
Assets		
Cash and cash equivalents	$ 92	$ 29
Intercompany receivables	136,387	108,875
Income taxes receivable	14,989	41,434
Other, net	8,544	2,204
Total current assets	160,012	152,542
Property, plant and equipment, net of accumulated depreciation of $9,167 and $8,262	26,601	25,642
Long-term investments	—	3,651
Investment in subsidiaries	1,683,321	1,688,168
Other long-term assets	53,892	49,302
Total long-term assets	1,763,814	1,766,763
	$ 1,923,826	$ 1,919,305
Liabilities and Stockholders' Equity		
Short-term debt	$ 100,000	$ 137,600
Short-term debt-affiliate	8,819	8,819
Current maturities of long-term debt	—	2,530
Accrued interest and taxes	2,797	3,127
Other current liabilities	16,876	13,218
Total current liabilities	128,492	165,294
Long-term debt	118,766	142,592
Other long-term liabilities	2,999	3,232
Total liabilities	250,257	311,118
Common stock (no par value; 120,000,000 shares authorized; issued and outstanding 79,653,624 shares)	1,178,369	1,182,819
Accumulated other comprehensive income (loss), net of tax	(58,140)	(81,630)
Retained earnings	553,340	506,998
Total common stockholders' equity	1,673,569	1,608,187
	$ 1,923,826	$ 1,919,305

See Notes 6, 7, and 16 for information regarding commitments, contingencies, and maturities of long-term debt.

SCHEDULE II
PNM RESOURCES, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of year	Additions: Charged to costs and expenses	Additions: Charged to other accounts	Deductions: Write-offs and other	Balance at end of year
			(In thousands)		
Allowance for doubtful accounts, year ended December 31:					
2011	$ 11,178	$ 24,116	$ —	$ 33,516 [1]	$ 1,778
2012	$ 1,778	$ 3,367	$ —	$ 3,394	$ 1,751
2013	$ 1,751	$ 2,849	$ —	$ 3,177	$ 1,423

[1] Includes reduction of $11,818 due to the sale of First Choice on November 1, 2011.

SCHEDULE II
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARY
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of year	Additions		Deductions	Balance at end of year
		Charged to costs and expenses	Charged to other accounts	Write-offs	
			(In thousands)		
Allowance for doubtful accounts, year ended December 31:					
2011	$ 1,483	$ 3,736	$ —	$ 3,441	$ 1,778
2012	$ 1,778	$ 3,384	$ —	$ 3,411	$ 1,751
2013	$ 1,751	$ 2,864	$ —	$ 3,192	$ 1,423

SCHEDULE II
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of year	Additions		Deductions	Balance at end of year
		Charged to costs and expenses	Charged to other accounts	Write-offs	
			(In thousands)		
Allowance for doubtful accounts, year ended December 31:					
2011	$ —	$ 33	$ —	$ 33	$ —
2012	$ —	$ (17)	$ —	$ (17)	$ —
2013	$ —	$ (15)	$ —	$ (15)	$ —

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

PNMR

(a) Evaluation of disclosure controls and procedures.

As of the end of the period covered by this annual report, PNMR conducted an evaluation under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective.

(b) Management's report on internal control over financial reporting.

"Management's Annual Report on Internal Control Over Financial Reporting" appears on page B-2. This report is incorporated by reference herein. PNMR's internal control over financial reporting as of December 31, 2013 has been audited by KPMG LLP, as an independent registered public accounting firm, as stated in their report which is included herein.

(c) Changes in internal controls.

There have been no changes in PNMR's internal control over financial reporting (as such term is defined in Rules 13a-15 (f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, PNMR's internal control over financial reporting.

PNM

(a) Evaluation of disclosure controls and procedures.

As of the end of the period covered by this annual report, PNM conducted an evaluation under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective.

(b) Management's report on internal control over financial reporting.

"Management's Annual Report on Internal Control Over Financial Reporting" appears on page B-3. This report is incorporated by reference herein.

(c) Changes in internal controls.

There have been no changes in PNM's internal control over financial reporting (as such term is defined in Rules 13a-15 (f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, PNM's internal control over financial reporting.

TNMP

(a) Evaluation of disclosure controls and procedures.

As of the end of the period covered by this annual report, TNMP conducted an evaluation under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective.

(b) Management's report on internal control over financial reporting.

"Management's Annual Report on Internal Control Over Financial Reporting" appears on page B-4. This report is incorporated by reference herein.

(c) Changes in internal controls.

There have been no changes in TNMP's internal control over financial reporting (as such term is defined in Rules 13a-15 (f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, TNMP's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Reference is hereby made to "Proposal 1: Elect Nine Directors" in PNMR's Proxy Statement relating to the annual meeting of stockholders to be held on May 15, 2014 (the "2014 Proxy Statement"), to PART I, SUPPLEMENTAL ITEM – "EXECUTIVE OFFICERS OF THE COMPANY" in this Form 10-K, "Section 16(a) Beneficial Ownership Reporting Compliance", "Code of Ethics," and "Board Committees and Their Functions"-"Audit and Ethics Committee" in the 2014 Proxy Statement. The Company intends to satisfy the disclosure requirements of Form 8-K relating to amendments to the Company's code of ethics applicable to its senior executive and financial officers by posting such information on its Internet website. Information about the Company's website is included under Part I, Item 1 - "Websites."

PNMR's common stock is listed on the New York Stock Exchange. As a result, PNMR's Chief Executive Officer is required to make an annual certification to the New York Stock Exchange stating that she was not aware of any violations by PNMR of the New York Stock Exchange corporate governance listing standards. PNMR's Chief Executive Officer made the most recent certification to the New York Stock Exchange on May 16, 2013.

ITEM 11. EXECUTIVE COMPENSATION

Reference is hereby made to "Executive Compensation", and all subheadings thereunder from "Compensation Discussion and Analysis" to "Change in Control, Termination, Retirement, or Impaction", "Director Compensation," and "Board Committees and Their Functions - Compensation and Human Resources Committee - Interlocks and Insider Participation" in the 2014 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Reference is hereby made to "Ownership of Our Common Stock - Five Percent Shareholders" and " - Executive Officers and Directors" and "Equity Compensation Plan Information" in the 2014 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Reference is hereby made to "Information About Our Corporate Governance - Related Person Transaction Policy" and " - Director Independence" in the 2014 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Reference is hereby made to "Audit and Ethics Committee Report" and "Independent Auditor Fees" in the 2014 Proxy Statement. Independent auditor fees for PNM and TNMP are reported in the 2014 Proxy Statement for PNMR. All such fees are fees of PNMR. PNMR charges a management fee to PNM and TNMP that includes an allocation of independent auditor fees.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) - 1. See Index to Financial Statements under Part II, Item 8.

(a) - 2. Financial Statement Schedules for the years 2013, 2012, and 2011 are omitted for the reason that they are not required or the information is otherwise supplied under Part II, Item 8.

(a) - 3-A. Exhibits Filed:

Exhibit No		Description
10.1	PNMR	Amended and Restated Term Loan Agreement dated as of December 27, 2013 among PNMR, the lender parties (JPMorgan Chase Bank, N.A. and Union Bank, N.A.) and JPMorgan Chase Bank, N.A., as administrative agent
10.2	PNMR	Second Amendment to Credit Agreement dated October 31, 2013 among PNMR, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent
10.3*	PNM	Amendment No. 4 dated as of December 11, 2013 to Facility Lease dated as of December 16, 1985, as heretofore amended, between U.S. Bank National Association (ultimate successor to The First National Bank of Boston), as Owner Trustee, and PNM (Unit 1 transaction)
10.4**	PNMR	Second Amendment effective January 1, 2014 to the PNM Resources, Inc. Executive Savings Plan II
10.5**	PNMR	Second, Third and Fourth Amendments, each effective January 1, 2014, to the PNM Resources, Inc. After-Tax Retirement Plan
10.6**	PNMR	Acknowledgement Forms for restricted stock and performance share awards granted under the Second Amended and Restated Omnibus Performance Equity Plan dated May 19, 2009, as amended
10.7**	PNMR	PNM Resources, Inc. Annual Executive Physical Exam Program Wraparound Plan Document effective as of January 1, 2014
12.1	PNMR	Ratio of Earnings to Fixed Charges
12.2	PNM	Ratio of Earnings to Fixed Charges
12.3	TNMP	Ratio of Earnings to Fixed Charges
21	PNMR	Certain subsidiaries of PNM Resources, Inc.
23.1	PNMR	Consent of KPMG LLP for PNM Resources, Inc.
23.2	PNM	Consent of KPMG LLP for Public Service Company of New Mexico
23.3	PNMR	Consent of Deloitte & Touche LLP for PNM Resources, Inc.
23.4	PNM	Consent of Deloitte & Touche LLP for Public Service Company of New Mexico
31.1	PNMR	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	PNMR	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	PNM	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4	PNM	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.5	TNMP	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.6	TNMP	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	PNMR	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	PNM	Chief Financial Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.3	TNMP	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.19	PNM	Agreement for the Sale and Purchase of Wastewater Effluent dated November 13, 2000 between the City of Tolleson, APS and Salt River Project Agricultural Improvement and Power District
101.INS	PNMR	XBRL Instance Document

101.SCH	PNMR	XBRL Taxonomy Extension Schema Document
101.CAL	PNMR	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	PNMR	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	PNMR	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	PNMR	XBRL Taxonomy Extension Presentation Linkbase Document

(a) -3- B. Exhibits Incorporated By Reference:

The documents listed below are being filed (as shown above) or have been previously filed on behalf of PNM Resources, PNM or TNMP and are incorporated by reference to the filings set forth below pursuant to Exchange Act Rule 12b-32 and Regulation S-K section 10, paragraph (d).

Exhibit No.	Description of Exhibit	Filed as Exhibit:	Registrant(s) File No:
Plan of Acquisition			
2.1	Stock Purchase Agreement dated as of September 23, 2011 among PNMR, TNP Enterprises, Inc. and Direct LP, Inc.	2.1 to PNMR's Current Report on Form 8K filed September 23, 2011	1-32464 PNMR
Articles of Incorporation and By-laws			
3.1	Articles of Incorporation of PNM Resources, as amended to date (Certificate of Amendment dated October 27, 2008 and Restated Articles of Incorporation dated August 3, 2006)	3.1 to the Company's Current Report on Form 8-K filed November 21, 2008	1-32462 PNMR
3.2	Restated Articles of Incorporation of PNM, as amended through May 31, 2002	3.1.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002	1-6986 PNM
3.3	Articles of Incorporation of TNMP, as amended through July 7, 2005	3.1.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005	2-97230 TNMP
3.4	Bylaws of PNM Resources, Inc. with all amendments to and including December 8, 2009	3.1 to the Company's Current Report on Form 8-K filed December 11, 2009	1-32462 PNMR
3.5	Bylaws of PNM with all amendments to and including May 31, 2002	3.1.2 to the Company's Report on Form 10-Q for the fiscal quarter ended June 30, 2002	1-6986 PNM
3.6	Bylaws of TNMP with all amendments to and including June 18, 2013	3.6 to TNMP's Current Report on Form 8-K filed June 20, 2013	2-97230 TNMP
Indentures‡			
PNMR			
4.1	Indenture, dated as of March 15, 2005, between PNMR and JPMorgan Chase Bank, N.A., as Trustee	10.2 to PNMR's Current Report on Form 8-K filed March 31, 2005	1-32462 PNMR
4.2	Supplemental Indenture No. 1, dated as of March 30, 2005, between the Company and JPMorgan Chase Bank, N.A. as Trustee, with Form of Senior Note included as Exhibit A thereto	10.3 to PNMR's Current Report on Form 8-K filed March 31, 2005	333-32170 PNMR
4.3	Supplemental Indenture No. 2, dated as of May 16, 2008 between PNMR and The Bank of New York Trust Company, N.A. (successor to JPMorgan Chase Bank, N.A.), as trustee	4.3 to PNMR's Current Report on Form 8-K filed May 21, 2008	1-32462 PNMR
4.4	Agreement of Resignation, Appointment and Acceptance, effective as of June 1, 2011, among PNMR, The Bank of New York Mellon Trust Company, N.A. and Union Bank, N.A. (for March 15, 2005 PNMR Indenture)	4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011	1-32462 PNMR
PNM			

4.5	Indenture (for Senior Notes), dated as of March 11, 1998, between PNM and The Chase Manhattan Bank, as Trustee	4.4 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998	1-6986 PNM
4.6	First Supplemental Indenture, dated as of March 11, 1998, supplemental to Indenture, dated as of March 11, 1998, Between PNM and The Chase Manhattan Bank, as Trustee	4.5 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998	1-6986 PNM
4.7	Second Supplemental Indenture, dated as of March 11, 1998, supplemental to Indenture, dated as of March 11, 1998, Between PNM and The Chase Manhattan Bank, as Trustee	4.6 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998	1-6986 PNM
4.8	Third Supplemental Indenture, dated as of October 1, 1999 to Indenture dated as of March 11, 1998, between PNM and The Chase Manhattan Bank, as Trustee	4.6.1 to PNM's Annual Report on Form 10-K for the fiscal year ended December 31, 1999	1-6986 PNM
4.9	Fourth Supplemental Indenture, dated as of May 1, 2003 to Indenture dated as of March 11, 1998, between PNM and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee	4.6.2 to PNM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003	1-6986 PNM
4.10	Fifth Supplemental Indenture, dated as of May 1, 2003 to Indenture dated as of March 11, 1998, between PNM and JPMorgan Chase Bank, as Trustee	4.6.3 to PNM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003	1-6986 PNM
4.11	Sixth Supplemental Indenture, dated as of May 1, 2003 to Indenture dated as of March 11, 1998, between PNM and JPMorgan Chase Bank, as Trustee	4.6.4 to PNM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003	1-6986 PNM
4.12	Seventh Supplemental Indenture, dated as of June 1, 2007 to Indenture dated as of March 11, 1998, between PNM and The Bank of New York Trust Company, N.A. (successor to JPMorgan Chase Bank), as Trustee	4.23 to PNM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007	1-6986 PNM
4.13	Eighth Supplemental Indenture, dated as of June 1, 2010 to Indenture dated as of March 11, 1988, between PNM and The Bank of New York Mellon Trust Company (successor to JPMorgan Chase Bank), as Trustee	10.1 to PNM's Current Report on Form 8-K/A filed July 29, 2010	1-6986 PNM
4.14	Ninth Supplemental Indenture, dated as of June 1, 2010 to Indenture dated as of March 11, 1988, between PNM and The Bank of New York Mellon Trust Company (successor to JPMorgan Chase Bank), as Trustee	10.2 to PNM's Current Report on Form 8-K/A filed July 29, 2010	1-6986 PNM
4.15	Agreement of Resignation, Appointment and Acceptance effective as of May 1, 2011, among PNM, The Bank of New York Mellon Trust Company, N.A. and Union Bank, N.A. (for March 11, 1998 PNM Indenture)	4.2 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011	1-6986 PNM
4.16	Tenth Supplemental Indenture, dated as of September 1, 2012, between PNM and Union Bank, N.A.(ultimate successor as trustee to The Chase Manhattan Bank), as Trustee	4.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012	1-6986 PNM
4.17	Indenture (for Senior Notes), dated as of August 1, 1998, between PNM and The Chase Manhattan Bank, as Trustee	4.1 to PNM's Registration Statement No. 333-53367	333-53367 PNM
4.18	First Supplemental Indenture, dated August 1, 1998, supplemental to Indenture, dated as of August 1, 1998, between PNM and The Chase Manhattan Bank, as Trustee	4.3 to PNM's Current Report on Form 8-K Dated August 7, 1998	1-6986 PNM
4.19	Second Supplemental Indenture, dated September 1, 2003, supplemental to Indenture, dated as of August 1, 1998, between PNM and JPMorgan Chase Bank (formerly, The Chase Manhattan Bank), as Trustee	4.7.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003	1-6986 PNM
4.20	Third Supplemental Indenture, dated as of May 13, 2008 between PNM and The Bank of New York Trust Company, N.A. as trustee	4.1 to PNM's Current Report on Form 8-K filed May 15, 2008	1-6986 PNM

4.21	Agreement of Resignation, Appointment and Acceptance, effective as of June 1, 2011, among PNM, The Bank of New York Mellon Trust Company and Union Bank, N.A. (for August 1, 1998 PNM Indenture)	4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011	1-6986 PNM
4.22	Fourth Supplemental Indenture, dated as of October 12, 2011, to the Indenture, dated as of August 1, 1998, between PNM and Union Bank, N.A. (ultimate successor as trustee to The Chase Manhattan Bank), as trustee	4.1 to PNM's Current Report on Form 8-K filed October 12, 2011	1-6986 PNM
TNMP			
4.23	The First Mortgage Indenture dated as of March 23, 2009, between TNMP and The Bank of New York Mellon Trust Company, N.A., as Trustee	4.1 to TNMP's Current Report on Form 8-K filed March 27, 2009	2-97230 TNMP
4.24	The First Supplemental Indenture dated as of March 23, 2009, between TNMP and The Bank of New York Mellon Trust Company, N.A., as Trustee	4.2 to TNMP's Current Report on Form 8-K filed March 27, 2009	2-97230 TNMP
4.25	The Second Supplemental Indenture dated as of March 25, 2009, between TNMP and The Bank of New York Mellon Trust Company, N.A., as Trustee	4.3 to TNMP's Current Report on Form 8-K filed March 27, 2009	2-97230 TNMP
4.26	The Third Supplemental Indenture dated as of April 30, 2009 between TNMP and The Bank of New York Mellon Trust Company, N.A., as Trustee	4.1 to TNMP's Current Report on Form 8-K filed May 6, 2009	2-97230 TNMP
4.27	First Amendment dated as of December 16, 2010 between TNMP and The Bank of New York Mellon Trust Company, N.A., as Trustee to The Third Supplemental Indenture dated as of April 30, 2009	4.1 to TNMP's Current Report on Form 8-K filed December 17, 2010	2-97230 TNMP
4.28	Agreement of Resignation, Appointment and Acceptance, effective as of June 1, 2011, among TNMP, The Bank of New York Mellon Trust Company, N.A. and Union Bank, N.A. (for March 23, 2009 TNMP Indenture)	4.4 to TNMP's Quarterly Report Form 10-Q for the quarter ended June 30, 2011	2-97230 TNMP
4.29	Fourth Supplemental Indenture dated as of September 30, 2011 between TNMP and Union Bank, N.A., as Trustee	4.1 to TNMP's Current Report on Form 8-K filed October 6, 2011	2-97230 TNMP
4.30	Fifth Supplemental Indenture dated as of April 13, 2013 between TNMP and Union Bank, N.A., as Trustee	4.1 to TNMP's Current Report on Form 8-K filed April 3, 2013	2-97230 TNMP
Material Contracts			
10.8	Credit Agreement, dated as of October 31, 2011, among PNM Resources, Inc., the lenders party thereto, Wells Fargo Bank, National Association, as Administrative Agent and Union Bank, N.A., as Syndication Agent	10.1 to the Company's Current Report on Form 8-K filed October 31, 2011	1-32462 PNMR
10.9	First Amendment to Credit Agreement dated January 18, 2012 among PNMR, the lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent	10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011	1-32462 PNMR
10.10	Second Amendment to Credit Agreement dated October 31, 2013 among PNMR, the lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent	10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013	1-32462 PNMR
10.11	Amended and Restated Term Loan Agreement dated as of December 27, 2013 among PNMR, the lender parties (JPMorgan Chase Bank, N.A. and Union Bank, N.A.) and JPMorgan Chase Bank, N.A., as administrative agent	10.1 to PNMR's to the Company's Annual Report on Form 10-K for the year ended December 31, 2013	1-32462 PNMR
10.12	Credit Agreement, dated as of October 31, 2011, among PNM, the lenders party thereto, Wells Fargo Bank, National Association, as Administrative Agent and Union Bank, N.A., as Syndication Agent	10.2 to PNM's Current Report on Form 8-K filed October 31, 2011	1-6986 PNM
10.13	First Amendment to Credit Agreement dated January 18, 2012 among PNM, the lenders party thereto, and Wells Fargo Bank, National Association, as Administrative Agent	10.2 to PNM's Annual Report on Form 10-K for the year ended December 31, 2011	1-6986 PNM

10.14	Credit Agreement, dated as of January 8, 2014, among PNM, the lenders identified therein, and U.S. Bank National Association, as Administrative Agent and BOKF, N.A. d/b/a Bank of Albuquerque, as Syndication Agent	10.1 to PNM's Current Report on Form 8-K filed January 8, 2014	1-6986 PNM
10.15	Term Loan Agreement dated as of April 22, 2013, among PNM, the lenders identified therein and Union Bank, N.A. as administrative agent	10.1 to PNM's Current Report on Form 8-K filed April 23, 2013	1-6986 PNM
10.16	Second Amended and Restated Credit Agreement, dated as of September 18, 2013, among TNMP, the lenders identified therein and Key Bank National Association, as administrative agent	10.1 to TNMP's Current Report on Form 8-K filed September 18, 2013	2-97230 TNMP
10.17	Term Loan Credit Agreement dated as of September 30, 2011, among TNMP, as borrower, the lenders identified therein, and JPMorgan Chase Bank, N.A., as administrative agent	10.1 to TNMP's Current Report on Form 8-K filed October 6, 2011	2-97230 TNMP
10.18	Bond Purchase Agreement dated December 9, 2013 between TNMP and the purchasers named therein (for $80,000,000 4.03% First Mortgage Bonds, due 2024, Series 2014A)	10.1 to TNMP's Current Report on Form 8-K filed December 10, 2013	2-97230 TNMP
10.19**	PNM Resources, Inc. Second Amended and Restated Omnibus Performance Equity Plan dated May 19, 2009 ("PEP")	4.1 to PNM Resources' Form S-8 Registration Statement filed May 20, 2009	333-159361 PNMR
10.20**	Amendment dated May 17, 2011 to PNMR's Second Amended and Restated Omnibus Performance Equity Plan	10.1 to PNMR's Current Report Form 8-K filed May 20, 2011	1-32462 PNMR
10.21**	Second Amendment executed March 28, 2012 to the PNMR Second Amended and Restated Omnibus Performance Equity Plan	10.6 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012	1-32462 PNMR
10.22**	Third Amendment (approved by PNMR shareholders on May 15, 2012) to the PNMR Second Amended and Restated Omnibus Performance Equity Plan	10.1 to PNMR's Current Report on Form 8-K filed May 17, 2012	1-32462 PNMR
10.23**	PNM Resources, Inc. 2013 Officer Annual Incentive Plan dated March 29, 2013	10.1 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013	1-32462 PNMR
10.24**	PNM Resources, Inc. 2012 Officer Annual Incentive Plan dated March 28, 2012	10.1 to PNMR's Quarterly Report on form 10-Q for the quarter ended March 31, 2012	1-32462 PNMR
10.25**	PNM Resources, Inc. 2013 Long-Term Incentive Plan dated March 29, 2012	10.2 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013	1-32464 PNMR
10.26**	PNM Resources, Inc. 2012 Long-Term Incentive Plan dated March 28, 2012	10.2 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012	1-32462 PNMR
10.27**	PNM Resources, Inc. 2011 Long-Term Incentive Transition Plan, dated April 29, 2011	10.5 to the Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2011	1-32462 PNMR
10.28**	PNM Resources, Inc. 2011 Long-Term Incentive Plan Terms and Conditions, dated March 22, 2011	10.6 to the Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2011	1-32462 PNMR
10.29**	Form of Stock Option Award Agreement for non-qualified stock options granted under PEP in 2010	10.3 to PNMR's Current Report on Form 8-K filed May 26, 2009	1-32462 PNMR
10.30**	Form of the award agreement for non- qualified stock options granted under the PEP in 2007-2009	10.2 to the Company's Current Report on Form 8-K filed February 16, 2007	1-32462 PNMR
10.31**	Special Performance-Based Retention Award Agreement between PNMR and Patricia K. Collawn dated March 29, 2012	10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012	1-32462 PNMR

10.32**	2013 Director Compensation Summary (2014 annual retainer is the same as the 2013 annual retainer)	10.1 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2012	1-32462 PNMR
10.33**	Acknowledgement Forms for restricted stock and stock option awards granted to directors under the PEP	10.3 to the Company's Current Report on Form 8-K filed March 1, 2011	1-32462 PNMR
10.34**	Acknowledgement Forms for restricted stock and performance share awards granted under the Second Amended and Restated Omnibus Performance Equity Plan dated May 19, 2009, as amended	10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013	1-32462 PNMR
10.35**	PNM Resources, Inc. Executive Spending Account Plan (amended and restated effective January 1, 2011)	10.4 to the Company's Current Report on Form 8-K filed March 1, 2011	333-32170 PNMR
10.36**	PNM Resources, Inc. Executive Savings Plan II (amended and restated effective January 1, 2009)	4.1 to PNMR's Registration Statement on Form S-8 (333-156243) filed December 17, 2008	333-156243 PNMR
10.37**	First Amendment executed March 28, 2012 to the PNMR Executive Savings Plan II	10.4 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012	1-32462 PNMR
10.38**	Second Amendment effective January 1, 2014 to the PNMR Executive Savings Plan II	10.4 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2013	1-32462 PNMR
10.39**	PNM Resources, Inc. After-Tax Retirement Plan effective January 1, 2009	10.5 to PNMR's Annual Report on Form 10-K for the fiscal year ended December 31, 2008	1-32462 PNMR
10.40**	First Amendment executed March 28, 2012 to the PNMR After-Tax Retirement Plan	10.5 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012	1-32462 PNMR
10.41**	Second, Third and Fourth Amendments, each effective January 1, 2014, to the PNM Resources, Inc. After-Tax Retirement Plan	10.5 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2013	1-32462 PNMR
10.42**	Summary of Executive Time Off Policy Effective January 1, 2006	10.31 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005	1-32462 PNMR
10.43**	Amendment to Corporate Policy Absence from Work Policy 125 executed December 16, 2011	10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011	1-32462 PNMR
10.44**	PNM Resources, Inc. Non-Union Severance Pay Plan effective August 1, 2007 (amended and restated)	10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007	1-32462 PNMR
10.45**	First Amendment to the PNM Resources Non-Union Severance Pay Plan executed November 20, 2008	10.3 to PNMR's Annual Report on Form 10-K for the fiscal year ended December 31, 2008	1-32462 PNMR
10.46**	Second Amendment (executed March 27, 2012) to PNMR Non-Union Severance Pay Plan	10.8 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012	1-32462 PNMR
10.47**	PNM Resources, Inc. Officer Retention Plan executed March 28, 2012 as amended and restated effective as of January 1, 2012	10.7 to the Company's Quarterly Report in Form 10-Q for the quarter ended March 31, 2012	1-32462 PNMR
10.48**	PNM Resources, Inc. Director Retainer Plan, dated December 31, 2001	4.3 to PNM Resources, Inc. Post-Effective Amendment No. 1 to Form S-8 Registration Statement filed December 31, 2001	333-03289 PNMR
10.49**	First Amendment dated February 17, 2003 to PNM Resources, Inc. Director Retainer Plan	10.40.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003	333-32170 PNMR

10.50**	PNM Resources Officer Life Insurance Plan dated April 28, 2004	10.24.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004	333-32170 PNMR
10.51**	First Amendment to PNM Resources Officer Life Insurance Plan dated December 16, 2004	10.27 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.	333-32170 PNMR
10.52**	Second Amendment to PNM Resources Officer Life Insurance Plan executed April 15, 2007	10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007	1-32462 PNMR
10.53**	Third Amendment to the PNMR Officer Life Insurance Plan effective January 1, 2009	10.10 to PNMR's Annual Report on Form 10-K for the fiscal year ended December 31, 2008	1-32462 PNMR
10.54**	Fourth Amendment to the PNMR Officer Life Insurance Plan effective January 1, 2009	10.15 to PNMR's Annual Report on Form 10-K for the fiscal year ended December 31, 2008	1-32462 PNMR
10.55**	Fifth Amendment to the PNM Resources, Inc. Officer Life Insurance Plan executed December 16, 2011	10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011	1-32462 PNMR
10.56**	Executive Long Term Disability Plan effective January 1, 2003	10.88 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002	333-32170 PNMR
10.57	Supplemental Indenture of Lease dated as of July 19, 1966 between PNM and other participants in the Four Corners Project and the Navajo Indian Tribal Council	4-D to PNM's Registration Statement No. 2-26116	2-26116 PNM
10.58	Amendment and Supplement No. 1 to Supplemental and Additional Indenture of Lease dated April 25, 1985 between the Navajo Tribe of Indians and Arizona Public Service Company, El Paso Electric Company, Public Service Company of New Mexico, Salt River Project Agricultural Improvement and Power District, Southern California Edison Company, and Tucson Electric Power Company (refiled)	10.1.1 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1995	1-6986 PNM
10.59	Amendment and Supplement No. 2 to Supplemental and Additional Indenture of Lease with the Navajo Nation dated March 7, 2011	10.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011	1-6986 PNM
10.60	Amendment and Supplement No. 3 to Supplemental and Additional Indenture of Lease with the Navajo Nation dated March 7, 2011	10.2 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011	1-6986 PNM
10.61	Water Supply Agreement between the Jicarilla Apache Tribe and Public Service Company of New Mexico, dated July 20, 2000	10.5 to PNM's Quarterly Report of Form 10-Q for the quarter ended September 30, 2001	1-6986 PNM
10.62	Arizona Nuclear Power Project Participation Agreement among PNM and Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, Tucson Gas & Electric Company and El Paso Electric Company, dated August 23, 1973	5-T to PNM's Registration Statement No. 2-50338	2-50338 PNM
10.63	Amendments No. 1 through No. 6 to Arizona Nuclear Power Project Participation Agreement	10.8.1 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1991	1-6986 PNM
10.64	Amendment No. 7 effective April 1, 1982, to the Arizona Nuclear Power Project Participation Agreement (refiled)	10.8.2 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1991	1-6986 PNM
10.65	Amendment No. 8 effective September 12, 1983, to the Arizona Nuclear Power Project Participation Agreement (refiled)	10.58 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1993	1-6986 PNM

10.66	Amendment No. 9 to Arizona Nuclear Power Project Participation Agreement dated as of June 12, 1984 (refiled)	10.8.4 to PNM's Annual Report of the Registrant on Form 10-K for fiscal year ended December 31, 1994	1-6986 PNM
10.67	Amendment No. 10 dated as of November 21, 1985 and Amendment No. 11 dated as of June 13, 1986 and effective January 10, 1987 to Arizona Nuclear Power Project Participation Agreement (refiled)	10.8.5 to PNM's Annual Report of the Registrant on Form 10-K for fiscal year ended December 31, 1995	1-6986 PNM
10.68	Amendment No. 12 to Arizona Nuclear Power Project Participation Agreement dated June 14, 1988, and effective August 5, 1988	19.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended September 30, 1990	1-6986 PNM
10.69	Amendment No. 13 to the Arizona Nuclear Power Project Participation Agreement dated April 4, 1990, and effective June 15, 1991	10.8.10 to PNM's Annual Report on Form 10-K for the fiscal year ended December 31, 1990	1-6986 PNM
10.70	Amendment No. 14 to the Arizona Nuclear Power Project Participation Agreement effective June 20, 2000	10.8.9 to PNM's Annual Report on Form 10-K for the fiscal year ended December 31, 2000	1-6986 PNM
10.71	Amendment No. 15 to the Arizona Nuclear Power Project Participation Agreement dated November 29, 2010 and effective January 13, 2011	10.1 to PNM's Current Report on Form 8-K filed March 1, 2011	1-6986 PNM
10.72	Underground Coal Sales Agreement, dated August 31, 2001 among San Juan Coal Company, PNM and Tucson Electric Power Company	10.85 to PNM's Quarterly Report on Form 10-Q for the quarter ending September 30, 2001 (Confidential treatment was requested for portions of this exhibit, and such portions were omitted from this exhibit filed and were filed separately with the Securities and Exchange Commission)	1-6986 PNM
10.73	Amendment One to Underground Coal Sales Agreement dated December 15, 2003 among San Juan Coal Company, PNM and Tucson Electric Coal Company	10.9.1 to PNM's Amended Report on Form 10-K for fiscal year ended December 31, 2003 (Confidential treatment was requested for portions of this exhibit, and such portions were omitted from this exhibit filed and were filed separately with the Securities and Exchange Commission)	1-6986 PNM
10.74	Amendment Two to Underground Coal Sales Agreement effective September 15, 2004 among San Juan Coal Company, PNM and Tucson Electric Coal Company	10.9.2 to PNM's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004	1-6986 PNM
10.75	Amendment Three to Underground Coal Sales Agreement executed April 29, 2005 among San Juan Coal Company, PNM and Tucson Electric Coal Company (Confidential treatment was requested for portions of this exhibit, and such portions were omitted from this exhibit filed and were filed separately with the Securities and Exchange Commission)	10.86.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005	1-6986 PNM
10.76	Amendment Four to Underground Coal Sales Agreement effective March 7, 2007 among San Juan Coal Company, PNM and Tucson Electric Coal Company	10.89 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007	1-6986 PNM
10.77	Amendment Five to Underground Coal Sales Agreement executed December 21, 2007 among San Juan Coal Company, PNM and Tucson Electric Power Company (Confidential treatment was requested for portions of this exhibit, and such portions were omitted from this exhibit filed and were filed separately with the Securities and Exchange Commission)	10.95 to PNM's Annual Report on Form 10-K for the year ended December 31, 2007	1-6986 PNM

10.78	Participation Agreement among PNM, Tucson Electric Power Company and certain financial institutions relating to the San Juan Coal Trust dated as of December 31, 1981 (refiled)	10.14 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1992	1-6986 PNM
10.79	Participation Agreement dated as of June 30, 1983 among Security Trust Company, as Trustee, PNM, Tucson Electric Power Company and certain financial institutions relating to the San Juan Coal Trust (refiled)	10.61 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1993	1-6986 PNM
10.80	Amended and Restated San Juan Project Participation Agreement dated as of March 23, 2006, among Public Service Company of New Mexico, Tucson Electric Power Company, The City of Farmington, New Mexico, M-S-R Public Power Agency, The Incorporated County of Los Alamos, New Mexico, Southern California Public Power Authority, City of Anaheim, Utah Associated Municipal Power System and Tri-State Generation and Transmission Association, Inc.	10.119 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 30, 2006	1-6986 PNM
10.81*	Facility Lease dated as of December 16, 1985 between The First National Bank of Boston, as Owner Trustee, and PNM (Unit 1 transaction) together with Amendments No. 1, 2 and 3 thereto (refiled)	10.18 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1995	1-6986 PNM
10.82*	Amendment No. 4 dated as of December 11, 2013 to Facility Lease dated as of December 16, 1985 as heretofore amended, between U.S. Bank National Association (ultimate successor to The First National Bank of Boston), as Owner Trustee, and PNM (Unit 1 transaction)	10.3 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 2013	1-6986 PNM
10.83	Facility Lease dated as of July 31, 1986, between the First National Bank of Boston, as Owner Trustee, and PNM (Unit 1 transaction) together with Amendments No. 1, 2 and 3 thereto (refiled)	10.19 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1996	1-6986 PNM
10.84*	Facility Lease dated as of August 12, 1986, between The First National Bank of Boston, as Owner Trustee, and PNM (Unit 2 transaction) together with Amendments No. 1 and 2 thereto (refiled)	10.20 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1996	1-6986 PNM
10.85	Amendment No. 2 dated as of April 10, 1987 to Facility Lease dated as of August 12, 1986 (Unit 2 transaction), as amended, between The First National Bank of Boston, not in its individual capacity, but solely as Owner Trustee under a Trust Agreement, dated as of August 12, 1986, with MFS Leasing Corp., Lessor and Public Service Company of New Mexico, Lessee (refiled)	10.20.2 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1998	1-6986 PNM
10.86	Facility Lease dated as of December 15, 1986, between The First National Bank of Boston, as Owner Trustee, and PNM (Unit 1 Transaction) together with Amendment No. 1 thereto (refiled)	10.21 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1996	1-6986 PNM
10.87	Facility Lease dated as of December 15, 1986, between The First National Bank of Boston, as Owner Trustee, and PNM (Unit 2 Transaction) together with Amendment No. 1 thereto (refiled)	10.22 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1996	1-6986 PNM
10.88	Master Decommissioning Trust Agreement for Palo Verde Nuclear Generating Station dated March 15, 1996, between Public Service Company of New Mexico and Mellon Bank, N.A.	10.68 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996	1-6986 PNM
10.89	Amendment Number One to the Master Decommissioning Trust Agreement for Palo Verde Nuclear Generating Station dated January 27, 1997, between Public Service Company of New Mexico and Mellon Bank, N.A.	10.68.1 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1997	1-6986 PNM
10.90	Amendment Number Two to the Master Decommissioning Trust Agreement for Palo Verde Nuclear Generating Station between Public Service Company of New Mexico and Mellon Bank, N.A.	10.68.2 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 2003	1-6986 PNM

10.91	PVNGS Capital Trust-Variable Rate Trust Notes-PVNGS Note Agreement dated as of July 31, 1998	10.76 to PNM's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998	1-6986 PNM
10.92	Stipulation in the matter of PNM's transition plan Utility Case No. 3137, dated October 10, 2002 as amended by Amendment to Stipulated Agreement dated October 18, 2002	10.86 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002	1-6986 PNM
10.93	Stipulation dated February 28, 2005 in NMPRC Case No. 04-00315-UT regarding the application of PNM Resources and TNMP for approval of the TNP acquisition	10.134 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005	1-32462 PNMR/ TNMP
10.94	Consent Decree entered into by PNM on March 9, 2005 relating to the citizen suit under the Clean Air Act and the excess emissions report matter for SJGS	10.135 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005	1-6986 PNM
Subsidiaries			
21	Certain subsidiaries of PNM Resources	21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013	1-32462 PNMR
Additional Exhibits			
99.1*	Participation Agreement dated as of December 16, 1985, among the Owner Participant named therein, First PV Funding Corporation, The First National Bank of Boston, in its individual capacity and as Owner Trustee (under a Trust Agreement dated as of December 16, 1985 with the Owner Participant), Chemical Bank, in its individual capacity and as Indenture Trustee (under a Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985 with the Owner Trustee), and PNM (Unit 1 transaction), including Appendix A definitions, together with Amendment No. 1 dated July 15, 1986 and Amendment No. 2 dated November 18, 1986 (refiled)	99.2 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1995	1-6986 PNM
99.2*	Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985, between the First National Bank of Boston, as Owner Trustee, and Chemical Bank, as Indenture Trustee together with Supplemental Indentures Nos. 1 and 2 (Unit 1 transaction) (refiled)	99.3 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996	1-6986 PNM
99.3*	1996 Supplemental Indenture dated as of September 27, 1996 to Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985 between State Street Bank and Trust Company, as Owner Trustee, and The Chase Manhattan Bank, as Indenture Trustee (Unit 1 transaction)	99.21 to PNM's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996	1-6986 PNM
99.4*	Assignment, Assumption and Further Agreement dated as of December 16, 1985, between Public Service Company of New Mexico and The First National Bank of Boston, as Owner Trustee (Unit 1 transaction)	28(c) to PNM's Current Report on Form 8-K dated December 31, 1985	1-6986 PNM
99.5	Participation Agreement dated as of July 31, 1986, among the Owner Participant named herein, First PV Funding Corporation, The First National Bank of Boston, in its individual capacity and as Owner Trustee (under a Trust Agreement dated as of July 31, 1986, with the Owner Participant), Chemical Bank, in its individual capacity and as Indenture Trustee (under a Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of July 31, 1986, with the Owner Trustee), and Public Service Company of New Mexico, including Appendix A definitions together with Amendment No. 1 thereto (refiled)	99.5 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1996	1-6986 PNM

99.6	Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of July 31, 1986, between The First National Bank of Boston, as Owner Trustee, and Chemical Bank, as Indenture Trustee together with Supplemental Indenture No. 1 thereto (refiled)	99.6 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1996	1-6986 PNM
99.7	Assignment, Assumption, and Further Agreement dated as of July 31, 1986, between Public Service Company of New Mexico and The First National Bank of Boston, as Owner Trustee (refiled)	99.7 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1996	1-6986 PNM
99.8*	Participation Agreement dated as of August 12, 1986, among the Owner Participant named therein, First PV Funding Corporation, The First National Bank of Boston, in its individual capacity and as Owner Trustee (under a Trust Agreement dated as of August 12, 1986, with the Owner Participant), Chemical Bank, in its individual capacity and as Indenture Trustee (under a Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of August 12, 1986, with the Owner Trustee), and PNM, including Appendix A definitions (Unit 2 transaction) (refiled)	99.8 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997	1-6986 PNM
99.9*	Amendment No. 1 dated as of November 18, 1986, to Participation Agreement dated as of August 12, 1986 (Unit 2 transaction) (refiled)	99.8.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997	1-6986 PNM
99.10*	Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of August 12, 1986, between the First National Bank of Boston, as Owner Trustee, and Chemical Bank, as Indenture Trustee together with Supplemental Indenture No. 1 thereto (refiled) (Unit 2 transaction)	99.9 to PNM's Annual Report of the Registrant on Form 10-K for fiscal year ended December 31, 1996	1-6986 PNM
99.11	1997 Supplemental Indenture, dated as of December 23, 1997, to Trust Indenture, Mortgage, Security Agreement and Assignment of Rents, dated as of August 12, 1986, between State Street Bank and Trust, as Owner Trustee, and The Chase Manhattan Bank, as Indenture Trustee	99.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006	1-6986 PNM
99.12*	Assignment, Assumption, and Further Agreement dated as of August 12, 1986, between Public Service Company of New Mexico and The First National Bank of Boston, as Owner Trustee (Unit 2 transaction) (refiled)	99.10 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997	1-6986 PNM
99.13	Participation Agreement dated as of December 15, 1986, among the Owner Participant named therein, First PV Funding Corporation, The First National Bank of Boston, in its individual capacity and as Owner Trustee (under a Trust Agreement dated as of December 15, 1986, with the Owner Participant), Chemical Bank, in its individual capacity and as Indenture Trustee (under a Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 15, 1986, with the Owner Trustee), and Public Service Company of New Mexico, including Appendix A definitions (Unit 1 Transaction) (refiled)	99.11 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997	1-6986 PNM
99.14	Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 15, 1986, between The First National Bank of Boston, as Owner Trustee, and Chemical Bank, as Indenture Trustee (Unit 1 Transaction) (refiled)	99.12 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997	1-6986 PNM
99.15	Assignment, Assumption and Further Agreement dated as of December 15, 1986, between Public Service Company of New Mexico and The First National Bank of Boston, as Owner Trustee (Unit 1 Transaction) (refiled)	99.13 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997	1-6986 PNM

99.16	Participation Agreement dated as of December 15, 1986, among the Owner Participant named therein, First PV Funding Corporation, The First National Bank of Boston, in its individual capacity and as Owner Trustee (under a Trust Agreement dated as of December 15, 1986, with the Owner Participant), Chemical Bank, in its individual capacity and as Indenture Trustee (under a Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 15, 1986, with the Owner Trustee), and Public Service Company of New Mexico, including Appendix A definitions (Unit 2 Transaction) (refiled)	99.14 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997	1-6986 PNM
99.17	Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 31, 1986, between the First National Bank of Boston, as Owner Trustee, and Chemical Bank, as Indenture Trustee (Unit 2 Transaction) (refiled)	99.15 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 1996	1-6986 PNM
99.18	Assignment, Assumption, and Further Agreement dated as of December 15, 1986, between Public Service Company of New Mexico and The First National Bank of Boston, as Owner Trustee (Unit 2 Transaction) (refiled)	99.16 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997	1-6986 PNM
99.19	Agreement for the Sale and Purchase of Wastewater Effluent, dated November 13, 2000, among the City of Tolleson, Arizona Public Service Company and Salt River Project Agricultural Improvement and Power District	99.19 to PNM's Annual Report on Form 10-K for fiscal year ended December 31, 2013	1-6986 PNM
99.20	Municipal Effluent Purchase and Sale Agreement dated April 23, 2010 between Cities of Phoenix, Mesa, Tempe, Scottsdale and Glendale, Arizona municipal corporations; and APS, SRP, acting on behalf of themselves and EPE, SCE, PNM, SCPPA, and Los Angeles Department of Water and Power	10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010	1-6986 PNM

* One or more additional documents, substantially identical in all material respects to this exhibit, have been entered into, relating to one or more additional sale and leaseback transactions. Although such additional documents may differ in other respects (such as dollar amounts and percentages), there are no material details in which such additional documents differ from this exhibit.

** Designates each management contract or compensatory plan or arrangement required to be identified pursuant to paragraph 3 of Item 15(a) of Form 10-K.

‡ Certain instruments defining the rights of holders of long-term debt of the registrants included in the financial statements of registrants filed herewith have been omitted because the total amount of securities authorized thereunder does not exceed 10% of the total assets of registrants. The registrants hereby agree to furnish a copy of any such omitted instrument to the SEC upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PNM RESOURCES, INC.
(Registrant)

Date: February 28, 2014

By /s/ P. K. Collawn
P. K. Collawn
Chairman, President, and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ P. K. Collawn P. K. Collawn Chairman, President, and Chief Executive Officer	Principal Executive Officer and Director	February 28, 2014
/s/ C. N. Eldred C. N. Eldred Executive Vice President and Chief Financial Officer	Principal Financial Officer	February 28, 2014
/s/ T. G. Sategna T. G. Sategna Vice President and Corporate Controller	Principal Accounting Officer	February 28, 2014
/s/ A. E. Archuleta A. E. Archuleta	Director	February 28, 2014
/s/ J. A. Dobson J. A. Dobson	Director	February 28, 2014
/s/ A. J. Fohrer A. J. Fohrer	Director	February 28, 2014
/s/ R. R. Nordhaus R. R. Nordhaus	Director	February 28, 2014
/s/ B. S. Reitz B. S. Reitz	Director	February 28, 2014
/s/ D. K. Schwanz D. K. Schwanz	Director	February 28, 2014
/s/ B. W. Wilkinson B. W. Wilkinson	Director	February 28, 2014
/s/ J. B. Woodard J. B. Woodard	Director	February 28, 2014

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PUBLIC SERVICE COMPANY OF NEW MEXICO
(Registrant)

Date: February 28, 2014

By /s/ P. K. Collawn
P. K. Collawn
President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ P. K. Collawn P. K. Collawn President and Chief Executive Officer	Principal Executive Officer and Chairman of the Board	February 28, 2014
/s/ C. N. Eldred C. N. Eldred Executive Vice President and Chief Financial Officer	Principal Financial Officer and Director	February 28, 2014
/s/ T. G. Sategna T. G. Sategna Vice President and Corporate Controller	Principal Accounting Officer	February 28, 2014
/s/ R. N. Darnell R. N. Darnell	Director	February 28, 2014
/s/ R. E. Talbot R. E. Talbot	Director	February 28, 2014

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXAS-NEW MEXICO POWER COMPANY
(Registrant)

Date: February 28, 2014

By /s/ P. K. Collawn
P. K. Collawn
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ P. K. Collawn P. K. Collawn Chief Executive Officer	Principal Executive Officer and Chairman of the Board	February 28, 2014
/s/ T. G. Sategna T. G. Sategna Vice President and Controller	Principal Financial Officer and Principal Accounting Officer	February 28, 2014
/s/ R. N. Darnell R. N. Darnell	Director	February 28, 2014
/s/ C. N. Eldred C. N. Eldred	Director	February 28, 2014
/s/ R. E. Talbot R. E. Talbot	Director	February 28, 2014
/s/ J. N. Walker J. N. Walker	Director	February 28, 2014

530 Schedule Q04 – Reports to Securities and Exchange Commission

September 30, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

Commission File Number	Name of Registrants, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
001-32462	PNM Resources, Inc. (A New Mexico Corporation) 414 Silver Ave. SW Albuquerque, New Mexico 87102-3289 (505) 241-2700	85-0468296
001-06986	Public Service Company of New Mexico (A New Mexico Corporation) 414 Silver Ave. SW Albuquerque, New Mexico 87102-3289 (505) 241-2700	85-0019030
002-97230	Texas-New Mexico Power Company (A Texas Corporation) 577 N. Garden Ridge Blvd. Lewisville, Texas 75067 (972) 420-4189	75-0204070

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

PNM Resources, Inc. ("PNMR")	YES ✓	NO ___
Public Service Company of New Mexico ("PNM")	YES ✓	NO ___
Texas-New Mexico Power Company ("TNMP")	YES ___	NO ✓

(NOTE: As a voluntary filer, not subject to the filing requirements, TNMP filed all reports under Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months.)

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

PNMR	YES ✓	NO ___
PNM	YES ✓	NO ___
TNMP	YES ✓	NO ___

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller Reporting Company
PNMR	✓	—	—	—
PNM	—	—	✓	—
TNMP	—	—	✓	—

Indicate by check mark whether any of the registrants is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES __ NO ✓

As of October 25, 2013, 79,653,624 shares of common stock, no par value per share, of PNMR were outstanding.

The total number of shares of common stock of PNM outstanding as of October 25, 2013 was 39,117,799 all held by PNMR (and none held by non-affiliates).

The total number of shares of common stock of TNMP outstanding as of October 25, 2013 was 6,358 all held indirectly by PNMR (and none held by non-affiliates).

PNM AND TNMP MEET THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS (H) (1) (a) AND (b) OF FORM 10-Q AND ARE THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION (H) (2).

This combined Form 10-Q is separately filed by PNMR, PNM, and TNMP. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants. When this Form 10-Q is incorporated by reference into any filing with the SEC made by PNMR, PNM, or TNMP, as a registrant, the portions of this Form 10-Q that relate to each other registrant are not incorporated by reference therein.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

INDEX

	Page No.
GLOSSARY	4
PART I. FINANCIAL INFORMATION	
ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)	
PNM RESOURCES, INC. AND SUBSIDIARIES	
Condensed Consolidated Statements of Earnings	7
Condensed Consolidated Statements of Comprehensive Income	8
Condensed Consolidated Statements of Cash Flows	9
Condensed Consolidated Balance Sheets	11
Condensed Consolidated Statement of Changes in Equity	13
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES	
Condensed Consolidated Statements of Earnings	14
Condensed Consolidated Statements of Comprehensive Income	15
Condensed Consolidated Statements of Cash Flows	16
Condensed Consolidated Balance Sheets	18
Condensed Consolidated Statement of Changes in Equity	20
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES	
Condensed Consolidated Statements of Earnings	21
Condensed Consolidated Statements of Comprehensive Income	22
Condensed Consolidated Statements of Cash Flows	23
Condensed Consolidated Balance Sheets	24
Condensed Consolidated Statement of Changes in Common Stockholder's Equity	26
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	27
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	71
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	94
ITEM 4. CONTROLS AND PROCEDURES	97
PART II. OTHER INFORMATION	
ITEM 1. LEGAL PROCEEDINGS	98
ITEM 1A. RISK FACTORS	98
ITEM 6. EXHIBITS	99
SIGNATURE	100

GLOSSARY

Definitions:

Afton	Afton Generating Station
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
AMS	Advanced Meter System
AOCI	Accumulated Other Comprehensive Income
APS	Arizona Public Service Company, which is the operator and a co-owner of PVNGS and Four Corners
BACT	Best Available Control Technology
BART	Best Available Retrofit Technology
BHP	BHP Billiton, Ltd, the parent of SJCC
Board	Board of Directors of PNMR
BTU	British Thermal Unit
CAA	Clean Air Act
CCB	Coal Combustion Byproducts
CCN	Certificate of Convenience and Necessity
CO_2	Carbon Dioxide
CTC	Competition Transition Charge
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
Delta	Delta-Person Generating Station
DOE	United States Department of Energy
DOI	United States Department of Interior
EIB	New Mexico Environmental Improvement Board
EIP	Eastern Interconnection Project
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
ESA	Endangered Species Act
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIP	Federal Implementation Plan
First Choice	FCP Enterprises, Inc. and Subsidiaries
Four Corners	Four Corners Power Plant
FPPAC	Fuel and Purchased Power Adjustment Clause
GAAP	Generally Accepted Accounting Principles in the United States of America
Gallup	City of Gallup, New Mexico
GHG	Greenhouse Gas Emissions
GWh	Gigawatt hours
IBEW	International Brotherhood of Electrical Workers
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
KW	Kilowatt
KWh	Kilowatt Hour
Lordsburg	Lordsburg Generating Station
Luna	Luna Energy Facility
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MMBTU	Million BTUs
Moody's	Moody's Investor Services, Inc.

MW	Megawatt
MWh	Megawatt Hour
NAAQS	National Ambient Air Quality Standards
Navajo Acts	Navajo Nation Air Pollution Prevention and Control Act, Navajo Nation Safe Drinking Water Act, and Navajo Nation Pesticide Act
NDT	Nuclear Decommissioning Trusts for PVNGS
NEC	Navopache Electric Cooperative, Inc.
NERC	North American Electric Reliability Council
Ninth Circuit	United States Court of Appeals for the Ninth Circuit
NMAG	New Mexico Attorney General
NMED	New Mexico Environment Department
NMIEC	New Mexico Industrial Energy Consumers Inc.
NMPRC	New Mexico Public Regulation Commission
NOx	Nitrogen Oxides
NOI	Notice of Inquiry
NOPR	Notice of Proposed Rulemaking
NRC	United States Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NSR	New Source Review
OCI	Other Comprehensive Income
OPEB	Other Post Employment Benefits
OSM	United States Office of Surface Mining Reclamation and Enforcement
PNM	Public Service Company of New Mexico and Subsidiaries
PNM Revolving Credit Facility	PNM's $400.0 Million Unsecured Revolving Credit Facility
PNM Term Loan Agreement	PNM's $75.0 Million Unsecured Term Loan Facility
PNMR	PNM Resources, Inc. and Subsidiaries
PNMR Revolving Credit Facility	PNMR's $300.0 Million Unsecured Revolving Credit Facility
PNMR Term Loan Agreement	PNMR's $100.0 Million Unsecured Term Loan Facility
PPA	Power Purchase Agreement
PSD	Prevention of Significant Deterioration
PUCT	Public Utility Commission of Texas
PV	Photovoltaic
PVNGS	Palo Verde Nuclear Generating Station
RCRA	Resource Conservation and Recovery Act
RCT	Reasonable Cost Threshold
REA	New Mexico's Renewable Energy Act of 2004
REC	Renewable Energy Certificates
REP	Retail Electricity Provider
RMC	Risk Management Committee
RPS	Renewable Energy Portfolio Standard
SCE	Southern California Edison Company
SCR	Selective Catalytic Reduction
SEC	United States Securities and Exchange Commission
SIP	State Implementation Plan
SJCC	San Juan Coal Company
SJGS	San Juan Generating Station
SNCR	Selective Non-Catalytic Reduction

SO_2	Sulfur Dioxide
SPS	Southwestern Public Service Company
S&P	Standard and Poor's Ratings Services
TECA	Texas Electric Choice Act
Tenth Circuit	United States Court of Appeals for the Tenth Circuit
TNMP	Texas-New Mexico Power Company and Subsidiaries
TNMP Revolving Credit Facility	TNMP's $75.0 Million Revolving Credit Facility
TNP	TNP Enterprises, Inc. and Subsidiaries
Tri-State	Tri-State Generation and Transmission Association, Inc.
Valencia	Valencia Energy Facility
VaR	Value at Risk
WEG	WildEarth Guardians

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands, except per share amounts)			
Electric Operating Revenues	$ 399,730	$ 390,411	$ 1,064,993	$ 1,019,646
Operating Expenses:				
Cost of energy	114,674	110,777	325,039	297,342
Administrative and general	46,915	45,283	134,744	135,371
Energy production costs	41,142	40,365	131,546	131,546
Regulatory disallowances	1,735	—	1,735	—
Depreciation and amortization	42,743	42,820	125,189	122,289
Transmission and distribution costs	17,248	17,082	50,690	50,896
Taxes other than income taxes	17,534	15,934	49,739	45,218
Total operating expenses	281,991	272,261	818,682	782,662
Operating income	117,739	118,150	246,311	236,984
Other Income and Deductions:				
Interest income	2,264	3,130	7,731	9,808
Gains on investments held by NDT	2,190	5,716	6,995	9,376
Other income	3,252	2,484	7,517	6,991
Other (deductions)	(5,970)	(3,451)	(13,516)	(10,719)
Net other income (deductions)	1,736	7,879	8,727	15,456
Interest Charges	30,365	30,515	92,279	90,280
Earnings before Income Taxes	89,110	95,514	162,759	162,160
Income Taxes	30,296	33,538	58,600	54,609
Net Earnings	58,814	61,976	104,159	107,551
(Earnings) Attributable to Valencia Non-controlling Interest	(4,127)	(3,980)	(10,904)	(10,699)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)	(396)	(396)
Net Earnings Attributable to PNMR	$ 54,555	$ 57,864	$ 92,859	$ 96,456
Net Earnings Attributable to PNMR per Common Share:				
Basic	$ 0.68	$ 0.73	$ 1.16	$ 1.21
Diluted	$ 0.68	$ 0.72	$ 1.15	$ 1.20
Dividends Declared per Common Share	$ 0.165	$ 0.145	$ 0.495	$ 0.435

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands)			
Net Earnings	$ 58,814	$ 61,976	$ 104,159	$ 107,551
Other Comprehensive Income:				
Unrealized Gain on Investment Securities:				
Unrealized holding gains arising during the period, net of income tax (expense) of $(4,143), $(4,972), $(7,544) and $(15,409)	6,322	7,587	11,512	23,511
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $925, $4,248, $3,639 and $12,786	(1,411)	(6,481)	(5,551)	(19,509)
Pension Liability Adjustment:				
Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of $(631), $(476), $(1,893) and $(1,428)	960	727	2,880	2,181
Fair Value Adjustment for Cash Flow Hedges:				
Change in fair market value, net of income tax (expense) benefit of $128, $51, $127 and $150	(238)	(92)	(236)	(270)
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of $(19), $(16), $(54) and $(47)	35	29	99	85
Total Other Comprehensive Income	5,668	1,770	8,704	5,998
Comprehensive Income	64,482	63,746	112,863	113,549
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(4,127)	(3,980)	(10,904)	(10,699)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)	(396)	(396)
Comprehensive Income Attributable to PNMR	$ 60,223	$ 59,634	$ 101,563	$ 102,454

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2013	2012
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 104,159	$ 107,551
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	157,856	153,992
Deferred income tax expense	57,878	55,141
Net unrealized (gains) losses on commodity derivatives	(5,858)	3,076
Realized (gains) on investments held by NDT	(6,995)	(9,376)
Stock based compensation expense	4,315	2,748
Regulatory disallowances	1,735	—
Other, net	1,444	(2,037)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(23,731)	(31,550)
Materials, supplies, and fuel stock	(724)	(6,769)
Other current assets	(6,667)	(4,225)
Other assets	21,656	(9,499)
Accounts payable	(17,786)	3,973
Accrued interest and taxes	126,218	22,336
Other current liabilities	(32,111)	(21,681)
Proceeds from governmental grants	—	21,567
Other liabilities	(70,379)	(80,248)
Net cash flows from operating activities	311,010	204,999
Cash Flows From Investing Activities:		
Additions to utility and non-utility plant	(233,928)	(214,743)
Proceeds from sales of investments held by NDT	179,336	136,305
Purchases of investments held by NDT	(181,401)	(138,658)
Proceeds from sale of First Choice	—	4,034
Return of principal on PVNGS lessor notes	23,357	23,455
Other, net	1,210	1,627
Net cash flows from investing activities	(211,426)	(187,980)

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2013	**2012**
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	(46,700)	30,700
Long-term borrowings	75,000	20,000
Repayment of long-term debt	(26,037)	(20,000)
Cash paid in debt exchange	(13,048)	—
Proceeds from stock option exercise	3,500	10,301
Awards of common stock	(12,429)	(21,930)
Dividends paid	(38,233)	(33,454)
Valencia's transactions with its owner	(13,477)	(12,034)
Other, net	(3,706)	(337)
Net cash flows from financing activities	(75,130)	(26,754)
Change in Cash and Cash Equivalents	24,454	(9,735)
Cash and Cash Equivalents at Beginning of Period	8,985	15,091
Cash and Cash Equivalents at End of Period	$ 33,439	$ 5,356
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	$ 71,824	$ 64,040
Income taxes paid (refunded), net	$ (95,472)	$ 5,302
Supplemental schedule of noncash financing activities:		
Premium on long-term debt incurred in connection with debt exchange	$ 23,249	

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 33,439	$ 8,985
Accounts receivable, net of allowance for uncollectible accounts of $1,391 and $1,751	110,937	87,093
Unbilled revenues	55,155	57,266
Other receivables	53,681	53,332
Materials, supplies, and fuel stock	60,367	59,643
Regulatory assets	38,511	39,120
Commodity derivative instruments	5,743	3,785
Income taxes receivable	5,283	101,477
Other current assets	37,404	31,490
Total current assets	400,520	442,191
Other Property and Investments:		
Investment in PVNGS lessor notes	32,542	54,325
Investments held by NDT	207,483	188,971
Other investments	6,725	9,139
Non-utility property, net of accumulated depreciation of $143 and $131	4,475	4,487
Total other property and investments	251,225	256,922
Utility Plant:		
Plant in service and plant held for future use	5,431,680	5,313,796
Less accumulated depreciation and amortization	1,839,481	1,774,223
	3,592,199	3,539,573
Construction work in progress	175,410	125,287
Nuclear fuel, net of accumulated amortization of $52,876 and $42,644	79,458	81,627
Net utility plant	3,847,067	3,746,487
Deferred Charges and Other Assets:		
Regulatory assets	551,607	555,577
Goodwill	278,297	278,297
Commodity derivative instruments	4,284	352
Other deferred charges	95,814	92,757
Total deferred charges and other assets	930,002	926,983
	$ 5,428,814	$ 5,372,583

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2013	December 31, 2012
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 112,000	$ 158,700
Current installments of long-term debt	52,530	2,530
Accounts payable	76,309	99,177
Customer deposits	14,171	18,176
Accrued interest and taxes	82,801	52,003
Regulatory liabilities	1,218	15,173
Commodity derivative instruments	1,017	1,000
Dividends declared	13,271	11,679
Current portion of accumulated deferred income taxes	258	258
Other current liabilities	62,018	75,407
Total current liabilities	415,593	434,103
Long-term Debt	1,696,311	1,669,760
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	743,828	701,545
Accumulated deferred investment tax credits	12,598	14,242
Regulatory liabilities	456,634	423,460
Asset retirement obligations	93,519	85,893
Accrued pension liability and postretirement benefit cost	147,442	224,565
Commodity derivative instruments	1,347	1,933
Other deferred credits	106,554	116,523
Total deferred credits and other liabilities	1,561,922	1,568,161
Total liabilities	3,673,826	3,672,024
Commitments and Contingencies (See Note 10)		
Cumulative Preferred Stock of Subsidiary		
without mandatory redemption requirements ($100 stated value; 10,000,000 shares authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNMR common stockholders' equity:		
Common stock outstanding (no par value; 120,000,000 shares authorized; issued and outstanding 79,653,624 shares)	1,177,686	1,182,819
Accumulated other comprehensive income (loss), net of income taxes	(72,926)	(81,630)
Retained earnings	560,429	506,998
Total PNMR common stockholders' equity	1,665,189	1,608,187
Non-controlling interest in Valencia	78,270	80,843
Total equity	1,743,459	1,689,030
	$ 5,428,814	$ 5,372,583

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

	Attributable to PNMR					
	Common Stock	AOCI	Retained Earnings	Total PNMR Common Stockholder's Equity	Non-controlling Interest in Valencia	Total Equity
			(In thousands)			
Balance at December 31, 2012	$ 1,182,819	$ (81,630)	$ 506,998	$ 1,608,187	$ 80,843	$ 1,689,030
Proceeds from stock option exercise	3,500	—	—	3,500	—	3,500
Awards of common stock	(12,429)	—	—	(12,429)	—	(12,429)
Excess tax (shortfall) from stock-based payment arrangements	(519)	—	—	(519)	—	(519)
Stock based compensation expense	4,315	—	—	4,315	—	4,315
Valencia's transactions with its owner	—	—	—	—	(13,477)	(13,477)
Net earnings before subsidiary preferred stock dividends	—	—	93,255	93,255	10,904	104,159
Subsidiary preferred stock dividends	—	—	(396)	(396)	—	(396)
Total other comprehensive income	—	8,704	—	8,704	—	8,704
Dividends declared on common stock	—	—	(39,428)	(39,428)	—	(39,428)
Balance at September 30, 2013	$ 1,177,686	$ (72,926)	$ 560,429	$ 1,665,189	$ 78,270	$ 1,743,459

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands)			
Electric Operating Revenues	$ 326,026	$ 321,731	$ 863,609	$ 832,242
Operating Expenses:				
Cost of energy	100,200	99,217	283,715	263,009
Administrative and general	40,679	41,150	116,058	120,857
Energy production costs	41,142	40,365	131,546	131,546
Regulatory disallowances	1,735	—	1,735	—
Depreciation and amortization	25,879	24,437	77,763	72,017
Transmission and distribution costs	11,686	11,172	33,420	33,679
Taxes other than income taxes	9,488	8,417	28,613	25,386
Total operating expenses	230,809	224,758	672,850	646,494
Operating income	95,217	96,973	190,759	185,748
Other Income and Deductions:				
Interest income	2,298	3,173	7,839	9,938
Gains on investments held by NDT	2,190	5,716	6,995	9,376
Other income	2,396	1,176	5,269	4,378
Other (deductions)	(2,375)	(1,682)	(5,287)	(4,553)
Net other income (deductions)	4,509	8,383	14,816	19,139
Interest Charges	20,124	19,230	59,971	56,652
Earnings before Income Taxes	79,602	86,126	145,604	148,235
Income Taxes	27,652	31,235	49,184	51,929
Net Earnings	51,950	54,891	96,420	96,306
(Earnings) Attributable to Valencia Non-controlling Interest	(4,127)	(3,980)	(10,904)	(10,699)
Net Earnings Attributable to PNM	47,823	50,911	85,516	85,607
Preferred Stock Dividends Requirements	(132)	(132)	(396)	(396)
Net Earnings Available for PNM Common Stock	$ 47,691	$ 50,779	$ 85,120	$ 85,211

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands)			
Net Earnings	$ 51,950	$ 54,891	$ 96,420	$ 96,306
Other Comprehensive Income:				
Unrealized Gain on Investment Securities:				
Unrealized holding gains arising during the period, net of income tax (expense) of $(4,143), $(4,972), $(7,544) and $(15,409)	6,322	7,587	11,512	23,511
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $925, $4,248, $3,639 and $12,786	(1,411)	(6,481)	(5,551)	(19,509)
Pension Liability Adjustment:				
Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of $(631), $(476), $(1,893) and $(1,428)	960	727	2,880	2,181
Total Other Comprehensive Income	5,871	1,833	8,841	6,183
Comprehensive Income	57,821	56,724	105,261	102,489
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(4,127)	(3,980)	(10,904)	(10,699)
Comprehensive Income Attributable to PNM	$ 53,694	$ 52,744	$ 94,357	$ 91,790

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2013	2012
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 96,420	$ 96,306
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	104,161	97,086
Deferred income tax expense	49,870	52,558
Net unrealized (gains) losses on commodity derivatives	(5,858)	3,076
Realized (gains) on investments held by NDT	(6,995)	(9,376)
Regulatory disallowances	1,735	—
Other, net	(1,282)	(1,005)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(14,123)	(26,183)
Materials, supplies, and fuel stock	(744)	(6,404)
Other current assets	(5,187)	(6,942)
Other assets	21,977	(9,425)
Accounts payable	(4,953)	2,353
Accrued interest and taxes	66,090	80,418
Other current liabilities	(43,935)	(9,850)
Proceeds from governmental grants	—	21,567
Other liabilities	(67,062)	(75,629)
Net cash flows from operating activities	190,114	208,550
Cash Flows From Investing Activities:		
Utility plant additions	(164,669)	(144,571)
Proceeds from sales of NDT investments	179,336	136,305
Purchases of NDT investments	(181,401)	(138,658)
Return of principal on PVNGS lessor notes	23,357	23,455
Other, net	1,212	(720)
Net cash flows from investing activities	(142,165)	(124,189)

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2013	**2012**
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	(21,100)	(66,000)
Long-term borrowings	75,000	20,000
Repayment of long-term debt	—	(20,000)
Valencia's transactions with its owner	(13,477)	(12,034)
Dividends paid	(68,424)	(18,076)
Other, net	(1,727)	(337)
Net cash flows from financing activities	(29,728)	(96,447)
Change in Cash and Cash Equivalents	18,221	(12,086)
Cash and Cash Equivalents at Beginning of Period	3,958	12,307
Cash and Cash Equivalents at End of Period	$ 22,179	$ 221
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	$ 49,984	$ 43,167
Income taxes paid (refunded), net	$ (44,999)	$ (63,114)

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 22,179	$ 3,958
Accounts receivable, net of allowance for uncollectible accounts of $1,391 and $1,751	84,613	69,876
Unbilled revenues	46,473	49,085
Other receivables	52,328	50,975
Affiliate receivables	8,827	9,050
Materials, supplies, and fuel stock	57,534	56,790
Regulatory assets	34,315	36,490
Commodity derivative instruments	5,743	3,785
Income taxes receivable	35,910	80,223
Other current assets	32,294	27,457
Total current assets	380,216	387,689
Other Property and Investments:		
Investment in PVNGS lessor notes	32,542	54,325
Investments held by NDT	207,483	188,971
Other investments	4,380	4,034
Non-utility property	976	976
Total other property and investments	245,381	248,306
Utility Plant:		
Plant in service and plant held for future use	4,217,120	4,133,532
Less accumulated depreciation and amortization	1,409,042	1,355,240
	2,808,078	2,778,292
Construction work in progress	136,679	102,329
Nuclear fuel, net of accumulated amortization of $52,876 and $42,644	79,458	81,627
Net utility plant	3,024,215	2,962,248
Deferred Charges and Other Assets:		
Regulatory assets	402,040	431,956
Goodwill	51,632	51,632
Commodity derivative instruments	4,284	352
Other deferred charges	84,702	81,724
Total deferred charges and other assets	542,658	565,664
	$ 4,192,470	$ 4,163,907

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2013	December 31, 2012
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	$ —	$ 21,100
Accounts payable	60,049	73,914
Affiliate payables	13,462	25,340
Customer deposits	14,171	18,176
Accrued interest and taxes	52,735	30,320
Regulatory liabilities	1,218	15,172
Commodity derivative instruments	1,017	1,000
Dividends declared	132	132
Current portion of accumulated deferred income taxes	3,447	3,447
Other current liabilities	40,041	54,150
Total current liabilities	186,272	242,751
Long-term Debt	1,290,608	1,215,579
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	608,366	573,881
Accumulated deferred investment tax credits	12,598	14,242
Regulatory liabilities	409,444	379,841
Asset retirement obligations	92,614	85,042
Accrued pension liability and postretirement benefit cost	134,009	208,618
Commodity derivative instruments	1,347	1,933
Other deferred credits	87,417	95,585
Total deferred credits and liabilities	1,345,795	1,359,142
Total liabilities	2,822,675	2,817,472
Commitments and Contingencies (See Note 10)		
Cumulative Preferred Stock		
without mandatory redemption requirements ($100 stated value; 10,000,000 authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNM common stockholder's equity:		
Common stock outstanding (no par value; 40,000,000 shares authorized; issued and outstanding 39,117,799 shares)	1,061,776	1,061,776
Accumulated other comprehensive income (loss), net of income taxes	(72,573)	(81,414)
Retained earnings	290,793	273,701
Total PNM common stockholder's equity	1,279,996	1,254,063
Non-controlling interest in Valencia	78,270	80,843
Total equity	1,358,266	1,334,906
	$ 4,192,470	$ 4,163,907

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

	Attributable to PNM					
	Common Stock	AOCI	Retained Earnings	Total PNM Common Stockholder's Equity	Non-controlling Interest in Valencia	Total Equity
	(In thousands)					
Balance at December 31, 2012	$ 1,061,776	$ (81,414)	$ 273,701	$ 1,254,063	$ 80,843	$ 1,334,906
Valencia's transactions with its owner	—	—	—	—	(13,477)	(13,477)
Net earnings	—	—	85,516	85,516	10,904	96,420
Total other comprehensive income	—	8,841	—	8,841	—	8,841
Dividends declared on preferred stock	—	—	(396)	(396)	—	(396)
Dividends declared on common stock	—	—	(68,028)	(68,028)	—	(68,028)
Balance at September 30, 2013	$ 1,061,776	$ (72,573)	$ 290,793	$ 1,279,996	$ 78,270	$ 1,358,266

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands)			
Electric Operating Revenues	$ 73,704	$ 68,680	$ 201,384	$ 187,404
Operating Expenses:				
Cost of energy	14,474	11,560	41,324	34,333
Administrative and general	10,641	10,130	32,446	30,700
Depreciation and amortization	13,850	13,819	37,810	37,173
Transmission and distribution costs	5,562	5,910	17,270	17,217
Taxes other than income taxes	6,923	6,291	17,558	16,322
Total operating expenses	51,450	47,710	146,408	135,745
Operating income	22,254	20,970	54,976	51,659
Other Income and Deductions:				
Interest income	—	—	—	1
Other income	820	771	1,765	1,708
Other (deductions)	(104)	(405)	(356)	(464)
Net other income (deductions)	716	366	1,409	1,245
Interest Charges	6,655	7,047	20,661	21,214
Earnings before Income Taxes	16,315	14,289	35,724	31,690
Income Taxes	6,209	5,205	13,554	11,577
Net Earnings	$ 10,106	$ 9,084	$ 22,170	$ 20,113

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands)			
Net Earnings	$ 10,106	$ 9,084	$ 22,170	$ 20,113
Other Comprehensive Income (Loss):				
Fair Value Adjustment for Cash Flow Hedges:				
Change in fair market value, net of income tax (expense) benefit of $128, $51, $127 and $150	(238)	(92)	(236)	(270)
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of $(19), $(16), $(54) and $(47)	35	29	99	85
Total Other Comprehensive Income (Loss)	(203)	(63)	(137)	(185)
Comprehensive Income	$ 9,903	$ 9,021	$ 22,033	$ 19,928

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2013	**2012**
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 22,170	$ 20,113
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	40,946	41,222
Deferred income tax expense	3,901	11,337
Other, net	(13)	(275)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(9,608)	(5,367)
Materials and supplies	20	(365)
Other current assets	(2,420)	(709)
Other assets	36	(498)
Accounts payable	(291)	(358)
Accrued interest and taxes	14,669	4,860
Other current liabilities	(1,946)	1,980
Other liabilities	2,182	(3,411)
Net cash flows from operating activities	69,646	68,529
Cash Flows From Investing Activities:		
Utility plant additions	(67,400)	(59,801)
Net cash flows from investing activities	(67,400)	(59,801)
Cash Flow From Financing Activities:		
Short-term borrowings (repayments), net	12,000	—
Short-term borrowings (repayments) – affiliate, net	4,800	2,300
Cash paid in debt exchange	(13,048)	—
Dividends paid	(3,726)	(11,028)
Other, net	(2,117)	—
Net cash flows from financing activities	(2,091)	(8,728)
Change in Cash and Cash Equivalents	155	—
Cash and Cash Equivalents at Beginning of Period	1	1
Cash and Cash Equivalents at End of Period	$ 156	$ 1
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	$ 13,626	$ 13,074
Income taxes paid, net	$ 696	$ 1,848
Supplemental schedule of noncash financing activities:		
Premium on long-term debt incurred in connection with debt exchange	$ 23,249	

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 156	$ 1
Accounts receivable	26,324	17,217
Unbilled revenues	8,682	8,181
Other receivables	1,728	2,359
Materials and supplies	2,833	2,853
Regulatory assets	4,196	2,630
Current portion of accumulated deferred income taxes	1,131	1,131
Other current assets	1,816	1,107
Total current assets	46,866	35,479
Other Property and Investments:		
Other investments	281	281
Non-utility property	2,240	2,240
Total other property and investments	2,521	2,521
Utility Plant:		
Plant in service and plant held for future use	1,048,474	1,009,108
Less accumulated depreciation and amortization	347,228	339,315
	701,246	669,793
Construction work in progress	27,112	19,801
Net utility plant	728,358	689,594
Deferred Charges and Other Assets:		
Regulatory assets	149,567	123,621
Goodwill	226,665	226,665
Other deferred charges	8,610	8,349
Total deferred charges and other assets	384,842	358,635
	$ 1,162,587	$ 1,086,229

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2013	December 31, 2012
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	$ 12,000	$ —
Short-term debt – affiliate	33,100	28,300
Current installments of long-term debt	50,000	—
Accounts payable	7,114	8,848
Affiliate payables	2,138	4,381
Accrued interest and taxes	45,160	30,491
Other current liabilities	9,614	8,854
Total current liabilities	159,126	80,874
Long-term Debt	286,128	311,589
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	167,674	163,710
Regulatory liabilities	46,754	43,619
Asset retirement obligations	778	732
Accrued pension liability and postretirement benefit cost	13,433	15,947
Other deferred credits	6,573	5,944
Total deferred credits and other liabilities	235,212	229,952
Total liabilities	680,466	622,415
Commitments and Contingencies (See Note 10)		
Common Stockholder's Equity:		
Common stock outstanding ($10 par value; 12,000,000 shares authorized; issued and outstanding 6,358 shares)	64	64
Paid-in-capital	390,366	390,366
Accumulated other comprehensive income (loss), net of income taxes	(353)	(216)
Retained earnings	92,044	73,600
Total common stockholder's equity	482,121	463,814
	$ 1,162,587	$ 1,086,229

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN COMMON STOCKHOLDER'S EQUITY
(Unaudited)

	Common Stock	Paid-in Capital	AOCI	Retained Earnings	Total Common Stockholder's Equity
			(In thousands)		
Balance at December 31, 2012	$ 64	$ 390,366	$ (216)	$ 73,600	$ 463,814
Net earnings	—	—	—	22,170	22,170
Total other comprehensive income	—	—	(137)	—	(137)
Dividends declared on common stock	—	—	—	(3,726)	(3,726)
Balance at September 30, 2013	$ 64	$ 390,366	$ (353)	$ 92,044	$ 482,121

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Significant Accounting Policies and Responsibility for Financial Statements

Financial Statement Preparation

In the opinion of management, the accompanying unaudited interim Condensed Consolidated Financial Statements reflect all normal and recurring accruals and adjustments that are necessary to present fairly the consolidated financial position at September 30, 2013 and December 31, 2012, the consolidated results of operations and comprehensive income for the three and nine months ended September 30, 2013 and 2012, and the consolidated cash flows for the nine months ended September 30, 2013 and 2012. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could ultimately differ from those estimated. Weather causes the Company's results of operations to be seasonal in nature and the results of operations presented in the accompanying Condensed Consolidated Financial Statements are not necessarily representative of operations for an entire year.

The Notes to Condensed Consolidated Financial Statements include disclosures for PNMR, PNM, and TNMP. This report uses the term "Company" when discussing matters of common applicability to PNMR, PNM, and TNMP. Discussions regarding only PNMR, PNM, or TNMP are so indicated. Certain amounts in the 2012 Condensed Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2013 financial statement presentation.

These Condensed Consolidated Financial Statements are unaudited. Certain information and note disclosures normally included in the annual Consolidated Financial Statements have been condensed or omitted, as permitted under the applicable rules and regulations. Readers of these financial statements should refer to PNMR's, PNM's, and TNMP's audited Consolidated Financial Statements and Notes thereto that are included in their respective 2012 Annual Reports on Form 10-K.

GAAP defines subsequent events as events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. Based on their nature, magnitude, and timing, certain subsequent events may be required to be reflected at the balance sheet date and/or required to be disclosed in the financial statements. The Company has evaluated subsequent events as required by GAAP.

Principles of Consolidation

The Condensed Consolidated Financial Statements of each of PNMR, PNM, and TNMP include their accounts and those of subsidiaries in which that entity owns a majority voting interest. PNM also consolidates the PVNGS Capital Trust and Valencia. PNM owns undivided interests in several jointly-owned power plants and records its pro-rata share of the assets, liabilities, and expenses for those plants.

PNMR shared services' administrative and general expenses, which represent costs that are primarily driven by corporate level activities, are charged to the business segments at cost. Other significant intercompany transactions between PNMR, PNM, and TNMP include interest and income tax sharing payments, as well as dividends paid on common stock. All intercompany transactions and balances have been eliminated. See Note 12.

Dividends on Common Stock

Dividends on PNMR's common stock are declared by its Board. The timing of the declaration of dividends is dependent on the timing of meetings and other actions of the Board. This has historically resulted in dividends considered to be attributable to the second quarter of each year being declared through actions of the Board during the third quarter of the year. The Board declared dividends on common stock considered to be for the second quarter of $0.165 per share in July 2013 and $0.145 in July 2012, which are reflected as being in the second quarter within "Dividends Declared per Common Share" on the PNMR Condensed Consolidated Statements of Earnings. The Board declared dividends on common stock considered to be for the third quarter of $0.165 per share in September 2013 and $0.145 in September 2012, which are reflected as being in the third quarter within "Dividends Declared per Common Share" on the PNMR Condensed Consolidated Statements of Earnings.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

PNM declared and paid cash dividends on its common stock to PNMR of $68.0 million in the nine months ended September 30, 2013. PNM declared a cash dividend on its common stock to PNMR of $16.8 million in September 2012, which was paid in October 2012, and declared and paid a dividend of $17.7 million in June 2012. TNMP declared and paid cash dividends to PNMR of $3.7 million and $11.0 million in the nine months ended September 30, 2013 and 2012. TNMP dividends paid in 2012 were recorded as reductions of paid-in-capital.

New Accounting Pronouncements

Information concerning recently issued accounting pronouncements that have not been adopted by the Company is presented below.

Accounting Standards Update 2013-11 - Income Taxes: Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

The FASB released guidance that requires entities to present an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for net operating losses in certain circumstances. The guidance is to be applied prospectively and is effective for annual and interim reporting periods beginning after December 15, 2013, with early adoption permitted. The Company is still analyzing the impacts of this new standard and when to adopt it. However, it appears that the new standard will result in substantially all of the Company's liability for unrecognized tax benefits being reclassified from being reflected in liability accounts to being reflected as reductions of deferred tax assets. Adoption of this standard is not expected to impact earnings.

(2) Segment Information

The following segment presentation is based on the methodology that management uses for making operating decisions and assessing performance of its various business activities. A reconciliation of the segment presentation to the GAAP financial statements is provided.

PNM

PNM includes the retail electric utility operations of PNM that are subject to traditional rate regulation by the NMPRC. PNM provides integrated electricity services that include the generation, transmission, and distribution of electricity for retail electric customers in New Mexico. PNM also provides generation service to firm-requirements wholesale customers and sells electricity into the general wholesale market, as well as providing transmission services to third parties. The sale of electricity into the wholesale market includes the optimization of PNM's jurisdictional capacity, as well as the capacity excluded from retail rates. FERC has jurisdiction over wholesale and transmission rates.

TNMP

TNMP is an electric utility providing regulated transmission and distribution services in Texas under the TECA. TNMP's operations are subject to traditional rate regulation by the PUCT.

Corporate and Other

The Corporate and Other segment includes PNMR holding company activities, primarily related to corporate level debt and PNMR Services Company.

The following tables present summarized financial information for PNMR by segment. PNM and TNMP each operate in only one segment. Therefore, tabular segment information is not presented for PNM and TNMP.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

PNMR SEGMENT INFORMATION

	PNM	TNMP	Corporate and Other	Consolidated
Three Months Ended September 30, 2013		(In thousands)		
Electric operating revenues	$ 326,026	$ 73,704	$ —	$ 399,730
Cost of energy	100,200	14,474	—	114,674
Margin	225,826	59,230	—	285,056
Other operating expenses	104,730	23,126	(3,282)	124,574
Depreciation and amortization	25,879	13,850	3,014	42,743
Operating income	95,217	22,254	268	117,739
Interest income	2,298	—	(34)	2,264
Other income (deductions)	2,211	716	(3,455)	(528)
Net interest charges	(20,124)	(6,655)	(3,586)	(30,365)
Segment earnings (loss) before income taxes	79,602	16,315	(6,807)	89,110
Income taxes (benefit)	27,652	6,209	(3,565)	30,296
Segment earnings (loss)	51,950	10,106	(3,242)	58,814
Valencia non-controlling interest	(4,127)	—	—	(4,127)
Subsidiary preferred stock dividends	(132)	—	—	(132)
Segment earnings (loss) attributable to PNMR	$ 47,691	$ 10,106	$ (3,242)	$ 54,555
Nine Months Ended September 30, 2013				
Electric operating revenues	$ 863,609	$ 201,384	$ —	$ 1,064,993
Cost of energy	283,715	41,324	—	325,039
Margin	579,894	160,060	—	739,954
Other operating expenses	311,372	67,274	(10,192)	368,454
Depreciation and amortization	77,763	37,810	9,616	125,189
Operating income	190,759	54,976	576	246,311
Interest income	7,839	—	(108)	7,731
Other income (deductions)	6,977	1,409	(7,390)	996
Net interest charges	(59,971)	(20,661)	(11,647)	(92,279)
Segment earnings (loss) before income taxes	145,604	35,724	(18,569)	162,759
Income taxes (benefit)	49,184	13,554	(4,138)	58,600
Segment earnings (loss)	96,420	22,170	(14,431)	104,159
Valencia non-controlling interest	(10,904)	—	—	(10,904)
Subsidiary preferred stock dividends	(396)	—	—	(396)
Segment earnings (loss) attributable to PNMR	$ 85,120	$ 22,170	$ (14,431)	$ 92,859
At September 30, 2013:				
Total Assets	$ 4,192,470	$ 1,162,587	$ 73,757	$ 5,428,814
Goodwill	$ 51,632	$ 226,665	$ —	$ 278,297
Additions to utility and non-utility plant included in accounts payable	$ 15,995	$ 544	$ 1,668	$ 18,207

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	PNM	TNMP	Corporate and Other	Consolidated
Three Months Ended September 30, 2012		(In thousands)		
Electric operating revenues	$ 321,731	$ 68,680	$ —	$ 390,411
Cost of energy	99,217	11,560	—	110,777
Margin	222,514	57,120	—	279,634
Other operating expenses	101,104	22,331	(4,771)	118,664
Depreciation and amortization	24,437	13,819	4,564	42,820
Operating income	96,973	20,970	207	118,150
Interest income	3,173	—	(43)	3,130
Other income (deductions)	5,210	366	(827)	4,749
Net interest charges	(19,230)	(7,047)	(4,238)	(30,515)
Segment earnings (loss) before income taxes	86,126	14,289	(4,901)	95,514
Income taxes (benefit)	31,235	5,205	(2,902)	33,538
Segment earnings (loss)	54,891	9,084	(1,999)	61,976
Valencia non-controlling interest	(3,980)	—	—	(3,980)
Subsidiary preferred stock dividends	(132)	—	—	(132)
Segment earnings (loss) attributable to PNMR	$ 50,779	$ 9,084	$ (1,999)	$ 57,864
Nine Months Ended September 30, 2012				
Electric operating revenues	$ 832,242	$ 187,404	$ —	$ 1,019,646
Cost of energy	263,009	34,333	—	297,342
Margin	569,233	153,071	—	722,304
Other operating expenses	311,468	64,239	(12,676)	363,031
Depreciation and amortization	72,017	37,173	13,099	122,289
Operating income (loss)	185,748	51,659	(423)	236,984
Interest income	9,938	1	(131)	9,808
Other income (deductions)	9,201	1,244	(4,797)	5,648
Net interest charges	(56,652)	(21,214)	(12,414)	(90,280)
Segment earnings (loss) before income taxes	148,235	31,690	(17,765)	162,160
Income taxes (benefit)	51,929	11,577	(8,897)	54,609
Segment earnings (loss)	96,306	20,113	(8,868)	107,551
Valencia non-controlling interest	(10,699)	—	—	(10,699)
Subsidiary preferred stock dividends	(396)	—	—	(396)
Segment earnings (loss) attributable to PNMR	$ 85,211	$ 20,113	$ (8,868)	$ 96,456
At September 30, 2012:				
Total Assets	$ 4,073,331	$ 1,060,062	$ 126,814	$ 5,260,207
Goodwill	$ 51,632	$ 226,665	$ —	$ 278,297
Additions to utility and non-utility plant included in accounts payable	$ 6,056	$ 886	$ 1,063	$ 8,005

(3) Accumulated Other Comprehensive Income (Loss)

Information regarding accumulated other comprehensive income (loss) for the nine months ended September 30, 2013 is as follows:

	Accumulated Other Comprehensive Income (Loss)			
	Unrealized Gain on Investment Securities	Pension Liability Adjustment	Fair Value Adjustment for Cash Flow Hedges	Total
	(In thousands)			
PNMR				
Balance at December 31, 2012	$ 16,406	$ (97,820)	$ (216)	$ (81,630)
Amounts reclassified from AOCI (pre-tax)	(9,190)	4,773	153	(4,264)
Income tax impact of amounts reclassified	3,639	(1,893)	(54)	1,692
Other OCI changes (pre-tax)	19,056	—	(363)	18,693
Income tax impact of other OCI changes	(7,544)	—	127	(7,417)
Net change after income taxes	5,961	2,880	(137)	8,704
Balance at September 30, 2013	$ 22,367	$ (94,940)	$ (353)	$ (72,926)
PNM				
Balance at December 31, 2012	$ 16,406	$ (97,820)	$ —	$ (81,414)
Amounts reclassified from AOCI (pre-tax)	(9,190)	4,773	—	(4,417)
Income tax impact of amounts reclassified	3,639	(1,893)	—	1,746
Other OCI changes (pre-tax)	19,056	—	—	19,056
Income tax impact of other OCI changes	(7,544)	—	—	(7,544)
Net change after income taxes	5,961	2,880	—	8,841
Balance at September 30, 2013	$ 22,367	$ (94,940)	$ —	$ (72,573)
TNMP				
Balance at December 31, 2012	$ —	$ —	$ (216)	$ (216)
Amounts reclassified from AOCI (pre-tax)	—	—	153	153
Income tax impact of amounts reclassified	—	—	(54)	(54)
Other OCI changes (pre-tax)	—	—	(363)	(363)
Income tax impact of other OCI changes	—	—	127	127
Net change after income taxes	—	—	(137)	(137)
Balance at September 30, 2013	$ —	$ —	$ (353)	$ (353)

Pre-tax amounts reclassified from AOCI related to "Unrealized Gain on Investment Securities" are included in "Gains on investments held by NDT" in the Condensed Consolidated Statements of Earnings. Pre-tax amounts reclassified from AOCI related to "Pension Liability Adjustment" are reclassified to "Operating Expenses - Administrative and general" in the Condensed Consolidated Statements of Earnings. Approximately 19.6% of the amount reclassified is then capitalized into construction work in process and approximately 1.1% is capitalized into other accounts. Pre-tax amounts reclassified from AOCI related to "Fair Value Adjustment for Cash Flow Hedges" are reclassified to "Interest Charges" in the Condensed Consolidated Statements of Earnings. An insignificant amount is then capitalized as AFUDC. The income tax impacts of all amounts reclassified from AOCI are included in "Income Taxes" in the Condensed Consolidated Statements of Earnings.

(4) Variable Interest Entities

GAAP determines how an enterprise evaluates and accounts for its involvement with variable interest entities, including determining the primary beneficiary of a variable interest entity, by focusing primarily on whether the enterprise has the power to direct the activities that most significantly impact the economic performance of a variable interest entity. GAAP also requires continual reassessment of the primary beneficiary of a variable interest entity. Additional information concerning PNM's variable interest entities is contained in Note 9 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Valencia

PNM has a PPA to purchase all of the electric capacity and energy from Valencia, a 145 MW natural gas-fired power plant near Belen, New Mexico, through May 2028. A third-party built, owns, and operates the facility while PNM is the sole purchaser of the electricity generated. PNM is obligated to pay fixed operations and maintenance and capacity charges in addition to variable operations and maintenance charges under this PPA. For the three and nine months ended September 30, 2013, PNM paid $4.8 million and $14.1 million for fixed charges and $0.7 million and $1.0 million for variable charges. For the three and nine months ended September 30, 2012, PNM paid $4.8 million and $14.0 million for fixed charges and $0.6 million and $0.9 million for variable charges. PNM does not have any other financial obligations related to Valencia. The assets of Valencia can only be used to satisfy obligations of Valencia and creditors of Valencia do not have any recourse against PNM's assets. PNM has concluded that the third party entity that owns Valencia is a variable interest entity and that PNM is the primary beneficiary of the entity under GAAP. As the primary beneficiary, PNM consolidates the entity in its financial statements. The assets and liabilities of Valencia set forth below are immaterial to PNM and, therefore, not shown separately on the Condensed Consolidated Balance Sheets. The owner's equity and net income of Valencia are considered attributable to non-controlling interest.

During the term of the PPA, PNM has the option to purchase and own up to 50% of the plant or the variable interest entity. The PPA specifies that the purchase price would be the greater of (i) 50% of book value reduced by related indebtedness or (ii) 50% of fair market value. On October 8, 2013, PNM notified the owner of Valencia that PNM may exercise the option to purchase 50% of the plant. As provided in the PPA, an appraisal process will be initiated if the parties fail to reach agreement on fair market value within 60 days. After the purchase price has been determined, PNM may in its sole discretion determine whether or not it desires to exercise its option to purchase the 50% interest. In that regard, PNM will evaluate all its alternatives with respect to Valencia with the goal of achieving a fair and economical benefit for its customers. Also, PNM is in the process of developing its 2014 IRP (Note 11). Through this process, PNM will evaluate all of its resource options including Valencia to determine the optimal way to serve its customers. If PNM decides to exercise its option, the approval of the NMPRC and FERC would be required, which process could take up to 15 months. Since the purchase price is yet to be established, PNM cannot determine whether or not it will exercise its option or if required regulatory approvals would be received.

Summarized financial information for Valencia is as follows:

Results of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands)			
Operating revenues	$ 5,453	$ 5,358	$ 15,150	$ 14,916
Operating expenses	(1,326)	(1,378)	(4,246)	(4,217)
Earnings attributable to non-controlling interest	$ 4,127	$ 3,980	$ 10,904	$ 10,699

Financial Position

	September 30, 2013	December 31, 2012
	(In thousands)	
Current assets	$ 3,457	$ 3,655
Net property, plant, and equipment	75,841	77,953
Total assets	79,298	81,608
Current liabilities	1,028	765
Owners' equity – non-controlling interest	$ 78,270	$ 80,843

PVNGS Leases

PNM leases interests in Units 1 and 2 of PVNGS under arrangements, which were entered into in 1985 and 1986, that are accounted for as operating leases. PNM is not the legal or tax owner of the leased assets. PNM has an option to purchase the leased assets at appraised value at the end of the leases, but does not have a fixed price purchase option and does not provide residual value guarantees. As set forth in the leases, PNM has options to renew the leases at fixed rates, which represent 50% of the amounts during the original terms of the leases, for two years beyond the termination of the original lease terms. The option periods on all of the Unit 1 leases and one of the Unit 2 leases, amounting to 14% of the Unit 2 capacity under lease, may be further extended for up to an additional six years (the "Maximum Option Period") if the appraised remaining useful lives and fair value of the leased assets are greater than parameters set forth in the leases. As discussed in Note 9 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K, PNM notified each of the lessors of the Unit 1 leases that it will extend each Unit 1 lease for the Maximum Option Period upon the expiration of the basic lease term on January 15, 2015. In addition, PNM notified each of the lessors in the Unit 2 leases that PNM will "retain" the assets leased under that lease upon the expiration of the basic lease term on January 15, 2016. PNM will be required to specify by notice to each of the lessors by January 15, 2014, whether on January 15, 2016 it will extend the Unit 2 leases or purchase the leased assets. PNM is unable to predict the outcome or impact of these matters.

PNM is only obligated to make payments to the trusts for the scheduled semi-annual lease payments, which, net of amounts that will be returned to PNM through its ownership in related lessor notes, aggregate $52.6 million as of September 30, 2013 over the remaining original terms of the leases. Under certain circumstances (for example, final shutdown of the plant, the NRC issuing specified violation orders with respect to PVNGS, or the occurrence of specified nuclear events), PNM would be required to make specified payments to the beneficial owners and take title to the leased interests. If such an event had occurred as of September 30, 2013, PNM could have been required to pay the beneficial owners up to $154.1 million, which would result in PNM taking ownership of the leased assets and termination of the leases. PNM has no other financial obligations or commitments to the trusts or the beneficial owners. Creditors of the trusts have no recourse to PNM's assets other than with respect to the contractual lease payments. PNM has no additional rights to the assets of the trusts other than the use of the leased assets.

PNM has evaluated the PVNGS lease arrangements, including the notices discussed above, and concluded that it does not have the power to direct the activities that most significantly impact the economic performance of the trusts and, therefore, is not the primary beneficiary of the trusts under GAAP. PNM has recorded no assets or liabilities related to the trusts other than the accrual of lease payments between the scheduled payment dates, which were $11.8 million at September 30, 2013 and $26.0 million at December 31, 2012, that are included in other current liabilities on the Condensed Consolidated Balance Sheets. For additional information regarding these leases, see Risk Factors, MD&A – Off Balance Sheet Arrangements and Note 7 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Delta

PNM has a PPA covering the entire output of Delta, which is a variable interest under GAAP. PNM also controls the dispatch of the generating plant, which impacts the variable payments made under the PPA and impacts the economic performance of the entity that owns Delta. PNM makes fixed and variable payments to Delta under the PPA. For the three and nine months ended

September 30, 2013, PNM incurred fixed capacity charges of $1.6 million and $4.8 million and variable energy charges of $0.7 million and $1.3 million under the PPA. For the three and nine months ended September 30, 2012, PNM incurred fixed capacity charges of $1.6 million and $4.7 million and variable energy charges of $0.3 million and $0.6 million. PNM's only quantifiable obligation under the PPA is to make the fixed payments, which as of September 30, 2013, aggregated $40.7 million through the end of the PPA in 2020. PNM will also pay variable costs, which cannot be quantified since the amounts are based on how much the generating plant is in operation.

This arrangement was entered into prior to December 31, 2003 and PNM was unsuccessful in obtaining the information necessary to determine if it is the primary beneficiary of the entity that owns Delta, or to consolidate that entity if it were determined that PNM is the primary beneficiary. Accordingly, PNM was unable to make those determinations and, as provided in GAAP, accounted for this PPA as an operating lease.

In December 2012, PNM entered into an agreement with the owners of Delta under which PNM would purchase the entity that owns Delta. At closing PNM would make a cash payment of $23.0 million, which would be adjusted for actual working capital compared to a targeted working capital and certain prepayments of debt. Delta had project financing debt, which PNM would retire at closing of the purchase, of $16.9 million at September 30, 2013, including $3.2 million due by September 30, 2014. FERC approved the purchase on February 26, 2013 and the NMPRC approved the purchase on June 26, 2013. Closing is subject to the seller remedying specified operational, NERC compliance, and environmental issues, as well as other customary closing conditions. Closing of the purchase is anticipated to occur in early 2014.

Delta informed PNM that at September 30, 2013, it had total assets of $25.3 million, including net property, plant, and equipment of $21.0 million, and total liabilities of $18.9 million. Delta also indicated its revenue for the three and nine months ended September 30, 2013 was $2.8 million and $6.8 million and its net earnings were $0.6 million and $0.9 million. Consolidation of Delta would be immaterial to the Condensed Consolidated Balance Sheets of PNMR and PNM. Since all of Delta's revenues and expenses are attributable to its PPA arrangement with PNM, the primary impact of consolidating Delta to the Condensed Consolidated Statements of Earnings of PNMR and PNM would be to reclassify Delta's net earnings from operating expenses and reflect such amount as earnings attributable to a non-controlling interest, without any impact to net earnings attributable to PNMR and PNM.

(5) Fair Value of Derivative and Other Financial Instruments

Energy Related Derivative Contracts

Overview

The primary objective for the use of derivative instruments, including energy contracts, options, and futures, is to manage price risk associated with forecasted purchases of energy and fuel used to generate electricity, as well as managing anticipated generation capacity in excess of forecasted demand from existing customers. The Company's energy related derivative contracts manage commodity risk. PNM is required to meet the demand and energy needs of its retail and firm-requirements wholesale customers. PNM is exposed to market risk for its share of PVNGS Unit 3 and the needs of its firm-requirements wholesale customers not covered under a FPPAC. PNM's operations are managed primarily through a net asset-backed strategy, whereby PNM's aggregate net open forward contract position is covered by its forecasted excess generation capabilities or market purchases. PNM could be exposed to market risk if its generation capabilities were to be disrupted or if its load requirements were to be greater than anticipated, to the extent not covered by the FPPAC. If all or a portion of load requirements were required to be covered as a result of such unexpected situations, commitments would have to be met through market purchases. Additional information concerning the Company's energy related derivative contracts, including how commodity risk is managed, is contained in Note 8 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Commodity Risk

Marketing and procurement of energy often involve market risks associated with managing energy commodities and establishing open positions in the energy markets, primarily on a short-term basis. PNM routinely enters into various derivative instruments such as forward contracts, option agreements, and price basis swap agreements to economically hedge price and volume risk on power commitments and fuel requirements and to minimize the effect of market fluctuations in wholesale portfolios.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

PNM monitors the market risk of its commodity contracts using VaR calculations to maintain total exposure within management-prescribed limits in accordance with approved risk and credit policies.

Accounting for Derivatives

Under derivative accounting and related rules for energy contracts, the Company accounts for its various derivative instruments for the purchase and sale of energy based on the Company's intent. Energy contracts that meet the definition of a derivative under GAAP and do not qualify, or are not designated, for the normal sales and purchases exception are recorded on the balance sheet at fair value at each period end. The changes in fair value are recognized in earnings unless specific hedge accounting criteria are met and elected. Normal sales and purchases are not marked to market and are reflected in results of operations when the underlying transactions physically settle.

During the nine months ended September 30, 2013 and the year ended December 31, 2012, the Company was not hedging its exposure to the variability in future cash flows from commodity derivatives through designated cash flows hedges. The contracts recorded at fair value that do not qualify or are not designated for cash flow hedge accounting are classified as economic hedges. Economic hedges are defined as derivative instruments, including long-term power agreements, used to economically hedge generation assets, purchased power and fuel costs, and customer load requirements. Changes in the fair value of economic hedges are reflected in results of operations and are classified between operating revenues and cost of energy according to the intent of the economic hedge. The Company does not enter into speculative trading transactions.

Fair value is defined under GAAP as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is based on current market quotes as available and is supplemented by modeling techniques and assumptions made by the Company to the extent quoted market prices or volatilities are not available. External pricing input availability varies based on commodity location, market liquidity, and term of the agreement. Valuations of derivative assets and liabilities take into account nonperformance risk including the effect of counterparties' and the Company's credit risk. The Company regularly assesses the validity and availability of pricing data for its derivative transactions. Although the Company uses its best judgment in estimating the fair value of these instruments, there are inherent limitations in any estimation technique.

Commodity Derivatives

Commodity derivative instruments that are recorded at fair value, all of which are accounted for as economic hedges, are summarized as follows:

	Economic Hedges	
	September 30, 2013	December 31, 2012
PNMR and PNM	(In thousands)	
Current assets	$ 5,743	$ 3,785
Deferred charges	4,284	352
	10,027	4,137
Current liabilities	(1,017)	(1,000)
Long-term liabilities	(1,347)	(1,933)
	(2,364)	(2,933)
Net	$ 7,663	$ 1,204

Included in the above table are $2.3 million of current assets and $3.8 million of deferred charges related to contracts, which were entered into in July 2013, for the sale of energy from PVNGS Unit 3 for 2014 and 2015 at market price plus a premium. Certain of PNM's commodity derivative instruments included in the above table are subject to master netting agreements whereby assets and liabilities could be offset in the settlement process. The Company does not offset fair value, cash collateral, and accrued

payable or receivable amounts recognized for derivative instruments under master netting arrangements and the above table reflects the gross amounts of assets and liabilities. The amounts that could be offset under master netting agreements were immaterial at September 30, 2013 and December 31, 2012.

At September 30, 2013 and December 31, 2012, PNMR and PNM had no amounts recognized for the legal right to reclaim cash collateral. In addition, at September 30, 2013 and December 31, 2012, amounts posted as cash collateral under margin arrangements were $2.0 million and $1.9 million for both PNMR and PNM. PNMR and PNM had no obligation to return cash collateral at September 30, 2013 and December 31, 2012. Cash collateral amounts are included in other current assets on the Condensed Consolidated Balance Sheets.

PNM has a NMPRC approved hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC. The table above includes $0.6 million of current assets, $0.1 million of deferred charges and $0.1 million of current liabilities at September 30, 2013 and less than $0.1 million of current assets at December 31, 2012 related to this plan. The offsets to these amounts are recorded as regulatory assets and liabilities on the Condensed Consolidated Balance Sheets.

The following table presents the effect on earnings, excluding income tax effects and settlements, of commodity derivative instruments that are recorded at fair value. Commodity derivatives had no impact on OCI for the periods presented.

	Economic Hedges			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
PNMR and PNM	(In thousands)			
Electric operating revenues	$ 7,077	$ (740)	$ 5,743	$ 897
Cost of energy	(72)	263	421	(278)
Total gain (loss)	$ 7,005	$ (477)	$ 6,164	$ 619

Commodity contract volume positions are presented in MMBTU for gas related contracts and in MWh for power related contracts. The table below presents PNMR's and PNM's net buy (sell) volume positions:

	Economic Hedges	
	MMBTU	MWh
September 30, 2013		
PNMR and PNM	980,000	(3,801,738)
December 31, 2012		
PNMR and PNM	1,127,500	(2,477,520)

In connection with managing its commodity risks, the Company enters into master agreements with certain counterparties. If the Company is in a net liability position under an agreement, some agreements provide that the counterparties can request collateral from the Company if the Company's credit rating is downgraded; other agreements provide that the counterparty may request collateral to provide it with "adequate assurance" that the Company will perform; and others have no provision for collateral.

The table below presents information about the Company's contingent requirements to provide collateral under commodity contracts having an objectively determinable collateral provision that are in net liability positions and are not fully collateralized with cash. Contractual liability represents commodity derivative contracts recorded at fair value on the balance sheet, determined on an individual contract basis without offsetting amounts for individual contracts that are in an asset position and could be offset under master netting agreements with the same counterparty. The table only reflects cash collateral that has been posted under the existing contracts and does not reflect letters of credit under the Company's revolving credit facilities that have been issued as

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

collateral. Net exposure is the net contractual liability for all contracts, including those designated as normal purchases and sales, offset by existing cash collateral and by any offsets available under master netting agreements, including both asset and liability positions.

Contingent Feature – Credit Rating Downgrade	Contractual Liability	Existing Cash Collateral	Net Exposure
		(In thousands)	
September 30, 2013			
PNMR and PNM	$ 2,250	$ —	$ 2,224
December 31, 2012			
PNMR and PNM	$ 2,933	$ —	$ 2,777

Sale of Power from PVNGS Unit 3

Since January 1, 2011, PNM has been selling power from its interest in PVNGS Unit 3 at market prices. As of September 30, 2013, PNM had contracted to sell 100% of PVNGS Unit 3 output through 2015, at market price plus a premium. PNM has established fixed rates for substantially all of these sales through the end of 2013 through derivative contracts that are accounted for as economic hedges. PNM is also substantially hedged for 2014.

Non-Derivative Financial Instruments

The carrying amounts reflected on the Condensed Consolidated Balance Sheets approximate fair value for cash, receivables, and payables due to the short period of maturity. Available-for-sale securities are carried at fair value, which include unrealized gains on securities which have not been recognized in net earnings. Available-for-sale securities for PNMR and PNM consist of PNM assets held in the NDT for its share of decommissioning costs of PVNGS and a trust for PNM's share of post-term reclamation costs related to the coal mines serving SJGS, which investments are included in "other investments" on the Condensed Consolidated Balance Sheet. The fair value and gross unrealized gains of investments in available-for-sale securities are presented in the following table.

	September 30, 2013		December 31, 2012	
	Unrealized Gains	Fair Value	Unrealized Gains	Fair Value
		(In thousands)		
Cash and cash equivalents	$ —	$ 24,414	$ —	$ 4,628
Equity securities:				
Domestic value	10,519	34,967	5,223	30,044
Domestic growth	23,355	67,527	15,212	51,650
International and other	1,543	16,159	247	14,868
Fixed income securities:				
U.S. Government	262	16,711	1,305	32,592
Municipals	1,120	37,074	4,069	43,861
Corporate and other	221	14,553	1,100	14,868
	$ 37,020	$ 211,405	$ 27,156	$ 192,511

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The proceeds and gross realized gains and losses on the disposition of available-for-sale securities for PNMR and PNM are shown in the following table. Realized gains and losses are determined by specific identification of costs of securities sold.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands)			
Proceeds from sales	$ 103,230	$ 90,518	$ 179,336	$ 136,305
Gross realized gains	$ 2,611	$ 6,263	$ 8,962	$ 11,029
Gross realized (losses)	$ (1,202)	$ (5,131)	$ (2,920)	$ (7,055)

Held-to-maturity securities are those investments in debt securities that the Company has the ability and intent to hold until maturity. Held-to-maturity securities consist of the investment in PVNGS lessor notes and certain items within other investments.

At September 30, 2013, the available-for-sale and held-to-maturity debt securities had the following final maturities:

	Fair Value		
	Available -for-Sale	Held-to-Maturity	
	PNMR and PNM	PNMR	PNM
	(In thousands)		
Within 1 year	$ 1,284	$ 4,840	$ 1,138
After 1 year through 5 years	16,768	55,310	53,956
After 5 years through 10 years	8,027	—	—
After 10 years through 15 years	3,277	—	—
After 15 years through 20 years	5,512	—	—
After 20 years	33,470	—	—
	$ 68,338	$ 60,150	$ 55,094

The Company has no available-for-sale or held-to-maturity securities for which carrying value exceeds fair value. There are no impairments considered to be "other than temporary" that are included in AOCI and not recognized in earnings.

Fair Value Disclosures

The Company determines the fair values of its derivative and other instruments based on the hierarchy established in GAAP, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs used in determining fair values for the Company consist of internal valuation models.

For the NDT and reclamation trust investments, Level 2 fair values are provided by the trustee utilizing a pricing service. The pricing provider predominantly uses the market approach using bid side market value based upon a hierarchy of information for specific securities or securities with similar characteristics. For commodity derivatives, Level 2 fair values are determined based on market observable inputs, which are validated using multiple broker quotes, including forward price, volatility, and interest rate curves to establish expectations of future prices. Credit valuation adjustments are made for estimated credit losses based on the overall exposure to each counterparty. For long-term debt, Level 2 fair values are provided by an external pricing service. The pricing service primarily utilizes quoted prices for similar debt in active markets when determining fair value. For investments categorized as Level 3, primarily the PVNGS lessor notes and other investments, fair values were determined by

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

discounted cash flow models that take into consideration discount rates that are observable for similar type assets and liabilities. Management of the Company independently verifies the information provided by pricing services.

The Company records any transfers between fair value hierarchy levels as of the end of each calendar quarter. There were no transfers between levels during the nine months ended September 30, 2013 and 2012.

Items recorded at fair value on the Condensed Consolidated Balance Sheets are presented below:

		GAAP Fair Value Hierarchy	
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
		(In thousands)	
September 30, 2013			
PNMR and PNM			
Decommissioning and reclamation investments:			
Cash and cash equivalents	$ 24,414	$ 24,414	$ —
Equity securities:			
Domestic value	34,967	34,967	—
Domestic growth	67,527	67,527	—
International and other	16,159	16,159	—
Fixed income securities:			
U.S. government	16,711	14,949	1,762
Municipals	37,074	—	37,074
Corporate and other	14,553	—	14,553
	$ 211,405	$ 158,016	$ 53,389
Commodity derivative assets	$ 10,027	$ —	$ 10,027
Commodity derivative liabilities	(2,364)	—	(2,364)
Net	$ 7,663	$ —	$ 7,663
December 31, 2012			
PNMR and PNM			
Decommissioning and reclamation investments:			
Cash and cash equivalents	$ 4,628	$ 4,628	$ —
Equity securities:			
Domestic value	30,044	30,044	—
Domestic growth	51,650	51,650	—
International and other	14,868	14,868	—
Fixed income securities:			
U.S. government	32,592	27,737	4,855
Municipals	43,861	—	43,861
Corporate and other	14,868	—	14,868
	$ 192,511	$ 128,927	$ 63,584
Commodity derivative assets	$ 4,137	$ —	$ 4,137
Commodity derivative liabilities	(2,933)	—	(2,933)
Net	$ 1,204	$ —	$ 1,204

There were no Level 3 fair value measurements at September 30, 2013 or December 31, 2012.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The carrying amounts and fair values of investments in PVNGS lessor notes, other investments, and long-term debt, which are not recorded at fair value on the Condensed Consolidated Balance Sheets are presented below:

			GAAP Fair Value Hierarchy		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In thousands)		
September 30, 2013					
PNMR					
Long-term debt	$ 1,748,841	$ 1,929,828	$ —	$ 1,926,126	$ 3,702
Investment in PVNGS lessor notes	$ 53,300	$ 55,094	$ —	$ —	$ 55,094
Other investments	$ 2,803	$ 6,941	$ 739	$ —	$ 6,202
PNM					
Long-term debt	$ 1,290,608	$ 1,400,109	$ —	$ 1,400,109	$ —
Investment in PVNGS lessor notes	$ 53,300	$ 55,094	$ —	$ —	$ 55,094
Other investments	$ 458	$ 458	$ 458	$ —	$ —
TNMP					
Long-term debt	$ 336,128	$ 393,122	$ —	$ 393,122	$ —
Other investments	$ 281	$ 281	$ 281	$ —	$ —
December 31, 2012					
PNMR					
Long-term debt	$ 1,672,290	$ 1,969,362	$ —	$ 1,966,725	$ 2,637
Investment in PVNGS lessor notes	$ 77,682	$ 84,198	$ —	$ —	$ 84,198
Other investments	$ 5,599	$ 6,965	$ 774	$ —	$ 6,191
PNM					
Long-term debt	$ 1,215,579	$ 1,385,433	$ —	$ 1,385,433	$ —
Investment in PVNGS lessor notes	$ 77,682	$ 84,198	$ —	$ —	$ 84,198
Other investments	$ 494	$ 494	$ 494	$ —	$ —
TNMP					
Long-term debt	$ 311,589	$ 418,166	$ —	$ 418,166	$ —
Other investments	$ 281	$ 281	$ 281	$ —	$ —

(6) Earnings Per Share

In accordance with GAAP, dual presentation of basic and diluted earnings per share is presented in the Condensed Consolidated Statements of Earnings of PNMR. Information regarding the computation of earnings per share is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands, except per share amounts)			
Net Earnings Attributable to PNMR	$ 54,555	$ 57,864	$ 92,859	$ 96,456
Average Number of Common Shares:				
Outstanding during period	79,654	79,654	79,654	79,654
Vested awards of restricted stock	177	114	194	156
Average Shares - Basic	79,831	79,768	79,848	79,810
Dilutive Effect of Common Stock Equivalents [1]:				
Stock options and restricted stock	503	622	608	600
Average Shares - Diluted	80,334	80,390	80,456	80,410
Net Earnings Per Share of Common Stock:				
Basic	$ 0.68	$ 0.73	$ 1.16	$ 1.21
Diluted	$ 0.68	$ 0.72	$ 1.15	$ 1.20

[1] Excludes the effect of out-of-the-money options for 793,010 shares of common stock at September 30, 2013.

(7) Stock-Based Compensation

PNMR has various stock-based compensation programs, including stock options, restricted stock, and performance shares granted under the Performance Equity Plan ("PEP"). In 2011, the Company changed its approach to awarding stock-based compensation. As a result, no stock options have been granted in 2013 or 2012 and awards of restricted stock have increased. Certain restricted stock awards are subject to achieving performance or market targets and have service requirements. Other awards of restricted stock are only subject to time vesting requirements. Additional information concerning stock-based compensation under the PEP is contained in Note 13 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Restricted stock under the PEP refers to awards of stock subject to vesting, performance, or market conditions rather than to shares with contractual post-vesting restrictions. Generally, the awards vest ratably over three years from the grant date of the award. However, certain awards with performance or market conditions vest upon satisfaction of those conditions. In addition, plan provisions provide that upon retirement, participants become 100% vested in stock awards.

The stock-based compensation expense related to stock options and restricted stock awards without performance or market conditions is amortized to compensation expense over the requisite vesting period, which is generally three years. However, compensation expense for awards to participants that are retirement eligible on the award date is recognized immediately at the award date and is not amortized. Compensation expense for performance-based shares is recognized ratably over the performance period and is adjusted periodically to reflect the level of achievement expected to be attained. Compensation expense related to market-based shares is recognized ratably over the measurement period, regardless of the actual level of achievement, provided the employees meet their service requirements. At September 30, 2013 and December 31, 2012, PNMR had unrecognized expense related to stock awards of $5.7 million and $3.8 million.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The Company uses the Black Scholes option pricing model to estimate the fair value of stock option awards based on multiple factors, including historical exercise patterns of employees in relatively homogeneous groups with respect to exercise and post-vesting employment termination behaviors, expected exercising patterns for these same homogeneous groups, and both the implied and historical volatility of PNMR's stock price. The grant date fair value for restricted stock and stock awards with Company internal performance targets is determined based on the market price of PNMR common stock on the date of the agreements reduced by the present value of future dividends, which will not be received prior to vesting, applied to the total number of shares that are anticipated to vest, although the number of shares that ultimately vest cannot be determined until after the performance periods end. The grant date fair value of stock awards with market targets is determined using Monte Carlo simulation models, which provide grant date fair values that include an expectation of the number of shares to vest.

The following table summarizes the weighted-average assumptions used to determine the awards grant date fair value:

	Nine Months Ended September 30,	
Restricted Shares and Performance Based Shares	**2013**	**2012**
Expected quarterly dividends per share	$ 0.165	$ 0.145
Risk-free interest rate	0.34%	0.65%
Market-Based Shares		
Dividend yield	2.86%	3.45%
Expected volatility	25.11%	43.98%
Risk-free interest rate	0.36%	1.04%

The following table summarizes activity in stock options and restricted stock awards, including performance-based and market-based shares, for the nine months ended September 30, 2013:

	Stock Option Shares	Weighted-Average Exercise Price	Restricted Stock	Weighted-Average Grant Date Fair Value
Outstanding at beginning of period	1,992,700	$ 20.72	353,722	$ 14.03
Granted	—	$ —	249,113	$ 20.03
Exercised	(260,579)	$ 13.43	(275,988)	$ 15.92
Forfeited	—	$ —	(8,366)	$ 18.37
Expired	(292,644)	$ 27.23	—	$ —
Outstanding at end of period	1,439,477	$ 20.72	318,481	$ 17.88

Included as restricted stock granted and exercised in the table above are 100,953 shares that were based upon achieving performance or market targets for 2012. The Board approved these shares in February 2013, including shares with market targets at near maximum levels.

PNMR also has share agreements that provide for performance or market targets through 2015. Excluded from the above table are maximums of 188,129, 198,369, and 179,811 restricted stock shares for periods ending in 2013, 2014, and 2015 that would be awarded if all performance or market criteria are achieved and all executives remain eligible.

In March 2012, the Company entered into a retention award agreement with its Chairman, President, and Chief Executive Officer under which she would receive 135,000 shares of PNMR's common stock if the Company meets specific market targets at the end of 2016 and she remains an employee of the Company. If the Company achieves specific market targets at the end of 2014 and she remains an employee of the Company, she would receive 35,000 of the total shares at that time. The retention award

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

was made under the PEP and was approved by the Board on February 28, 2012. The above table does not include any shares under the retention award agreement.

At September 30, 2013, the aggregate intrinsic value of stock options outstanding, all of which are exercisable, was $6.7 million with a weighted-average remaining contract life of 3.56 years. At September 30, 2013, the exercise price of 793,010 outstanding stock options is greater than the closing price of PNMR common stock on that date; therefore, those options have no intrinsic value.

The following table provides additional information concerning stock options and restricted stock activity, including performance-based and market-based shares:

	Nine Months Ended September 30,	
Stock Options	**2013**	**2012**
Weighted-average grant date fair value of options granted	$ —	$ —
Total fair value of options that vested (in thousands)	$ 625	$ 1,058
Total intrinsic value of options exercised (in thousands)	$ 2,466	$ 4,515
Restricted Stock		
Weighted-average grant date fair value	$ 20.03	$ 15.63
Total fair value of restricted shares that vested (in thousands)	$ 4,395	$ 4,755

(8) Financing

Additional information concerning financing activities, including a TNMP cash-flow hedge that establishes a fixed interest rate on a variable rate loan, is contained in Note 6 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Short-term Debt

PNMR has a revolving credit financing capacity of $300.0 million under the PNMR Revolving Credit Facility. PNM has a revolving credit financing capacity of $400.0 million under the PNM Revolving Credit Facility. Both of these facilities currently expire on October 31, 2018. In December 2012, PNMR borrowed $100.0 million under the PNMR Term Loan Agreement, which matures in December 2013. TNMP has a revolving credit financing capacity of $75.0 million under the TNMP Revolving Credit Facility that is secured by $75.0 million aggregate principal amount of TNMP first mortgage bonds. On September 18, 2013, the TNMP Revolving Credit Facility was amended and restated to extend its maturity from December 16, 2015 to September 18, 2018. At September 30, 2013, the weighted average interest rate was 1.31% for borrowings outstanding under the PNMR Term Loan Agreement, 1.44% for the PNM Term Loan Agreement, and 1.30% for the TNMP Revolving Credit Facility. Short-term debt outstanding consisted of:

Short-term Debt	**September 30, 2013**	**December 31, 2012**
	(In thousands)	
PNM – Revolving credit facility	$ —	$ 21,100
TNMP – Revolving credit facility	12,000	—
PNMR:		
Revolving credit facility	—	37,600
PNMR Term Loan Agreement	100,000	100,000
	$ 112,000	$ 158,700

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

At October 25, 2013, PNMR, PNM, and TNMP had $291.4 million, $396.8 million, and $67.7 million of availability under their respective revolving credit facilities, including reductions of availability due to outstanding letters of credit. Total availability at October 25, 2013, on a consolidated basis, was $755.9 million for PNMR. As of October 25, 2013, TNMP had $43.0 million in borrowings from PNMR under their intercompany loan agreement. At October 25, 2013, PNMR, PNM and TNMP had consolidated invested cash of $6.5 million, $15.7 million, and none.

Financing Activities

On March 6, 2013, TNMP commenced an offer to exchange any and all of TNMP's $265.5 million aggregate principal amount outstanding 9.50% First Mortgage Bonds, due 2019, Series 2009A, for a new series of 6.95% First Mortgage Bonds, due 2043, Series 2013A, and up to $140 in cash for each $1,000 of bonds exchanged. Settlement of the exchange offer occurred on April 3, 2013. Upon settlement, TNMP issued $93.2 million of 6.95% First Mortgage Bonds and paid an aggregate of $13.0 million in cash in exchange for $93.2 million of 9.50% First Mortgage Bonds, in addition to payment of accrued and unpaid interest on the exchanged bonds. The exchange resulted in the recording of a $23.2 million premium on the 6.95% First Mortgage Bonds reflecting the contractual interest rate being in excess of the market rate of interest on the date of the exchange. A regulatory asset was recorded offsetting the premium and the cash consideration paid in the exchange.

On April 22, 2013, PNM entered into a $75.0 million Term Loan Agreement (the "PNM Term Loan Agreement") among PNM, the lenders identified therein, and Union Bank, N.A., as Administrative Agent. Funding of the PNM Term Loan Agreement occurred on April 22, 2013, at which time the funds were used to repay $75.0 million in borrowings made under the PNM Revolving Credit Facility. The PNM Term Loan Agreement bears interest at a variable rate, which was 1.44% at September 30, 2013, must be repaid on or before October 21, 2014, and is reflected as long-term debt on the Condensed Consolidated Balance Sheets. The PNM Term Loan Agreement includes customary covenants, including requirements to not exceed a maximum consolidated debt-to-consolidated capitalization ratio and customary events of default. The PNM Term Loan Agreement has a cross default provision and a change of control provision.

In the nine months ended September 30, 2013, PNMR purchased $23.0 million aggregate principal amount of its outstanding 9.25% Senior Unsecured Notes, Series A, due 2015, for $26.0 million plus accrued and unpaid interest.

On October 2, 2013, the NMPRC approved PNM's application to enter into a new revolving credit facility of up to $50.0 million with banks operating in New Mexico. PNM anticipates entering into a facility in late 2013.

In October 2013, the second of the two 1-year extension options for the PNMR Revolving Credit Facility and the PNM Revolving Credit Facility were exercised extending the expiration of both facilities to October 31, 2018.

(9) Pension and Other Postretirement Benefit Plans

PNMR and its subsidiaries maintain qualified defined benefit pension plans, postretirement benefit plans providing medical and dental benefits, and executive retirement programs ("PNM Plans" and "TNMP Plans"). PNMR maintains the legal obligation for the benefits owed to participants under these plans.

Additional information concerning pension and OPEB plans is contained in Note 12 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K. Annual net periodic benefit cost (income) for the plans is actuarially determined using the methods and assumptions set forth in that note and is recognized ratably throughout the year.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

PNM Plans

The following tables present the components of the PNM Plans' net periodic benefit cost:

	Three Months Ended September 30,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2013	2012	2013	2012	2013	2012
	(In thousands)					
Components of Net Periodic Benefit Cost						
Service cost	$ —	$ —	$ 65	$ 54	$ —	$ —
Interest cost	7,035	8,058	1,029	1,324	180	219
Expected return on plan assets	(10,482)	(10,325)	(1,261)	(1,225)	—	—
Amortization of net (gain) loss	3,710	2,629	1,061	972	58	21
Amortization of prior service cost	19	79	(336)	(336)	—	—
Net periodic benefit cost	$ 282	$ 441	$ 558	$ 789	$ 238	$ 240

	Nine Months Ended September 30,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2013	2012	2013	2012	2013	2012
	(In thousands)					
Components of Net Periodic Benefit Cost						
Service cost	$ —	$ —	$ 195	$ 162	$ —	$ —
Interest cost	21,106	24,174	3,085	3,972	540	657
Expected return on plan assets	(31,447)	(30,975)	(3,782)	(3,675)	—	—
Amortization of net (gain) loss	11,130	7,887	3,182	2,916	174	63
Amortization of prior service cost	57	237	(1,008)	(1,008)	—	—
Net periodic benefit cost	$ 846	$ 1,323	$ 1,672	$ 2,367	$ 714	$ 720

PNM made contributions to its pension plan trust of zero and $60.0 million in the three and nine months ended September 30, 2013 and zero and $77.7 million in the three and nine months ended September 30, 2012. PNM does not anticipate making additional contributions to its pension trust in 2013. Based on current law, including recent amendments to funding requirements, and estimates of portfolio performance, PNM estimates minimum required contributions for its pension plan trust would total $49.1 million for 2014-2017. Minimum required contributions were developed using current funding assumptions, including discount rates of 4.8% to 5.2%. Actual amounts required to be funded in the future will depend on the actuarial assumptions at that time, including the appropriate discount rate. PNM may make additional contributions at its discretion. PNM made contributions to the OPEB trust of $0.8 million and $2.4 million in the three and nine months ended September 30, 2013 and $0.8 million and $2.4 million in the three and nine months ended September 30, 2012. PNM expects contributions during 2013 to the OPEB trust to total $3.3 million. Disbursements under the executive retirement program, which are funded by PNM and considered to be contributions to the plan, were $0.4 million and $1.1 million in the three and nine months ended September 30, 2013 and $0.4 million and $1.1 million in the three and nine months ended September 30, 2012 and are expected to total $1.5 million during 2013.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

TNMP Plans

The following tables present the components of the TNMP Plans' net periodic benefit cost (income):

	Three Months Ended September 30,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2013	2012	2013	2012	2013	2012
	(In thousands)					
Components of Net Periodic Benefit Cost (Income)						
Service cost	$ —	$ —	$ 75	$ 61	$ —	$ —
Interest cost	772	909	141	156	9	11
Expected return on plan assets	(1,212)	(1,331)	(126)	(129)	—	—
Amortization of net (gain) loss	262	115	—	(52)	—	—
Amortization of prior service cost	—	—	14	14	—	—
Net Periodic Benefit Cost (Income)	$ (178)	$ (307)	$ 104	$ 50	$ 9	$ 11

	Nine Months Ended September 30,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2013	2012	2013	2012	2013	2012
	(In thousands)					
Components of Net Periodic Benefit Cost (Income)						
Service cost	$ —	$ —	$ 225	$ 183	$ —	$ —
Interest cost	2,315	2,727	424	468	27	33
Expected return on plan assets	(3,637)	(3,993)	(377)	(387)	—	—
Amortization of net (gain) loss	787	345	—	(156)	—	—
Amortization of prior service cost	—	—	43	42	—	—
Net Periodic Benefit Cost (Income)	$ (535)	$ (921)	$ 315	$ 150	$ 27	$ 33

TNMP made contributions to its pension plan trust of zero and $1.0 million in the three and nine months ended September 30, 2013 and zero and $5.3 million in the three and nine months ended September 30, 2012. TNMP does not anticipate making additional contributions to its pension trust in 2013. Based on current law, including recent amendments to funding requirements, and estimates of portfolio performance, TNMP estimates there would be no minimum required contributions to its pension plan trust for 2014-2017. Minimum required contributions were developed using current funding assumptions, including discount rates of 4.8% and 5.2%. Actual amounts to be funded in the future will depend on the actuarial assumptions at that time, including the appropriate discount rate. TNMP may make additional contributions at its discretion. TNMP made contributions to the OPEB trust of zero and $0.3 million in the three and nine months ended September 30, 2013 and zero and $0.3 million in the three and nine months ended September 30, 2012. TNMP does not anticipate making additional contributions to the OPEB trust in 2013. Disbursements under the executive retirement program, which are funded by TNMP and considered to be contributions to the plan, were less than $0.1 million in the three and nine months ended September 30, 2013 and 2012 and are expected to total $0.1 million during 2013.

(10) Commitments and Contingencies

Overview

There are various claims and lawsuits pending against the Company. The Company is also subject to federal, state, and local environmental laws and regulations and periodically participates in the investigation and remediation of various sites. In addition, the Company occasionally enters into financial commitments in connection with its business operations. The Company is also involved in various legal and regulatory (Note 11) proceedings in the normal course of its business. It is not possible at this time for the Company to determine fully the effect of all litigation and other legal and regulatory proceedings on its financial position, results of operations, or cash flows.

With respect to some of the items listed below, the Company has determined that a loss is not probable or that, to the extent probable, cannot be reasonably estimated. In some cases, the Company is not able to predict with any degree of certainty the range of possible loss that could be incurred. Notwithstanding these facts, the Company has assessed these matters based on current information and made judgments concerning their potential outcome, giving due consideration to the nature of the claim, the amount and nature of damages sought, and the probability of success. Such judgments are made with the understanding that the outcome of any litigation, investigation, and other legal proceeding is inherently uncertain. In accordance with GAAP, the Company records liabilities for matters where it is probable a loss has been incurred and the amount of loss is reasonably estimable. The actual outcomes of the items listed below could ultimately differ from the judgments made and the differences could be material. The Company cannot make any assurances that the amount of reserves or potential insurance coverage will be sufficient to cover the cash obligations that might be incurred as a result of litigation or regulatory proceedings. The Company does not expect that any known lawsuits, environmental costs, and commitments will have a material effect on its financial condition, results of operations, or cash flows.

Additional information concerning commitments and contingencies is contained in Note 16 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Commitments and Contingencies Related to the Environment

Nuclear Spent Fuel and Waste Disposal

Nuclear power plant operators are required to enter into spent fuel disposal contracts with the DOE that require the DOE to accept and dispose of all spent nuclear fuel and other high-level radioactive wastes generated by domestic power reactors. Although the Nuclear Waste Policy Act required the DOE to develop a permanent repository for the storage and disposal of spent nuclear fuel by 1998, the DOE announced that it would not be able to open the repository by 1998 and sought to excuse its performance under the contract. In November 1997, the D.C. Circuit issued a decision preventing the DOE from excusing its own delay, but refused to order the DOE to begin accepting spent nuclear fuel. Based on this decision and the DOE's delay, a number of utilities, including APS (on behalf of itself and the other PVNGS owners, including PNM), filed damages actions against the DOE in the Court of Federal Claims. The PVNGS owners previously received a damages award for costs incurred through December 2006. APS filed a subsequent lawsuit, on behalf of itself and the other PVNGS owners, against DOE in the Court of Federal Claims on December 19, 2012. The lawsuit alleges that from January 1, 2007, through June 30, 2011, APS, as a co-owner of PVNGS, incurred additional damages due to DOE's continuing failure to remove spent nuclear fuel and high level waste from PVNGS. Activities in this legal proceeding are currently limited to review by the government of supporting information for APS's claim. PNM is unable to predict the outcome of this matter.

PNM estimates that it will incur approximately $42.8 million (in 2010 dollars) for its share of the costs related to the on-site interim storage of spent nuclear fuel at PVNGS during the term of the operating licenses. PNM accrues these costs as a component of fuel expense as the fuel is consumed. At September 30, 2013 and December 31, 2012, PNM had a liability for interim storage costs of $12.4 million and $13.9 million included in other deferred credits.

On June 8, 2012, the D.C. Circuit issued its decision on a challenge by several states and environmental groups of the NRC's rulemaking regarding temporary storage and permanent disposal of high-level nuclear waste and spent nuclear fuel. The petitioners had challenged the NRC's 2010 update to the agency's Waste Confidence Decision. The D.C. Circuit found that the agency's 2010 Waste Confidence Decision update constituted a major federal action, which requires either an environmental impact statement

or a finding of no significant impact from the agency's actions. The D.C. Circuit found that the NRC's evaluation of the environmental risks from spent nuclear was deficient, and therefore remanded the 2010 Waste Confidence Decision update for further action. In September 2012, the NRC issued a directive to its staff to proceed with development of a generic environmental impact statement to support an updated Waste Confidence Decision within 24 months. The petitioners had also sought a writ requiring the NRC to comply with the law and resume processing DOE's pending license application for a nuclear waste site at Yucca Mountain in Nevada. On August 13, 2013, the D.C. Circuit granted the writ and held that the NRC must continue reviewing the license application. PNM is unable to predict the impact of these decisions.

The Clean Air Act

Regional Haze

In 1999, EPA developed a regional haze program and regional haze rules under the CAA. The rule directs each of the 50 states to address regional haze. Pursuant to the CAA, states have the primary role to regulate visibility requirements by promulgating SIPs. States are required to establish goals for improving visibility in national parks and wilderness areas (also known as Class I areas) and to develop long-term strategies for reducing emissions of air pollutants that cause visibility impairment in their own states and for preventing degradation in other states. States must establish a series of interim goals to ensure continued progress. The first planning period specifies setting reasonable progress goals for improving visibility in Class I areas by the year 2018. In July 2005, EPA promulgated its final regional haze rule guidelines for states to conduct BART determinations for certain covered facilities, including utility boilers, built between 1962 and 1977 that have the potential to emit more than 250 tons per year of visibility impairing pollution. If it is demonstrated that the emissions from these sources cause or contribute to visibility impairment in any Class I area, then BART must be installed by 2018.

SJGS

BART Determination Process - SJGS is a source that is subject to the statutory obligations of the CAA to reduce visibility impacts. The State of New Mexico submitted its SIP on the regional haze and interstate transport elements of the visibility rules for review by EPA in June 2011. The SIP found that BART to reduce NOx emissions from SJGS is selective non-catalytic reduction technology ("SNCR"). Nevertheless, in August 2011, EPA published its FIP, stating that it was required to do so by virtue of a consent decree it had entered into with an environmental group in litigation concerning the interstate transport requirements of the CAA. The FIP included a regional haze BART determination for SJGS that requires installation of selective catalytic reduction technology ("SCR") with stringent NOx emission limits on all four units by September 21, 2016.

PNM, the Governor of New Mexico, and NMED petitioned the Tenth Circuit to review EPA's decision and requested EPA to reconsider its decision. The Tenth Circuit denied petitions to stay the effective date of the rule on March 1, 2012. These parties have also formally asked EPA to stay the effective date of the rule. Several environmental groups have intervened in support of EPA. WEG also filed an action to challenge EPA's rule in the Tenth Circuit, seeking to shorten its compliance period from five years to three years and PNM has intervened in this action. Oral arguments on the merits of the FIP challenges were held in October 2012 in the Tenth Circuit. In accordance with the court's order, the parties have filed supplemental information. No decision has been announced and there is no deadline for a court decision.

In litigation involving several environmental groups, the United States District Court for the District of Columbia entered a consent decree, which, as amended, required EPA to issue a final rulemaking on New Mexico's regional haze SIP by November 15, 2012. EPA approved all components of the SIP, except for the NOx BART determination for SJGS. With respect to that element of the SIP, EPA determined that with the FIP in place, it had met its obligation under the consent decree.

Because the unchanged compliance deadline of the FIP required PNM to continue to take steps to commence installation of SCRs at SJGS, PNM entered into a contract in October 2012 with an engineering, procurement, and construction contractor to install SCRs on behalf of the SJGS owners. The construction contract, which includes termination provisions in the event that SCRs are determined in the future to be unnecessary, has been suspended through November 1, 2014. PNM estimated the total cost to install SCRs on all four units of SJGS to be between approximately $824 million and $910 million, which amounts include costs for construction management, gross receipts taxes, AFUDC, and other PNM costs, although final costs would be refined

through an "open book" subcontractor bidding process. The costs for the project to install SCRs would encompass installation of technology to comply with the NAAQS requirements described below.

PNM previously indicated it estimated the cost of SNCRs on all four units of SJGS to be between approximately $85 million and $90 million based on a conceptual design study. Along with the SNCR installation, additional equipment would be required to be installed to meet the NAAQS requirements described below, the cost of which had been estimated to total between approximately $105 million and $110 million for all four units of SJGS. The estimates for SNCRs and the NAAQS requirements include gross receipts taxes, AFUDC, and other PNM costs.

Based upon its current SJGS ownership interest, PNM's share of the costs under either SCRs or SNCRs as described above would be about 46.3%.

During 2012 and early 2013, PNM engaged in discussions with NMED and EPA regarding an alternative to the FIP and SIP. Following approval by a majority of the other SJGS owners, PNM, NMED, and EPA agreed on February 15, 2013 to pursue a revised plan that could provide a new BART path to comply with federal visibility rules at SJGS, subject to approval by EIB and EPA. The terms of the non-binding agreement would result in the retirement of SJGS Units 2 and 3 by the end of 2017 and the installation of SNCRs on Units 1 and 4 by the later of January 31, 2016 or 15 months after EPA approval of a revised SIP.

NMPRC approval of the retirement of SJGS Units 2 and 3 and plans for PNM to acquire power to replace its reduced capacity from SJGS would also be part of implementation. PNM also anticipates requesting approval to recover from ratepayers the unrecovered investment in SJGS Units 2 and 3 and costs incurred to retire those units. PNM anticipates filing for the required NMPRC approvals in December 2013. On July 10, 2013, the NMPRC issued an order initiating a proceeding regarding the possible retirement of SJGS Units 2 and 3 and impacts on service reliability, and other items. The order requires PNM to make monthly presentations to the NMPRC on this matter. At September 30, 2013, PNM's net book value of SJGS Units 2 and 3 was approximately $287 million.

In accordance with the revised plan, PNM submitted a new BART analysis to NMED on April 1, 2013, reflecting the terms of the non-binding agreement, including the installation of SNCRs on Units 1 and 4 and the retirement of Units 2 and 3. NMED developed a revised SIP and submitted it to the EIB for approval in May 2013. After a public hearing, the EIB approved the revised SIP in September 2013 and the revised SIP was submitted to EPA for approval on October 18, 2013. EPA action on the revised SIP is projected for late 2014.

Due to the long lead times on certain equipment purchases, PNM is taking steps to prepare for the potential installation of SNCRs on Units 1 and 4. In April 2013, PNM issued an RFP for SNCR system design and technology. In May 2013, PNM entered into an SNCR equipment and related services contract with an SNCR technology provider, but has not yet entered into a construction and procurement contract.

In connection with the implementation of the revised plan, retirement of SJGS Units 2 and 3 could result in shifts in ownership among SJGS owners as may be agreed upon by the owners. See SJGS Ownership Restructuring Matters below. Owners of the affected units also may seek approvals of their utility commissions or governing boards.

This revised plan primarily focuses on how SJGS would meet the regional haze rule, but also indicates that PNM would build a natural gas-fired generating plant to be sited at SJGS to partially replace the capacity from the retired coal units. Detailed replacement power strategies also would be finalized. PNM believes adequate replacement power alternatives will be available to meet its generation needs and ensure reliability.

Contemporaneously with the signing of the non-binding agreement, EPA indicated in writing that if the terms agreed to do not move forward due to circumstances outside of the control of PNM and NMED, EPA will work with the State of New Mexico and PNM to create a reasonable FIP compliance schedule to reflect the time used to develop the revised SIP.

On February 25, 2013, the parties filed their status reports with the Tenth Circuit. To demonstrate that progress has been made toward settling the Tenth Circuit litigation, information, including the non-binding agreement and its accompanying timeline, was submitted to the Tenth Circuit. Following the parties' submission of their status reports, on February 28, 2013, the Tenth Circuit referred the litigation to the Tenth Circuit Mediation Office, which has authority to require the parties to attend mediation conferences to informally resolve issues in the pending appeals. On October 17, 2013, the court ruled on a motion filed by PNM

for abatement of the pending petitions for review and seeking deferral of briefing on a simultaneously filed motion to stay the EPA rule. The court placed the pending petitions for review in abeyance and set a schedule for the parties to file status reports. The court ruled that, if at any time the agreement in principle fails or is not implemented as was indicated in the term sheet and timeline, any party to the litigation may file a motion seeking to lift the abatement. PNM is continuing to evaluate the impacts of these matters, but is unable to predict their ultimate outcomes.

If the February 15, 2013 plan described above is implemented, PNM currently estimates its share of the costs to install SNCRs and the additional equipment to comply with NAAQS requirements on SJGS Units 1 and 4 would be approximately $60 million to $80 million, including gross receipts taxes, AFUDC, and other PNM costs. This amount is based on the anticipation that PNM's ownership share of SJGS Units 1 and 4 would aggregate to between approximately 52% and 55%. PNM also estimates that the cost of replacing a portion of PNM's share of the reduction in generating capacity due to the retirement of SJGS Units 2 and 3 with identified gas-fired or solar peaking capacity would be approximately $299 million. Neither of these amounts is included in PNM's current construction expenditure forecast since approval of the plan is subject to numerous conditions. Additional base load generating capacity may be required to replace a portion of retired SJGS capacity. The nature of additional base load capacity, which has not yet been identified, could come from some combination of PVNGS Unit 3, renewable resources, and/or additional gas-fired generation. Although operating costs will be reduced due to the retirement of SJGS Units 2 and 3, the operating costs for SJGS Units 1 and 4 would increase with the installation of either SCRs or SNCRs. See Note11 for additional information concerning PNM's filing for NMPRC approvals regarding these matters.

PNM can provide no assurance that the requirements of the plan agreed to on February 15, 2013 will be accomplished at all or within the required timeframes. If the February 15, 2013 plan is not implemented, PNM would seek to work with NMED and EPA to develop a revised timetable for implementation of the FIP. If an agreement on a revised timetable cannot be reached, PNM will likely be unable to complete the installation of SCRs on all four units at SJGS by the FIP deadline of September 21, 2016. In such event, PNM would likely seek relief from the compliance deadline from EPA or the Tenth Circuit in order to continue to be able to operate the plant during the completion of the installation process. If relief is not granted, PNM could be forced to temporarily cease operation of some or all of the SJGS units. If a shutdown was required, PNM would then have to acquire temporary replacement power through short-term or open-market purchases in order to serve the needs of its customers. There can be no assurance that sufficient replacement power will be available to serve PNM's needs or, if available, what costs would be incurred.

PNM is unable to predict the ultimate outcome of these matters or what additional pollution control equipment will be required at SJGS. PNM will seek recovery from its ratepayers for all costs that may be incurred as a result of the CAA requirements. Although the additional equipment and other final requirements will result in additional capital and operating costs being incurred, PNM believes that its access to the capital markets is sufficient to be able to finance the installation. It is possible that requirements to comply with the CAA, combined with the financial impact of possible future climate change regulation or legislation, if any, other environmental regulations, the result of litigation, and other business considerations, could jeopardize the economic viability of SJGS or the ability or willingness of individual participants to continue participation in the plant.

SJGS Ownership Restructuring Matters - As discussed in the 2012 Annual Reports on Form 10-K, SJGS is jointly owned by PNM and eight other entities, including three participants that operate in the State of California. Furthermore, each participant does not have the same ownership interest in each unit. The San Juan Project Participation Agreement ("SJPPA") that governs the operation of SJGS expires on July 1, 2022 and the contract with SJCC to supply the coal requirements of the plant expires on December 31, 2017. The California participants have indicated that, under California law, they may be prohibited from making significant capital improvements to SJGS. Accordingly, they believe they would be unable to fund the construction of either SCRs or SNCRs at SJGS. Therefore, the California participants have expressed the intent to exit their ownership in SJGS no later than the expiration of the current SJPPA and sooner, if possible. One other participant has also expressed a similar intent to exit ownership in the plant.

The SJGS participants have engaged in negotiations concerning the implementation of the revised SIP to address BART at SJGS. The negotiations have included potential shifts in ownership among participants and between units in order to facilitate the shutdown of SJGS Units 2 and 3 to comply with the revised SIP and to accommodate the intent of the participants desiring to exit ownership in SJGS. This could result in the exiting participants' ownership interests in SJGS Unit 4 being shifted to SJGS Unit 3 and certain of the continuing participants, including PNM, acquiring additional ownership interests in Unit 4. In addition,

the discussions regarding such a restructuring have included, among other matters, the treatment of plant decommissioning obligations, mine reclamation obligations, environmental matters, and certain ongoing operating costs. Although discussions are continuing, no agreements have been reached.

The SJPPA requires PNM, as operating agent, to obtain approval of capital improvement project expenditures from participants who have an ownership interest in the relevant unit or common property. As provided in the SJPPA, specified percentages of both the outstanding participant shares, based on MW ownership, and the number of participants in the unit or common property must be obtained in order for a capital improvement project to be approved. PNM presented the SNCR project, including NAAQS compliance requirements, to the participants in Unit 1 and Unit 4 for approval in late October 2013. The project was approved for Unit 1, but the Unit 4 project, which includes some of the California participants, did not obtain the required percentage of votes for approval. Other capital projects related to Unit 4 were also not approved by the participants. The SJPPA provides that PNM is authorized and obligated to take reasonable and prudent actions necessary for the successful and proper operation of SJGS pending the resolution, by arbitration or otherwise, of any inability or failure to agree by the participants. PNM is evaluating its responsibilities and obligations as operating agent under the SJPPA regarding the SJGS Unit 4 capital projects that were not approved by the participants, but has not reached a decision on how to proceed. PNM cannot predict the outcome of this matter, its impact on SJGS' compliance with the CAA, or the impact on PNM's financial position and results of operations.

Four Corners

On August 6, 2012, EPA issued its final BART determination for Four Corners. The rule includes two compliance alternatives. The first emission control strategy finalized by EPA would require the installation of post-combustion controls, including SCRs, on each of Units 1-5 at Four Corners to reduce NOx emissions. Under the second emission control alternative, the owners of Four Corners would have the option to close permanently Units 1-3 by January 1, 2014 and install SCR post-combustion NOx controls on each of Units 4 and 5 by July 31, 2018. For particulate matter emissions, EPA is requiring Units 4 and 5 to meet an emission limit of 0.015 lb/MMBTU and the plant to meet a 20% opacity limit, both of which are achievable through operation of the existing baghouses. Although unrelated to BART, the final BART rule also imposes a 20% opacity limitation on certain fugitive dust emissions from Four Corners' coal and material handling operations. Under the EPA's final BART determination, the Four Corners participants had until July 1, 2013 to notify EPA of which emission control strategy Four Corners would follow. Either alternative would involve substantial investment by the owners in additional post-combustion pollution controls and, accordingly, contemplates the continued operation of Four Corners for a substantial period of time. On September 24, 2013, EPA extended the date by which the Four Corners participants must notify EPA of their chosen BART compliance strategy from July 1 to December 31, 2013.

The Four Corners participants' obligations to comply with EPA's final BART determinations, coupled with the financial impact of possible future climate change regulation or legislation, other environmental regulations, and other business considerations, could jeopardize the economic viability of Four Corners or the ability of individual participants to continue their participation in Four Corners.

PNM is continuing to evaluate the impacts of EPA's BART determination for Four Corners. PNM estimates its share of costs, including PNM's AFUDC, to be up to approximately $75 million for post-combustion controls at Four Corners Units 4 and 5. PNM would seek recovery from its ratepayers of all costs that are ultimately incurred. PNM has no ownership interest in Four Corners Units 1, 2, and 3. PNM is unable to predict the ultimate outcome of this matter.

SCE, a participant in Four Corners, has indicated that certain California legislation may prohibit it from making emission control expenditures at Four Corners. APS and SCE entered into an asset purchase agreement, providing for the purchase by APS of SCE's 48% interest in each of Units 4 and 5 of Four Corners. A principal remaining condition to closing is the negotiation and execution of a new coal supply contract for Four Corners on terms reasonably acceptable to APS. See Coal Supply below. APS has announced that, if APS's purchase of SCE's interests in Units 4 and 5 at Four Corners is consummated, it will shut down Units 1, 2, and 3 at Four Corners. On May 9, 2013, the Arizona Corporation Commission ("ACC"), which regulates APS, voted to re-examine the facilitation of a deregulated retail electric market in Arizona. In connection with this matter, APS announced that it would not be in a position to close the Four Corners purchase transaction with SCE until the ACC's intentions with regard to pursuing deregulation in Arizona became clearer. In September 2013, the ACC closed the deregulation docket. Certain parties have filed motions for rehearing, which are pending before the ACC. Pursuant to the asset purchase agreement, because all of the closing conditions were not originally satisfied by December 31, 2012, either APS or SCE has a right to terminate the agreement,

unless the party seeking to terminate is then in breach. Although the ACC closed its deregulation docket, APS has reported that it cannot predict whether the closing conditions will be satisfied such that closing of its planned purchase of SCE's interest in Four Corners can occur.

Four Corners BART FIP Challenge

On October 22, 2012, WEG filed a petition for review in the Ninth Circuit challenging the Four Corners BART FIP. In its petition, WEG alleges that the final BART rule results in more air pollution being emitted into the air than allowed by law and that EPA failed to follow the requirements of the ESA. APS intervened in this matter and filed a motion to dismiss this lawsuit for lack of jurisdiction or alternatively to transfer the lawsuit to the Tenth Circuit. On February 25, 2013, the Ninth Circuit denied APS' motion to dismiss, but granted the request to transfer the case to the Tenth Circuit. This matter is now proceeding in the Tenth Circuit. PNM cannot currently predict the outcome of this matter or the range of its potential impact.

Regional Haze Challenges

On December 27, 2012, WEG filed a petition for review in the Tenth Circuit challenging the SO_2 and particulate matter emissions elements of EPA's approval of New Mexico's Regional Haze SIP. On February 26, 2013, HEAL Utah and other environmental groups filed petitions in the Tenth Circuit challenging EPA's final approval of the remaining elements of New Mexico's Regional Haze SIP, as well as EPA's approval of the Albuquerque/Bernalillo County Air Quality Control Board SIP. PNM was granted intervention in both matters and the Tenth Circuit consolidated the two matters based on the similarity of issues. This matter is now proceeding in the Tenth Circuit. PNM is continuing to evaluate the impacts of these matters, but is unable to predict their ultimate outcomes.

SJGS Operating Permit Challenge

On February 16, 2012, EPA issued its response to a WEG petition objecting to SJGS's operating permit granted by the NMED in January 2011. In its order, EPA required NMED to provide clarification on several of the matters raised by WEG. EPA's order in this matter does not constitute a finding that the plant has violated any provision of the CAA or that it has violated any emission limits.

In August 2012, NMED issued a response to the EPA order stating that SJGS's operating permit would be reopened to make certain modifications to the permit. NMED issued a public notice regarding proposed modifications to the SJGS operating permit on September 19, 2012 and issued a revised operating permit on November 26, 2012. The revised permit includes changes to the SO_2 and particulate matter emission limits that were previously incorporated into the SJGS NSR permit. In addition, the revised permit requires PNM to submit a compliance plan to address carbon monoxide ("CO") emissions increases at SJGS Unit 2. PNM submitted a compliance plan in May 2013 and considers this matter resolved.

National Ambient Air Quality Standards ("NAAQS")

The CAA requires EPA to set NAAQS for pollutants considered harmful to public health and the environment. EPA has set NAAQS for certain pollutants, including NOx, SO_2, ozone, and particulate matter. In 2010, EPA updated the primary NOx and SO_2 NAAQS to include a 1-hour maximum standard while retaining the annual standards for NOx and SO_2 and the 24-hour SO_2 standard. New Mexico is in attainment for the 1-hour NOx NAAQS. EPA has issued draft guidance on how to determine whether areas in a state comply with the new 1-hour SO_2 NAAQS. On May 21, 2013, EPA released draft guidance on characterizing air quality in areas with limited or no monitoring data near existing SO_2 sources. This characterization will result in these areas being designated as attainment, nonattainment, or unclassified for compliance with the 1-hour SO_2 NAAQS. Although the determination process has not been finalized, PNM believes that compliance with the 1-hour SO_2 standard may require operational changes and/or equipment modifications at SJGS. On June 4, 2013, Sierra Club and National Resource Defense Council issued a NOI to sue EPA for failure to issue non-attainment designations for areas they claim to be in violation of the 2010 1-hour SO_2 standard. On April 6, 2012, PNM filed an application for an amendment to its air permit for SJGS, which would be required for the installation of either SCRs or SNCRs described above. In addition, this application included a proposal by PNM to install equipment modifications for the purpose of reducing fugitive emissions, including NOx, SO_2, and particulate matter. These modifications would help SJGS meet the NAAQS. It is anticipated that this technology would be installed at the same time as the installation of regional haze BART controls, in order to most efficiently and cost effectively conduct construction activities at

SJGS. The cost of this technology is dependent upon the type of control technology that is ultimately determined to be NOx BART at SJGS. See Regional Haze - SJGS above.

EPA finalized revisions to its NAAQS for fine particulate matter on December 14, 2012. PNM believes the equipment modifications discussed above will assist with the plant with compliance with the particulate matter NAAQS.

In January 2010, EPA announced it would strengthen the 8-hour ozone standard by setting a new standard in a range of 0.060-0.070 parts per million. EPA is reviewing its 2008 standard and is scheduled to propose a new standard in December 2013 and finalize it by the end of 2014. Depending upon where the standard for ozone is set, San Juan County, where SJGS is situated, could be designated as not attaining the standard for ozone. If that were to occur, NMED would have responsibility for bringing the county into compliance and would look at all sources of NOx and volatile organic compounds since these are the pollutants that form ground-level ozone. As a result, SJGS could be required to install further NOx controls to meet a new ozone NAAQS. In addition, other counties in New Mexico, including Bernalillo County, may be designated as non-attainment. PNM cannot predict the outcome of this matter, the impact of other potential environmental mitigations, or if additional NOx controls would be required as a result of ozone non-attainment designation.

Citizen Suit Under the Clean Air Act

The operations of SJGS are covered by a Consent Decree with the Grand Canyon Trust and Sierra Club and with the NMED that includes stipulated penalties for non-compliance with specified emissions limits. Stipulated penalty amounts are placed in escrow on a quarterly basis pending review of SJGS's emissions performance. In May 2011, PNM entered into an agreement with NMED and the plaintiffs to resolve a dispute over the applicable NOx emission limits under the Consent Decree. Under the agreement, so long as the NOx emissions limits imposed under the EPA FIP and the New Mexico SIP meet a specified emissions limit, and PNM does not challenge these limits, the parties' dispute is deemed settled.

In May 2010, PNM filed a petition with the federal district court seeking a judicial determination on a dispute relating to PNM's mercury controls. NMED and plaintiffs seek to require PNM to implement additional mercury controls. PNM estimates the implementation would increase annual mercury control costs for the entire station, which are currently $0.6 million, to a total of $6.1 million. The court appointed a special master to evaluate the technical arguments in the case and to address the detection and determination limits of the mercury monitors at SJGS and the appropriate brominated activated carbon injection rate that maximizes the reduction of mercury emissions from SJGS. The special master issued a report indicating he was unable to make a determination on either of these issues. In September 2012, PNM submitted objections to certain portions of the special master report and requested an evidentiary hearing. Also in September 2012, NMED and plaintiffs filed a motion asking the court to affirm certain findings in the special master report and order PNM to conduct additional mercury testing. The parties have provided status updates to the court as required. PNM cannot predict the outcome of this matter.

Section 114 Request

In April 2009, APS received a request from EPA under Section 114 of the CAA seeking detailed information regarding projects at and operations of Four Corners. EPA has taken the position that many utilities have made physical or operational changes at their plants that should have triggered additional regulatory requirements under the NSR provisions of the CAA. APS has responded to EPA's request. PNM is currently unable to predict the timing or content of EPA's response, if any, or any resulting actions.

Four Corners Clean Air Act Lawsuit

In October 2011, Earthjustice, on behalf of several environmental organizations, filed a lawsuit in the United States District Court for the District of New Mexico against APS and the other Four Corners participants alleging violations of the NSR provisions of the CAA and NSPS violations. The plaintiffs seek to have the court enjoin operations at Four Corners until APS applies for and obtains any required NSR permits and complies with the NSPS. The plaintiffs further request the court to order the payment of civil penalties, including a beneficial mitigation project. The case is being held in abeyance while the parties seek to negotiate a settlement. On March 30, 2013, upon joint motion of the parties, the court issued an order deeming the motions to dismiss withdrawn without prejudice during pendency of the stay. At such time as the stay is lifted, the Four Corners owners may reinstate

their motions to dismiss without risk of default. PNM cannot currently predict the outcome of this matter or the range of its potential impact.

WEG v. OSM NEPA Lawsuit

In February 2013, WEG filed a Petition for Review in the United States District Court of Colorado against OSM challenging federal administrative decisions affecting seven different mines in four states issued at various times from 2007 through 2012. In its petition, WEG challenges several unrelated mining plan modification approvals, which were each separately approved by OSM. Of the fifteen claims for relief in the WEG Petition, two concern SJCC's San Juan mine. WEG's allegations concerning the San Juan mine arise from OSM administrative actions in 2008. WEG alleges various National Environmental Policy Act violations against OSM, including, but not limited to, OSM's alleged failure to provide requisite public notice and participation, alleged failure to analyze certain environmental impacts, and alleged reliance on outdated and insufficient documents. WEG's petition seeks various forms of relief, including voiding, reversing, and remanding the various mining modification approvals, enjoining the federal defendants from re-issuing the mining plan approvals for the mines, and enjoining operations at the seven mines. SJCC intervened in this matter and seeks to sever SJCC's claims from the lawsuit and transfer venue to the United States District Court for the District of New Mexico. PNM cannot currently predict the outcome of this matter or the range of its potential impact.

Navajo Nation Environmental Issues

Four Corners is located on the Navajo Reservation and is held under an easement granted by the federal government, as well as a lease from the Navajo Nation. The Navajo Acts purport to give the Navajo Nation Environmental Protection Agency authority to promulgate regulations covering air quality, drinking water, and pesticide activities, including those activities that occur at Four Corners. In October 1995, the Four Corners participants filed a lawsuit in the District Court of the Navajo Nation challenging the applicability of the Navajo Acts to Four Corners. In May 2005, APS and the Navajo Nation signed an agreement resolving the dispute regarding the Navajo Nation's authority to adopt operating permit regulations under the Navajo Nation Air Pollution Prevention and Control Act. As a result of this agreement, APS sought, and the courts granted, dismissal of the pending litigation in the Navajo Nation Supreme Court and the Navajo Nation District Court, to the extent the claims relate to the CAA. The agreement does not address or resolve any dispute relating to other aspects of the Navajo Acts. PNM cannot currently predict the outcome of these matters or the range of their potential impacts.

Endangered Species Act

In January 2011, the Center for Biological Diversity, Diné Citizens Against Ruining Our Environment, and San Juan Citizens Alliance filed a lawsuit in the United States District Court for the District of Colorado against the OSM and the DOI, alleging that OSM failed to engage in mandatory ESA consultation with the United States Fish and Wildlife Service prior to authorizing the renewal of an operating permit for the mine that serves Four Corners. The lawsuit alleges that activities at the mine, including mining and the disposal of coal combustion residue, will adversely affect several endangered species and their critical habitats. The lawsuit requested the court to vacate and remand the mining permit and enjoin all activities carried out under the permit until OSM has complied with the ESA. Neither PNM nor APS was a party to the lawsuit. On March 14, 2012, the Court entered an order dismissing the plaintiffs' lawsuit without prejudice. On May 14, 2012, the plaintiffs appealed the Court's order to the Tenth Circuit. On July 8, 2013, the Tenth Circuit entered an order dismissing the appeal, which concludes this matter.

Cooling Water Intake Structures

EPA issued its proposed cooling water intake structures rule in April 2011, which would provide national standards for certain cooling water intake structures at existing power plants and other facilities under the Clean Water Act to protect fish and other aquatic organisms by minimizing impingement mortality (the capture of aquatic wildlife on intake structures or against screens) and entrainment mortality (the capture of fish or shellfish in water flow entering and passing through intake structures). The proposed rule would require facilities such as Four Corners and SJGS to either demonstrate that impingement mortality at its cooling water intakes does not exceed a specified rate or reduce the flow at those structures to less than a specified velocity and to take certain protective measures with respect to impinged fish. The proposed rule would also require these facilities to either meet the definition of a closed cycle recirculating cooling system or conduct a "structured site-specific analysis" to determine what site-specific controls, if any, should be required.

The proposed rule would require existing facilities to comply with the impingement mortality requirements as soon as possible, but no later than eight years after the effective date of the rule, and to comply with the entrainment requirements as soon as possible under a schedule of compliance established by the permitting authority. EPA was required to issue a final rule by June 27, 2013; however, that date has been extended to November 4, 2013. PNM and APS continue to follow the rulemaking and are performing analyses to determine the potential costs of compliance with the proposed rule. PNM is unable to predict the outcome of this matter or a range of the potential costs of compliance.

Effluent Limitation Guidelines

On June 7, 2013, EPA published proposed revised effluent limitation guidelines establishing technology-based wastewater discharge limitations for steam electric power plants. EPA's proposal offers numerous options that target metals and other pollutants in wastewater streams originating from fly ash and bottom ash handling activities, scrubber activities, and non-chemical metal cleaning wastes operations. EPA is subject to a consent decree deadline to finalize the revised guidelines by May 22, 2014. PNM is in the process of reviewing the proposed rule to assess the impact to SJGS and Reeves Station, the only PNM-operated power plants that would be covered by the proposed rule. APS is currently assessing the impact to Four Corners. PNM is unable to predict the outcome of this matter or if it will have a material impact on PNM's financial position, results of operations, or cash flows.

Santa Fe Generating Station

PNM and the NMED are parties to agreements under which PNM installed a remediation system to treat water from a City of Santa Fe municipal supply well, an extraction well, and monitoring wells to address gasoline contamination in the groundwater at the site of the former Santa Fe Generating Station and service center. PNM believes the observed groundwater contamination originated from off-site sources, but agreed to operate the remediation facilities until the groundwater meets applicable federal and state standards or until the NMED determines that additional remediation is not required, whichever is earlier. The municipal well continues to operate and meets federal drinking water standards. The City of Santa Fe has recently indicated that since the City no longer needs the water from the well, the City would prefer to discontinue its operation and maintain it only as a backup water source. However, for PNM's groundwater remediation system to operate, the water well must be in service. Currently, PNM is not able to assess the duration of this project or estimate the impact on its obligations if the City of Santa Fe ceases to operate the water well.

The Superfund Oversight Section of the NMED has conducted multiple investigations into the chlorinated solvent plume in the vicinity of the site of the former Santa Fe Generating Station. In February 2008, a NMED site inspection report was submitted to EPA, which states that neither the source nor extent of contamination has been determined and also states that the source may not be the former Santa Fe Generating Station. The NMED investigation is ongoing. In January 2013, NMED notified PNM that monitoring results from April 2012 showed elevated concentrations of nitrate in three monitoring wells and an increase in free-phase hydrocarbons in another well. None of these wells are routinely monitored as part of PNM's obligations under the settlement agreement. In April 2013, NMED conducted the same level of testing on the wells as was conducted in April 2012, which produced similar results. PNM is unable to predict the outcome of this matter and does not believe the former generating station is the source of the nitrates or the increased levels of free-phase hydrocarbons, but no conclusive determinations have been made.

Coal Combustion Byproducts Waste Disposal

CCBs consisting of fly ash, bottom ash, and gypsum from SJGS are currently disposed of in the surface mine pits adjacent to the plant. SJGS does not operate any CCB impoundments. The Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department currently regulates mine placement of ash with federal oversight by the OSM. APS disposes of CCBs in ash ponds and dry storage areas at Four Corners and also sells a portion of its fly ash for beneficial uses, such as a constituent in concrete production. Ash management at Four Corners is regulated by EPA and the New Mexico State Engineer's Office.

In June 2010, EPA published a proposed rule that includes two options for waste designation of coal ash. One option is to regulate CCBs as a hazardous waste, which would allow EPA to create a comprehensive federal program for waste management and disposal of CCBs. The other option is to regulate CCBs as a non-hazardous waste, which would provide EPA with the authority to develop performance standards for waste management facilities handling the CCBs and would be enforced primarily by state

authorities or through citizen suits. Both options allow for continued use of CCBs in beneficial applications. EPA's proposal does not address the placement of CCBs in surface mine pits for reclamation. An OSM CCB rulemaking team has been formed to develop a proposed rule.

On April 5, 2012, several environmental groups, including Sierra Club, filed a citizen suit in the D.C. Circuit claiming that EPA has failed to review and revise RCRA's regulations with respect to CCBs. The groups allege that EPA has already determined that revisions to the CCBs regulations are necessary. They also claim that EPA now has a non-discretionary duty to revise the regulations. The environmental groups asked the court to direct EPA to complete its review of the regulation of CCBs and a hazardous waste analytical procedure and to issue necessary revisions of such regulations as soon as possible. Two industry group members subsequently filed separate lawsuits in the D.C. Circuit seeking to ensure that disposal of coal ash would not be regulated as a hazardous waste. The environmental and industry lawsuits have been consolidated.

PNM advocates for the non-hazardous regulation of CCBs. However, if CCBs are ultimately regulated as a hazardous waste, costs could increase significantly. PNM would seek recovery from its ratepayers of all costs that are ultimately incurred. PNM cannot predict the outcome of EPA's or OSM's proposed rulemaking regarding CCB regulation, including mine placement of CCBs, or whether these actions will have a material impact on its operations, financial position, or cash flows.

Hazardous Air Pollutants ("HAPs") Rulemaking

In December 2011, the EPA issued its final Mercury and Air Toxics Standards ("MATS") to reduce emissions of heavy metals, including mercury, arsenic, chromium, and nickel, as well as acid gases, including hydrochloric and hydrofluoric gases, from coal and oil-fired electric generating units with a capacity of at least 25 MW. Existing facilities will generally have up to four years to demonstrate compliance with the new rule. PNM's assessment of MATS indicates that the control equipment currently used at SJGS allows the plant to meet the emission standards set forth in the rule although the plant may be required to install additional monitoring equipment. With regard to mercury, stack testing performed for EPA during the MATS rulemaking process showed that SJGS achieved a mercury removal rate of 99% or greater. APS has determined that no additional equipment will be required at Four Corners Units 4 and 5 to comply with the rule.

Other Commitments and Contingencies

Coal Supply

The coal requirements for SJGS are being supplied by SJCC, a wholly owned subsidiary of BHP. In addition to coal delivered to meet the current needs of SJGS, PNM prepays SJCC for certain coal mined but not yet delivered to the plant site. At September 30, 2013 and December 31, 2012, prepayments for coal, which are included in other current assets, amounted to $15.8 million and $9.9 million. These amounts reflect delivery of a portion of the prepaid coal and its utilization due to the mine fire incident described below. SJCC holds certain federal, state, and private coal leases and has an underground coal sales agreement to supply processed coal for operation of SJGS through 2017. Under the coal sales agreement, SJCC is reimbursed for all costs for mining and delivering the coal, including an allocated portion of administrative costs, and receives a return on its investment. BHP Minerals International, Inc. has guaranteed the obligations of SJCC under the coal agreement. The coal agreement contemplates the delivery of coal that would supply substantially all the requirements of SJGS through December 31, 2017.

APS purchases all of Four Corners' coal requirements from a supplier that is also a subsidiary of BHP and has a long-term lease of coal reserves with the Navajo Nation. The Four Corners coal contract runs through July 6, 2016 with pricing determined using an escalating base-price. In December 2012, BHP announced that it has entered into a Memorandum of Understanding with the Navajo Nation setting out the key terms under which the coal mine would be sold to the Navajo Nation. The BHP subsidiary would be retained as the mine manager and operator until July 2016. Key terms of the new coal supply contract are being finalized by the Navajo Nation and the Four Corners owners. The Four Corners owners must finalize their approvals of the contract. These negotiations, and the related transaction whereby full ownership of the coal mine would be transferred to the Navajo Nation, are proceeding. On April 29, 2013, the Navajo Nation Tribal Council approved the creation of the new commercial enterprise with sufficient power and authority to execute the transaction with BHP. See The Clean Air Act - Regional Haze - Four Corners above. PNM is unable to predict the outcome of this matter.

In 2010, PNM updated its study of the final reclamation costs for both the surface mines that previously provided coal to SJGS and the current underground mine providing coal and revised its estimates of the final reclamation costs. The estimate for decommissioning the Four Corners mine was also revised in 2010. Based on the 2010 estimates, remaining payments for mine reclamation, in future dollars, are estimated to be $56.9 million for the surface mines at both SJGS and Four Corners and $19.7 million for the underground mine at SJGS as of September 30, 2013. At September 30, 2013 and December 31, 2012, liabilities, in current dollars, of $23.7 million and $26.8 million for surface mine reclamation and $4.6 million and $4.2 million for underground mine reclamation were recorded in other deferred credits.

PNM collects a provision for surface and underground mine reclamation costs in its rates. The NMPRC has capped the amount that can be collected from ratepayers for final reclamation of the surface mines at $100.0 million. Previously, PNM recorded a regulatory asset for the $100.0 million and recovers the amortization of this regulatory asset in rates. If future estimates increase the liability for surface mine reclamation, the excess would be expensed at that time. In conjunction with the proposed shutdown of SJGS Units 2 and 3 to comply with the BART requirements of the CAA discussed under The Clean Air Act - Regional Haze - SJGS above, an updated coal mine reclamation study was requested by the SJGS participants. As discussed under Coal Combustion Byproducts Waste Disposal above, SJGS currently disposes of CCBs from the plant in the surface mine pits adjacent to the plant. Although the updated coal mine reclamation study has not been finalized, preliminary indications are that reclamation costs for both the surface and underground mines have increased, including significant increases due to the shutdown of SJGS Units 2 and 3. The shutdown of Units 2 and 3 would reduce the amount of CCBs generated over the remaining life of SJGS, which could result in a significant increase in the amount of fill dirt required to remediate the surface mine pits thereby increasing the overall reclamation costs. The amount of any increase and the allocation between the surface and underground mines cannot be determined at this time. Furthermore, it has not been decided how costs would be divided among the owners of SJGS, which may be dependent on the final decision regarding how SJGS ownership is restructured. Regulatory determinations made by the NMPRC may also affect the impact on PNM. PNM is currently unable to determine the outcome of these matters or the range of possible impact.

San Juan Underground Mine Fire Incident

On September 9, 2011, a fire was discovered at the underground mine owned and operated by SJCC that provides coal for SJGS. The federal Mine Safety and Health Administration ("MSHA") was notified of the incident. On September 12, 2011, SJCC informed PNM that the fire was extinguished. However, MSHA required sealing the incident area and confirmation of a noncombustible environment before allowing re-entry of the sealed area. SJCC regained entry into the sealed area of the mine in early March 2012. On May 4, 2012, SJCC received approval from MSHA and resumed longwall mining operations. If further difficulties occur in the longwall mining operation, PNM and the other owners of SJGS would need to consider alternatives for operating SJGS, including running at less than full capacity or shutting down one or more units, the impacts of which cannot be determined at the current time.

The costs of the mine recovery flowed through the cost-reimbursable component of the coal supply agreement. PNM anticipates that it will recover through its FPPAC the portion of such costs allocable to its customers subject to New Mexico regulation. PNM's filings with the NMPRC reflect an estimate that this incident increased coal costs and the deferral of cost recovery under the FPPAC by $21.6 million. SJCC submitted an insurance claim regarding the costs it incurred due to the mine fire and has informed PNM that it has settled with its insurance carrier. PNM believes the settlement proceeds obtained by SJCC through its insurance carrier are reimbursable (in whole or in part) to the owners of SJGS through the coal sales agreement. PNM's portion of the insurance recovery, which is estimated to be $18.7 million based on information received from SJCC, will be flowed through PNM's FPPAC to the extent it relates to increased coal costs included in the FPPAC.

Continuous Highwall Mining Royalty Rate

In August 2013, the DOI Bureau of Land Management ("BLM") issued a proposed rulemaking that would retroactively apply the surface mining royalty rate of 12.5% to continuous highwall mining ("CHM"). Comments regarding the rulemaking were due on October 11, 2013, and PNM submitted comments in opposition to the proposed rule.

SJCC utilized the CHM technique from 2000 to 2003 and, with the approval of the Farmington, New Mexico Field Office of BLM to reclassify the final highwall as underground reserves, applied the 8.0% underground mining royalty rate to coal mined using CHM and sold to SJGS. In March 2001, SJCC learned that the DOI Minerals Management Service ("MMS") disagreed

with the application of the underground royalty rate to CHM. In August 2006, SJCC and MMS entered into a settlement agreement tolling the statute of limitations on any administrative action to recover unpaid royalties until BLM issued a final, non-appealable determination as to the proper rate for CHM-mined coal. The proposed BLM rulemaking has the potential to terminate the tolling provision of the settlement agreement, and underpaid royalties of approximately $5 million for SJGS would become due if the proposed BLM rule is adopted as proposed. PNM's share of any amount that is ultimately paid would be approximately 46.3%, none of which would be passed through PNM's FPPAC. PNM is unable to predict the outcome of this matter.

SJCC Arbitration

The coal supply agreement for SJGS provides that the participants in SJGS have the right to audit the costs billed by SJCC. An independent accounting firm has been engaged to perform audits of the costs billed under the provisions of the contract. The audit for the period from 2006 through 2009 resulted in disagreements between the SJGS participants and SJCC. As provided in the contract, certain issues have been submitted to a panel for binding arbitration. In October 2013, the arbitration panel ruled on one issue and set other issues for hearing. The panel ruled that the SJGS participants owe SJCC $1.5 million for disputed mining costs. PNM's share of this amount is $0.7 million of which $0.5 million will be passed through PNM's FPPAC. The remaining issues going forward to a hearing include: 1) whether the SJGS participants owe SJCC unbilled mining costs of $5.2 million or whether SJCC owes the SJGS participants overbilled mining costs of $1.1 million, and 2) whether SJCC billed the SJGS participants $12.9 million as mining costs that SJCC should have considered to be capital improvements, which are not billable under the mining contract. PNM's share of any amounts resulting from the arbitration would be approximately 46.3%. Of PNM's share of the costs, approximately 33% of the first remaining issue as well as approximately 25% of the second remaining issue would be passed through PNM's FPPAC and the rest would impact earnings. A hearing date on the remaining issues has not been set. PNM is unable to predict the outcome of the arbitration hearing.

Four Corners Severance Tax Assessment

On May 23, 2013, the New Mexico Taxation and Revenue Department ("NMTRD") issued a notice of assessment for coal severance surtax, penalty, and interest totaling approximately $30 million related to coal supplied under the coal supply agreement for Four Corners. PNM's share of any amounts paid related to this assessment would be approximately 8%, all of which would be passed through PNM's FPPAC. For procedural reasons, on behalf of the Four Corners co-owners, including PNM, the coal supplier made a partial payment of the assessment and immediately filed a refund claim with respect to that partial payment in August 2013. The NMTRD denied the refund claim. Prior to year end, the coal supplier and APS, on its own behalf and as operating agent for Four Corners, intend to file a complaint with the New Mexico District Court contesting both the validity of the assessment and the refund claim denial. PNM believes the assessment and the refund claim denial are without merit, but cannot predict the outcome of this matter.

Nuclear Fuel

In late August 2012, one of PVNGS's suppliers that converts uranium concentrates to uranium hexafluoride invoked the force majeure provision in its contract when it shut down its conversion plant due to regulatory compliance issues. The issues have been resolved and the conversion plant has restarted. The PVNGS participants are continually identifying their future nuclear fuel resource needs and negotiating arrangements to fill those needs. The PVNGS participants have sufficient strategic reserves of enriched uranium such that they do not anticipate a short-term impact on nuclear fuel supplies as a result of the force majeure declaration.

PVNGS Liability and Insurance Matters

Public liability for incidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. In accordance with the Price-Anderson Act, the PVNGS participants have insurance for public liability exposure for a nuclear incident totaling $13.6 billion per occurrence. Commercial insurance carriers provide $375 million and $13.2 billion is provided through a mandatory industry wide retrospective assessment program. If losses at any nuclear power plant covered by the program exceed the accumulated funds, PNM could be assessed retrospective premium adjustments. Based on PNM's 10.2% interest in each of the three PVNGS units, PNM's maximum potential assessment per incident for all three units is $38.9 million, with an annual payment limitation of $5.7 million.

The PVNGS participants maintain "all risk" (including nuclear hazards) insurance for damage to, and decontamination of, property at PVNGS in the aggregate amount of $2.75 billion, a substantial portion of which must first be applied to stabilization and decontamination. These coverages are provided by Nuclear Electric Insurance Limited ("NEIL"). Effective April 1, 2013, a sublimit of $1.5 billion for non-nuclear property damage losses has been enacted to the primary policy offered by NEIL. If NEIL's losses in any policy year exceed accumulated funds, PNM is subject to retrospective assessments of $4.3 million for each retrospective assessment declared by NEIL's Board of Directors. The insurance coverages discussed in this and the previous paragraph are subject to policy conditions and exclusions.

Water Supply

Because of New Mexico's arid climate and periodic drought conditions, there is concern in New Mexico about the use of water, including that used for power generation. PNM has secured groundwater rights in connection with the existing plants at Reeves Station, Delta, Afton, Luna, and Lordsburg. Water availability does not appear to be an issue for these plants at this time. However, prolonged drought, ESA activities, and a Federal lawsuit by the State of Texas suing the State of New Mexico over water allocations could pose a threat of reduced water availability for these plants.

PNM, APS, and BHP have undertaken activities to secure additional water supplies for SJGS, Four Corners, and related mines to accommodate the possibility of inadequate precipitation in coming years. Since 2004, PNM has entered into agreements for voluntary sharing of the impacts of water shortages with tribes and other water users in the San Juan basin. This agreement has been extended through 2016. In addition, in the case of water shortage, PNM, APS, and BHP have reached agreement with the Jicarilla Apache Nation on a supplemental contract relating to water for SJGS and Four Corners that runs through 2016. Although PNM does not believe that its operations will be materially affected by drought conditions at this time, it cannot forecast the weather or its ramifications, or how policy, regulations, and legislation may impact PNM should water shortages occur in the future.

In April 2010, APS signed an agreement on behalf of the PVNGS participants with five cities to provide cooling water essential to power production at PVNGS for forty years.

PVNGS Water Supply Litigation

In 1986, an action commenced regarding the rights of APS and the other PVNGS participants to the use of groundwater and effluent at PVNGS. APS filed claims that dispute the court's jurisdiction over PVNGS' groundwater rights and their contractual rights to effluent relating to PVNGS and, alternatively, seek confirmation of those rights. In 1999, the Arizona Supreme Court issued a decision finding that certain groundwater rights may be available to the federal government and Indian tribes. In addition, the Arizona Supreme Court issued a decision in 2000 affirming the lower court's criteria for resolving groundwater claims. Litigation on these issues has continued in the trial court. No trial dates have been set in these matters. PNM does not expect that this litigation will have a material impact on its results of operation, financial position, or cash flows.

San Juan River Adjudication

In 1975, the State of New Mexico filed an action in New Mexico District Court to adjudicate all water rights in the San Juan River Stream System, including water used at Four Corners and SJGS. PNM was made a defendant in the litigation in 1976. In March 2009, President Obama signed legislation confirming a 2005 settlement with the Navajo Nation. Under the terms of the settlement agreement, the Navajo Nation's water rights would be settled and finally determined by entry by the court of two proposed adjudication decrees. The court has ordered that settlement of the Navajo Nation's claims under the settlement agreement and entry of the proposed decrees be heard in an expedited proceeding. The court recently issued an order finding that no evidentiary hearing is warranted in the Navajo Nation proceeding, and that it will be issuing an order addressing the issues raised by the parties at some point in the future. This order must be entered no later than December 31, 2013, pursuant to the 2005 settlement.

PNM's water rights in the San Juan Basin may be affected by the rights recognized in the settlement agreement as being owned by the Navajo Nation, which comprise a significant portion of water available from sources on the San Juan River and in the San Juan Basin. Therefore, PNM has elected to participate in this proceeding. PNM is unable to predict the ultimate outcome of this matter or estimate the amount or range of potential loss and cannot determine the effect, if any, of any water rights adjudication on the present arrangements for water at SJGS and Four Corners. Final resolution of the case cannot be expected for several years.

An agreement reached with the Navajo Nation in 1985, however, provides that if Four Corners loses a portion of its rights in the adjudication, the Navajo Nation will provide, for an agreed upon cost, sufficient water from its allocation to offset the loss.

Complaint Against Southwestern Public Service Company

In September 2005, PNM filed a complaint under the Federal Power Act against SPS alleging SPS overcharged PNM for deliveries of energy through its fuel cost adjustment clause practices and that rates for sales to PNM were excessive. PNM also intervened in a proceeding brought by other customers raising similar arguments relating to SPS' fuel cost adjustment clause practices and issues relating to demand cost allocation (the "Golden Spread Proceeding"). In addition, PNM intervened in a proceeding filed by SPS to revise its rates for sales to PNM ("SPS 2006 Rate Proceeding"). In 2008, FERC issued its order in the Golden Spread Proceeding affirming an ALJ decision that SPS violated its fuel cost adjustment clause tariffs, but shortening the refund period applicable to the violation of the fuel cost adjustment clause issues that had been ordered by the ALJ. FERC also reversed the decision of the ALJ, which had been favorable to PNM, on the demand cost allocation issues. PNM and SPS filed petitions for rehearing and clarification of the scope of the remedies that were ordered and seeking reversal of various rulings in the order. On August 15, 2013, FERC issued separate orders in the Golden Spread Proceeding and in the SPS 2006 Rate Proceeding. The order in the Golden Spread Proceeding determined that PNM was not entitled to refunds for SPS' fuel cost adjustment clause practices. That order and the order in the SPS 2006 Rate Proceeding decided the demand cost allocation issues using the method that PNM had advocated. PNM, SPS, and other customers of SPS have filed requests for rehearing of these orders and they are pending further action by FERC. PNM cannot predict the final outcome of the case at FERC or the range of possible outcomes.

Navajo Nation Allottee Matters

A putative class action was filed against PNM and other utilities in February 2009 in the United States District Court for the District of New Mexico. Plaintiffs claim to be allottees, members of the Navajo Nation, who pursuant to the Dawes Act of 1887, were allotted ownership in land carved out of the Navajo Nation and allege that defendants, including PNM, are rights-of-way grantees with rights-of-way across the allotted lands and are either in trespass or have paid insufficient fees for the grant of rights-of-way or both. In March 2010, the court ordered that the entirety of the plaintiffs' case be dismissed. The court did not grant plaintiffs leave to amend their complaint, finding that they instead must pursue and exhaust their administrative remedies before seeking redress in federal court. In May 2010, plaintiffs filed a Notice of Appeal with the Bureau of Indian Affairs ("BIA"), which was denied by the BIA Regional Director. In May 2011, plaintiffs appealed the Regional Director's decision to the DOI, Office of Hearings and Appeals, Interior Board of Indian Appeals. Following briefing on the merits, on August 20, 2013, that board issued a decision upholding the Regional Director's decision that the allottees had failed to perfect their appeals, and dismissed the allottees' appeals, without prejudice. PNM continues to participate in this matter in order to preserve its interests regarding any PNM-acquired rights-of-way implicated in the appeal. PNM cannot predict the outcome of the proceeding or the range of potential outcomes at this time.

In a separate matter, in September 2012, forty-three landowners claiming to be Navajo allottees filed a notice of appeal with the BIA appealing a March 2011 decision of the BIA Regional Director regarding renewal of a right-of-way for a PNM transmission line. The allottees, many of whom are also allottees in the above matter, generally allege that they were not paid fair market value for the right-of-way, that they were denied the opportunity to make a showing as to their view of fair market value, and thus denied due process. PNM is participating in this matter in order to preserve its interests regarding the right-of-way implicated in the appeal. PNM cannot predict the outcome of the proceeding or the range of potential outcomes at this time.

TGP Complaint

On March 2, 2012, TGP Granada, LLC and its affiliate (collectively, "TGP") filed a complaint at FERC against PNM and Tortoise Capital Resources Corp. ("TTO"). PNM owns 60% of the EIP and leases the other 40% from TTO. PNM's lease of the portion of the EIP owned by TTO expires on April 1, 2015. The lease provides PNM the option, with 24 months advance notice, of purchasing the leased assets at the end of the lease for fair market value, as well as options to renew the lease.

TGP's filing requested FERC to direct PNM and TTO to identify the party that will immediately assume the obligation of making transmission capacity on the EIP available to customers for use after the April 1, 2015 expiration of the EIP lease agreement. TGP also requested a declaratory order or waiver regarding certain provisions of PNM's Open Access Transmission Tariff to allow its affiliate to change the point-of-receipt associated with a transmission service agreement related to the EIP without losing its

transmission service priority. On July 5, 2012, FERC issued an order denying TGP's requests for declaratory order and waiver. In addition, FERC directed PNM, in consultation with TTO, to identify the party that will provide long-term transmission service over the leased portion of the EIP.

On November 1, 2012, PNM and TTO entered into a definitive agreement for PNM to exercise the option to purchase on April 1, 2015 the leased capacity at fair market value, which the parties agreed would be $7.7 million. The lease remains in existence and PNM will record the purchase at the termination of the lease on April 1, 2015. The definitive agreement sets forth the terms and conditions under which PNM would also assume responsibility for scheduling long-term transmission service on the leased capacity. In November 2012, PNM requested the necessary FERC approvals for the definitive agreement. In January 2013, FERC approved PNM's requests. On February 8, 2013, FERC issued an order dismissing as moot a motion filed by TGP for clarification of FERC's July 5, 2012 order. Since no rehearing request or appeal was filed, the February 8, 2013 order is final and non-appealable.

(11) Regulatory and Rate Matters

The Company is involved in various regulatory matters, some of which contain contingencies that are subject to the same uncertainties as those described in Note 10. Additional information concerning regulatory and rate matters is contained in Note 17 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

PNM

Renewable Portfolio Standard

The REA establishes a mandatory RPS requiring a utility to acquire a renewable energy portfolio equal to 10% of retail electric sales by 2011, 15% by 2015, and 20% by 2020. The NMPRC requires renewable energy portfolios to be "fully diversified." Prior to December 2012, the diversity requirements were 20% from wind energy, 20% from solar energy, 10% from other renewable technologies, and 1.5% from distributed generation with the distributed generation component increasing to 3% in 2015. In December 2012, NMPRC issued an order that amended the diversity requirements to 30% wind, 20% solar, 5% other, and 1.5% distributed generation, increasing to 3% in 2015, and adopted other changes to its renewable energy rule, including the increase in the RCT discussed below. In June 2013, the NMPRC initiated a new rulemaking proceeding in which it proposed to consider amending or eliminating specific diversity targets and to reconsider the inclusion of avoided environmental and capacity costs in the application of the RCT. A public hearing was held on September 10, 2013.

The REA provides for streamlined proceedings for approval of utilities' renewable energy procurement plans, assures utilities that they recover costs incurred consistent with approved procurement plans, and requires the NMPRC to establish a RCT for the procurement of renewable resources to prevent excessive costs being added to rates. The NMPRC had established a RCT for 2011 of 2% of all customers' aggregated overall annual electric charges that increased by 0.25% annually until reaching 3% in 2015. In December 2012, the NMPRC approved an amended RCT set at 3% of customers' annual electric charges beginning in 2013 and continuing thereafter.

In July 2011, PNM filed its renewable energy procurement plan for 2012. The plan requested a variance from the RPS due to RCT limitations. The plan was diversity-compliant based on the reduced RPS, except for non-wind/non-solar resources, which were not available. In December 2011, the NMPRC approved PNM's 2012 plan, but ordered PNM to spend an additional $0.9 million on renewable procurements in 2012. PNM is recovering the costs of the supplemental procurements through the renewable rider discussed below. The NMPRC also required PNM to file its 2013 renewable energy procurement plan by April 30, 2012. The 2013 plan proposed procurements for 2013 and 2014 of 20 MW of PNM-owned solar PV facilities, at an estimated cost of $45.5 million, wind and solar REC purchases in 2013, and a PPA for the output of a new 10 MW geothermal facility. The plan also included an additional procurement of 2 MW of PNM-owned solar PV facilities at an estimated cost of $4.5 million to supply the energy sold under PNM's voluntary renewable energy tariff. The plan will enable PNM to comply with the statutory RPS amount in 2013, but requires a variance from the NMPRC's diversity requirements in 2013 while the proposed geothermal facilities are being constructed. This plan had been expected to achieve full RPS quantity and diversity compliance by 2014 without exceeding the RCT. The NMPRC approved the plan in December 2012, but reduced the additional solar PV procurement from 2 MW to 1.5 MW. Construction of the geothermal facility has been delayed due to a longer than expected permitting process. PNM

still anticipates that the facility will begin energy production January 1, 2014, but full-scale production will be delayed. PNM does not believe this delay will affect its ability to comply with the diversity requirements as amended in December 2012.

PNM filed its 2014 renewable energy procurement plan on July 1, 2013. The plan meets the RPS quantity and diversity requirements within the RCT in 2014 and 2015. PNM's proposed procurements include 50,000 MWh of wind generated RECs in 2014, the construction by December 31, 2014 of 23 MW of PNM-owned solar PV facilities at a cost of $46.7 million, a 20-year PPA for the output of an existing 100 MW wind energy center beginning January 1, 2015 at a first year cost estimated to be $5.8 million, and the purchase of 120,000 MWh of wind RECs in 2015. A public hearing was held in October 2013. The NMPRC is required to approve or modify the plan within 180 days of the filing date. PNM cannot predict the outcome of this proceeding.

PNM is recovering certain renewable procurement costs from customers through a rate rider. See Renewable Energy Rider below.

Renewable Energy Rider

On August 14, 2012, the NMPRC authorized PNM to recover certain renewable procurement costs through a rate rider billed on a per KWh basis. The approved rates are $0.0022335 per KWh in 2012 and $0.0028371 per KWh in 2013. The order disapproved the recovery of the cost of a supplemental REC procurement ordered by the NMPRC in the 2012 procurement plan case because the NMPRC had not yet acted on the specific $0.9 million procurement proposed by PNM, which is discussed under Renewable Portfolio Standard above. The NMPRC subsequently approved the supplemental REC procurement, but ordered that a hearing be held on its inclusion in the rider. Upon NMPRC approval, PNM implemented the rider on August 20, 2012. The rider will terminate upon a final order in PNM's next general rate case unless the NMPRC authorizes PNM to continue it. Amounts collected under the rider are capped at $18.0 million in 2012 and $24.6 million in 2013. Any amounts above the caps are deferred for future recovery without carrying costs. As a separate component of the rider, if PNM's earned return on jurisdictional equity in 2013, adjusted for weather and other items not representative of normal operations, exceeds 10.5%, PNM must refund to customers during May through December 2014 the amount over 10.5%.

In compliance with the NMPRC's rate rider order, PNM filed a notice to implement an increase in the current rider rate effective with May 2013 bills. The NMPRC suspended the effective date of the new rate for a period of nine months from April 1, 2013 and appointed a Hearing Examiner to conduct a hearing on the proposed change. On May 15, 2013, the NMPRC approved the requested increase. PNM implemented the new rate of $0.0030468 per KWh on May 28, 2013.

In its 2014 renewable energy procurement plan described above, PNM proposed to increase the rider rate to $0.0044391 effective January 1, 2014. PNM expects an order in this case in December 2013.

Energy Efficiency and Load Management

Program Costs

Public utilities are required by the Efficient Use of Energy Act to achieve specified levels of energy savings and to obtain NMPRC approval to implement energy efficiency and load management programs. Costs to implement approved programs are recovered through a rate rider. In 2013, this act was amended to set an annual program budget equal to 3% of a utility's annual revenue.

In October 2012, PNM filed an energy efficiency program application for programs to be offered beginning in May 2013. The filing included proposed program costs of $22.5 million plus a proposed profit incentive of $4.2 million and requested that the NMPRC issue an order by April 1, 2013. Portions of the program plan and proposed profit incentive are opposed by other parties to the case. PNM subsequently revised its proposed profit incentive to $2.9 million. After a hearing held in February 2013, the Hearing Examiner recommended approval of the programs as proposed and recommended an annual incentive of $1.7 million. The NMPRC has not yet acted on the Hearing Examiner's recommendations. PNM is not able to predict the outcome of this matter.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Disincentives/Incentives Adder

The Efficient Use of Energy Act requires the NMPRC to remove utility disincentives to implementing energy efficiency and load management programs and to provide incentives for such programs. A rule approved by the NMPRC authorized electric utilities to collect rate adders of $0.01 per KWh for lifetime energy savings and $10 per KW for demand savings related to energy efficiency and demand response programs beginning in 2010. The NMAG and NMIEC appealed the NMPRC order adopting this rule to the New Mexico Supreme Court. PNM began implementing a rate rider under the rule to collect adders related to its 2010 program savings in December 2010 while the appeal of the rule was pending. In July 2011, the Supreme Court annulled and vacated the order adopting the rule and remanded the matter to the NMPRC. As a result of the Supreme Court decision, PNM filed revised tariffs and ceased collecting this adder for 2010 program savings on August 21, 2011. Of the $4.2 million authorized for recovery, $2.6 million was collected through August 20, 2011.

In June 2011, prior to the Supreme Court decision, the NMPRC approved PNM-specific adders of $0.002 per KWh and $4 per KW for savings due to programs implemented in 2011. PNM is presently collecting $1.3 million in adder revenues consistent with this order. After the Supreme Court decision vacating the rule, the NMPRC initiated a proceeding to determine whether PNM should be required to cease collecting the adders and to refund all adder revenues collected since December 2010. In November 2011, the NMPRC issued orders that PNM is not required to refund any adder revenues and is authorized to continue collecting the adders. However, in an order on rehearing, which it subsequently rescinded, the NMPRC further reduced the amount of the authorized adders. Prior to the rescission, PNM appealed the rehearing order to the Supreme Court. In March 2012, the Supreme Court granted PNM's motion to vacate the rehearing order and dismiss PNM's appeal. In a separate appeal and writ proceeding in the Supreme Court, NMIEC and the NMAG sought to overturn the NMPRC order allowing PNM to continue to collect adders in light of the 2011 Supreme Court decision. On May 21, 2012, the Supreme Court dismissed the writ proceeding. On September 20, 2013, the Supreme Court issued a decision in the NMIEC and NMAG appeal. The Supreme Court affirmed the NMPRC's decision authorizing the incentive and remanded the case to the NMPRC. On October, 2, 2013, the NMPRC closed the docket.

On March 27, 2013, PNM filed its reconciliation for actual energy efficiency program costs, associated incentives, and actual collections for calendar year 2012. The reconciliation filing showed a net over-recovery of $0.2 million, composed of an over-recovery of $1.0 million of program costs and an under-recovery of incentives of $0.8 million. PNM subsequently revised the estimated incentive under-recovery to $0.5 million. PNM and the NMPRC staff filed a motion seeking to substitute the new reconciliation filing with a proposed effective date of May 28, 2013. On April 24, 2013, the NMPRC issued an order granting the motion. PNM implemented the new rate on May 28, 2013.

Energy Efficiency Rulemaking

On May 17, 2012, the NMPRC issued a NOPR that would have amended the NMPRC's energy efficiency rule to authorize use of a decoupling mechanism to recover certain fixed costs of providing retail electric service from the rates charged on a per KWh of consumption, as the mechanism for removal of disincentives associated with the implementation of energy efficiency programs. The proposed rule also addressed incentives associated with energy efficiency. On July 26, 2012, the NMPRC closed the proposed rulemaking and opened a new energy efficiency rulemaking docket that may address decoupling and incentives. Workshops to develop a proposed rule have been held, but no order proposing a rule has been issued. PNM is unable to predict the outcome of this matter.

On October 2, 2013, the NMPRC issued a NOPR and a proposed rule to implement the New Mexico Efficient Use of Energy Act. Included in the proposed rule is a provision that would limit incentive awards to an amount equal to the product (expressed in dollars) of the utility's weighted cost of capital (expressed as a percent) and its approved annual program costs. The NOPR establishes a schedule for comments and sets a public hearing in November 2013.

2010 Electric Rate Case and FPPAC

An order of the NMPRC approving an amended stipulation in PNM's 2010 Electric Rate Case limits the amount that can be recovered on an annual basis for fuel costs, renewable energy costs, and energy efficiency costs during certain years. Costs in excess of the limits are deferred, without carrying costs, for recovery in future periods. The fuel cost caps are $38.8 million for the FPPAC year beginning July 1, 2012, which PNM began collecting at that time, and $36.2 million for the FPPAC year beginning July 1, 2013. PNM estimates that the caps will result in approximately $38.4 million of FPPAC costs being deferred for future

collection at June 30, 2014. The portion of the costs and insurance recovery attributable to customers covered by the FPPAC resulting from the mine fire incident discussed in Note 10 are included in the FPPAC amounts.

Pursuant to the rules of the NMPRC, public utilities are required to file an application to continue using their FPPAC every four years. On May 28, 2013, PNM filed the required continuation application and requested that its current FPPAC be modified to increase the reset frequency of the fuel factor from annually to quarterly, to allow PNM to retain 10% of its off-system sales margin, and to apply the same carrying charge rate to either over or under-collections in the balancing account. A hearing has been scheduled to begin on December 10, 2013. PNM is unable to predict the outcome of this proceeding.

Integrated Resource Plan

NMPRC rules require that investor owned utilities file an IRP every three years. The IRP is required to cover a 20-year planning period and contain an action plan covering the first four years of that period. In its most recent IRP, which was filed in July 2011, PNM indicated that it planned to meet its anticipated load growth through a combination of new natural gas-fired generating plants, renewable energy resources, load management, and energy efficiency programs. As required by NMPRC rules, PNM utilized a public advisory group process during the development of the 2011 IRP. Two protests were filed to the IRP requesting rejection of the plan. The NMPRC assigned the case to a Hearing Examiner and designated a mediator to facilitate negotiations. The NMPRC staff filed a motion in December 2011 to dismiss the protests and terminate the proceeding on the ground that PNM's IRP fully complies with NMPRC rules. On September 18, 2013, the NMPRC issued an order that closed this docket.

Consistent with the NMPRC's IRP rule, PNM has initiated the process to prepare its 2014 IRP. Initial public participation meetings have been held. The 2014 IRP is scheduled to be filed at the NMPRC by June 30, 2014.

Emergency FPPAC

In 2008, the NMPRC authorized PNM to implement an Emergency FPPAC from June 2, 2008 through June 30, 2009. The NMPRC order approving the Emergency FPPAC also provided that if PNM's base load generating units did not operate at or above a specified capacity factor and PNM was required to obtain replacement power to serve jurisdictional customers, PNM would be required to make a filing with the NMPRC seeking approval of the replacement power costs. In its required filing, PNM stated that the costs of the replacement power amounting to $8.0 million were prudently incurred and made a motion that they be approved. The NMPRC staff opposed PNM's motion and recommended that PNM be required to refund the amount collected. Auditors selected by the NMPRC found that PNM was prudent in operating its base load units and in securing replacement power but had not obtained prior NMPRC approval in the manner required by the NMPRC order. PNM continues to assert that its recovery of replacement power costs was proper and did not violate the NMPRC's order. The NMPRC has not ruled on this matter. Under the terms of the approved stipulation in the 2010 Electric Rate Case, the parties to the stipulation, including the NMPRC staff, jointly requested that the NMPRC take no further action in this matter and close the docket. No party opposed that request. Although the NMPRC has not acted on the joint request, the NMPRC electronic docket shows the docket closed.

Applications for Approvals to Purchase Delta

As discussed in Note 9 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K, PNM has entered in to an agreement to purchase Delta, a 132 MW natural gas peaking unit from which PNM currently acquires energy and capacity under a PPA. The agreement to purchase Delta required approvals by the NMPRC and FERC. On January 3, 2013, PNM filed an application with the NMPRC for a CCN to own and operate Delta and for a determination of related ratemaking principles and treatment. On June 26, 2013, the NMPRC granted PNM's CCN application and approved PNM's proposed ratemaking treatment. PNM filed an application for approval of the Delta acquisition at FERC on January 24, 2013. FERC approved the purchase on February 26, 2013. Closing on the purchase is anticipated in early 2014.

Application for Approval of La Luz Generating Station

On May 17, 2013, PNM filed an application with the NMPRC for a CCN to construct, own, and operate a 40 MW gas-fired generating facility near Belen, New Mexico. The application also requests a determination of related ratemaking principles and treatment. The facility is expected to cost approximately $63.2 million and go into service in the first quarter of 2016. PNM has entered into a contract for purchase of the turbine to be used for this project and a separate contract for the construction of the facility on a turn-key basis. Both contracts allow PNM to cancel if NMPRC approval is not obtained. A hearing on PNM's application is scheduled to begin on April 8, 2014. PNM is unable to predict the outcome of this matter.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

San Juan Generating Station Units 2 and 3 Retirement

PNM anticipates filing an application at the NMPRC to retire SJGS Units 2 and 3, as discussed in Note 10, before the end of 2013. In the same application, PNM will also seek approval to recover its remaining costs in SJGS 2 and 3 and for a CCN for some of the resources to replace the retired units, which PNM anticipates will include PNM's share of PVNGS Unit 3 and additional capacity in SJGS Unit 4. PNM will also make an application at FERC to seek approval of the restructured SJGS participation agreements.

Transmission Rate Case

In October 2010, PNM filed a notice with FERC to increase its wholesale electric transmission revenues by $11.1 million annually, based on a return on equity of 12.25%. The filing also sought to revise certain Open Access Transmission Tariff provisions and bi-lateral contractual terms. In December 2010, FERC issued an order accepting PNM's filing and suspending the proposed tariff revisions for five months. The proposed rates were implemented on June 1, 2011, subject to refund. The rate increase applied to all of PNM's wholesale electric transmission service customers, which include other utilities, electric cooperatives, and entities that use PNM's transmission system to transmit power at the wholesale level. The rate increase did not impact PNM's retail customers. On January 2, 2013, FERC approved an unopposed settlement agreement, which increases transmission service revenues by $2.9 million annually. In addition, the parties agreed that if PNM files for a formula based rate change within one year from FERC's approval of the settlement agreement, no party will oppose the general principle of a formula rate, although the parties may still object to particular aspects of the formula. PNM refunded amounts collected in excess of the settled rates in January 2013 concluding this matter.

Formula Transmission Rate Case

On December 31, 2012, PNM filed an application with FERC for authorization to move from charging stated rates for wholesale electric transmission service to a formula rate mechanism pursuant to which rates for wholesale transmission service are calculated annually in accordance with an approved formula. The proposed formula includes updating cost of service components, including investment in plant and operating expenses, based on information contained in PNM's annual financial report filed with FERC, as well as including projected large transmission capital projects to be placed into service in the following year. The projections included are subject to true-up in the following year formula rate. Certain items, including changes to return on equity and depreciation rates, require a separate filing to be made with FERC before being included in the formula rate. The rates resulting from PNM's application are intended to replace the rates approved by the FERC on January 2, 2013 in the transmission rate case discussed above. As filed, PNM's request would result in a $3.2 million wholesale electric transmission rate increase, based on PNM's 2011 data and a 10.81% return on equity, and authority to adjust transmission rates annually based on an approved formula. The proposed $3.2 million rate increase would be in addition to the $2.9 million rate increase approved by the FERC on January 2, 2013.

On March 1, 2013, FERC issued an order (1) accepting PNM's revisions to its rates for filing and suspending the proposed revisions to become effective August 2, 2013, subject to refund; (2) directing PNM to submit a compliance filing to establish its return-on-equity ("ROE") using the median, rather than the mid-point, of the ROEs from a proxy group of companies; (3) directing PNM to submit a compliance filing to remove from its rate proposal the acquisition adjustment related to PNM's 60% ownership of the EIP transmission line, which was acquired in 2003 ; and (4) setting the proceeding for hearing and settlement judge procedures. PNM would be allowed to make a separate filing related to recovery of the EIP acquisition adjustment. On April 1, 2013, PNM made the required compliance filing. In addition, PNM filed for rehearing of FERC's order regarding the ROE. On June 3, 2013, PNM made additional filings incorporating final 2012 data into the formula rate request. The updated formula rate would result in a $1.3 million rate increase over the rates approved by FERC on January 2, 2013. The new rates will apply to all of PNM's wholesale electric transmission service customers. The new rates will not apply to PNM's retail customers. On June 10, 2013, FERC denied PNM's motion for rehearing regarding FERC's order requiring PNM to use the median, instead of the midpoint, to calculate its ROE for the formula rate case. On August 2, 2013, the new rates went into effect, subject to refund. Settlement negotiations are ongoing concerning issues in this proceeding. PNM is unable to predict the outcome of this proceeding.

Tri-State Complaint

On March 13, 2013, Tri-State filed a complaint with FERC alleging that PNM's existing transmission rates approved by FERC on January 2, 2013 in the transmission rate case discussed above are unjust and unreasonable under the Federal Power Act. Tri-State's allegations were premised upon FERC's March 1, 2013 order and certain data provided by PNM in PNM's Formula Transmission Rate Case discussed above. Tri-State sought a reduction in PNM's annual transmission revenue requirement for the period between March 13, 2013 and the implementation of PNM's proposed rates under the Formula Transmission Rate Case. Tri-State also requested that FERC consolidate the complaint proceeding with the Formula Transmission Rate Case. On April 2, 2013, PNM answered Tri-State's complaint, asking FERC to dismiss the complaint and deny Tri-State's request to consolidate the complaint proceeding with the Formula Transmission Rate Case. On June 10, 2013, FERC dismissed Tri-State's complaint and denied Tri-State's request to consolidate the complaint proceeding with the PNM FERC Transmission Formula Rate Case. This matter is now concluded.

Firm-Requirements Wholesale Customers

Navopache Electric Cooperative, Inc. Rate Case

In September 2011, PNM filed an unexecuted amended sales agreement between PNM and NEC with FERC. The agreement proposed a cost of service based rate for the electric service and ancillary services PNM provides to NEC, which would result in an annual increase of $8.7 million or a 39.8% increase over existing rates. PNM also requested a FPPAC and full recovery of certain third-party transmission charges PNM incurs to serve NEC. NEC filed a protest to PNM's filing with FERC. In November 2011, FERC issued an order accepting the filing, suspending the effective date to be effective April 14, 2012, subject to refund, and set the proceeding for settlement. The parties finalized a settlement agreement and PNM filed for the necessary FERC approval on December 6, 2012. The settlement agreement would result in an annual increase of $5.3 million, an extension of the contract for 10 years, and an agreement that PNM will be able to file an application for formula based rates to be effective in 2015. On April 5, 2013, FERC approved the settlement agreement. PNM has refunded the amounts collected in excess of the settled rates concluding this matter.

City of Gallup, New Mexico Contract Approval Case

PNM provides both energy and power services to Gallup, PNM's second largest firm-requirements wholesale customer, under an electric service agreement that was to expire on June 30, 2013. On May 1, 2013, PNM and Gallup agreed to extend the term of the agreement to June 30, 2014 and to increase the demand and energy rates under the agreement. On May 1, 2013, PNM requested FERC approval of the amended agreement to be effective July 1, 2013. On June 21, 2013, FERC approved the amended agreement. Revenue from Gallup will increase by $3.1 million during the term of the amended agreement. On September 26, 2013, Gallup issued a request for proposals for long term power supply. Proposals are due November 26, 2013. PNM anticipates submitting a proposal, but is unable to predict if services provided to Gallup will continue upon expiration of the amended agreement.

TNMP

Advanced Meter System Deployment

In July 2011, the PUCT approved a settlement and authorized an AMS deployment plan that permits TNMP to collect $113.3 million in deployment costs through a surcharge over a 12-year period. TNMP began collecting the surcharge on August 11, 2011. Deployment of advanced meters began in September 2011 and is scheduled to be completed over a 5-year period.

In February 2012, the PUCT opened a proceeding to consider the feasibility of an "opt-out" program for retail consumers that wish to decline receipt of an advanced meter. The PUCT has requested comments and convened a public meeting to hear various issues. However, various individuals filed a petition with the PUCT seeking a moratorium on any advanced meter deployment. The PUCT denied the petition and an appeal was filed with the Texas District Court on September 28, 2012.

On February 21, 2013, the PUCT filed a proposed rule to permit customers to opt-out of the AMS deployment. The PUCT adopted a rule on August 15, 2013 creating a non-standard metering service for retail customers choosing to decline standard metering service via an advanced meter. The cost of providing non-standard metering service will be borne by opt-out customers

through an initial fee and ongoing monthly charge. All transmission and distribution utilities in ERCOT are required to initiate proceedings to establish these charges.

On September 30, 2013, TNMP filed an application to set the initial fee and monthly charges to be assessed for non-standard metering service provided to those retail customers who choose to decline the advanced meter necessary for standard metering service. TNMP's filing seeks recovery of $0.2 million through proposed initial fees ranging from $142.84 to $247.48. An additional $0.5 million in ongoing expenses would be recovered via a proposed monthly charge of $38.99. As the proceeding has just been initiated, TNMP cannot predict the outcome of this proceeding although TNMP does not expect it to have a material impact on its financial position, results of operations, or cash flows.

Energy Efficiency

TNMP recovers the costs of its energy efficiency programs through an energy efficiency cost recovery factor. On August 28, 2012, the PUCT approved a settlement that permits TNMP to collect estimated 2013 program costs of $4.8 million, plus recovery of an aggregate of $0.4 million in under-collected costs from prior years, case expenses, and a performance bonus for 2011. TNMP's new rates were effective January 1, 2013. On May 15, 2013, TNMP filed its 2014 energy efficiency cost recovery factor application with the PUCT. The application seeks approval to collect $5.6 million, which includes $4.7 million in estimated program expenses for 2014, a $0.7 million performance bonus for 2012, a refund of $0.1 million over collection of energy savings expenses for the 2012 program year, and case expenses. In July 2013, the parties filed a settlement to permit TNMP to collect the substantially all of the requested $5.6 million. The settlement was approved by the PUCT on October 25, 2013.

Transmission Cost of Service Rates

TNMP can update its transmission rates twice per year to reflect changes in its invested capital. Updated rates reflect the addition and retirement of transmission facilities, including appropriate depreciation, federal income tax and other associated taxes, and the approved rate of return on such facilities.

On January 31, 2013, TNMP filed an application to update its transmission rates to reflect changes in its invested capital. The requested increase in total rate base was $21.9 million, which would increase revenues $2.9 million annually. On March 19, 2013, the PUCT ALJ approved TNMP's interim transmission cost of service filing and rates went into effect with bills rendered March 20, 2013. On August 1, 2013, TNMP filed an application to further update its transmission rates to reflect changes in its invested capital. The requested increase in total rate base is $18.1 million, which would increase revenues by $2.8 million annually. The PUCT ALJ approved TNMP's interim transmission cost of service filing and rates went into effect with bills rendered on September 17, 2013.

Consolidated Tax Savings Adjustment

On June 14, 2013, the Governor of Texas signed into law a bill eliminating the consolidated tax savings adjustment ("CTSA") from electric utility ratemaking in Texas. Previously, the CTSA required electric utilities to artificially reduce their respective tax expenses due to the losses incurred by their affiliates. The bill became effective on September 1, 2013.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(12) Related Party Transactions

PNMR, PNM, and TNMP are considered related parties as defined under GAAP. PNMR Services Company provides corporate services to PNMR and its subsidiaries in accordance with shared services agreements. The table below summarizes the nature and amount of related party transactions of PNMR, PNM, and TNMP:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands)			
Services billings:				
PNMR to PNM	$ 22,241	$ 22,143	65,729	68,030
PNMR to TNMP	6,731	6,439	20,948	20,206
PNM to TNMP	140	184	381	473
TNMP to PNMR	2	4	6	12
Interest billings:				
PNMR to TNMP	139	22	354	72
PNMR to PNM	—	—	1	1
PNM to PNMR	35	45	113	134
Income tax sharing payments:				
PNMR to PNM	—	—	45,000	63,114
PNMR to TNMP	—	—	—	1,952

(13) Income Taxes

As required under GAAP, the Company makes an estimate of its anticipated effective tax rate for the year as of the end of each quarterly period within its fiscal year. Year-to-date income tax expense is then calculated by applying the anticipated annual effective tax rate to year-to-date earnings before taxes, which includes the earnings attributable to the Valencia non-controlling interest. GAAP also provides that certain unusual or infrequently occurring items, as well as adjustments due to enactment of new tax laws, be excluded from the estimated annual effective tax rate calculation.

On January 3, 2013, the American Taxpayer Relief Act of 2012, which extended fifty percent bonus depreciation, was signed into law. Due to provisions in the act, taxes payable to the State of New Mexico for 2013 were reduced, which resulted in an impairment of New Mexico wind energy production tax credits. In accordance with GAAP, PNMR was required to record this impairment, which after federal income tax benefit, amounted to $1.5 million as additional income tax expense during the three months ended March 31, 2013. This impairment is reflected in PNMR's Corporate and Other segment.

On April 4, 2013, New Mexico House Bill 641 was signed into law. One of the provisions of the bill was to reduce the New Mexico corporate income tax rate from 7.6% to 5.9%. The rate reduction will be phased in from 2014 to 2018. In accordance with GAAP, PNMR and PNM adjusted accumulated deferred income taxes to reflect the tax rate at which the balances are expected to reverse. The portion of the adjustment related to PNM's regulated activities was recorded as a reduction in deferred tax liabilities, which was offset by an increase in a regulatory liability, on the assumption that PNM will be required to return the benefit to customers over time. The increase in the regulatory liability was $23.9 million. The portion of the adjustment that is not related to PNM's regulated activities was recorded as a reduction in deferred tax assets and an increase in income tax expense of $1.2 million during the three months ended June 30, 2013. This additional income tax expense is reflected in PNMR's Corporate and Other segment.

The future reduction in taxes payable to the State of New Mexico resulting from the rate reduction in House Bill 641 and revisions in estimates of future taxable income resulted in a further impairment of New Mexico wind energy production tax credits. In accordance with GAAP, PNMR was required to record this impairment, which after federal income tax benefit, amounted to

$2.4 million as additional income tax expense during the three months ended June 30, 2013. This impairment is reflected in PNMR's Corporate and Other segment.

On April 30, 2013, the IRS issued Revenue Procedure 2013-24, which provides a safe harbor method of accounting that taxpayers may use to determine repair costs for electric generation property. Adoption of the safe harbor method is elective for years ending on or after December 31, 2012. On July 11, 2013, the IRS issued a directive that suspends most current examination activity related to generation repairs methodology for any company that is eligible for the safe harbor. PNM is evaluating the possible effects of adopting the safe harbor method and the ultimate outcome cannot be determined at this time although the effects are not expected to be material.

In May 2013, PNMR received a refund of federal income taxes paid in prior years, which primarily was due to bonus tax depreciation and changes in the Company's method of accounting for repairs expense for income tax purposes. The total refund was $96.2 million of which $77.4 million was attributable to PNM. As of September 30, 2013, $45.0 million had been transferred to PNM.

On September 13, 2013, the IRS issued final regulations addressing the recovery of amounts paid to acquire, produce, or improve tangible personal property and the accounting for and retirement of depreciable property. Also issued were proposed regulations addressing dispositions of property. Repairs of electric transmission and distribution property and repairs of electric generation property are specifically addressed in other Revenue Procedures issued by the IRS. The effects of the remainder of regulations are being evaluated by the Company and cannot be determined at this time. However, due to PNMR's net operating loss carryforward position for income tax purposes, the effects are not expected to be material.

(14) Goodwill

The excess purchase price over the fair value of the assets acquired and the liabilities assumed by PNMR for its June 6, 2005 acquisition of TNP was recorded as goodwill and was pushed down to the businesses acquired. In 2007, the TNMP assets that were included in its New Mexico operations, including goodwill, were transferred to PNM.

GAAP requires the Company to evaluate its goodwill for impairment annually at the reporting unit level or more frequently if circumstances indicate that the goodwill may be impaired. PNMR's reporting units that have goodwill are PNM and TNMP. Application of the impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, and determination of the fair value of each reporting unit.

GAAP provides that in certain circumstances an entity may perform a qualitative analysis to conclude that the goodwill of a reporting unit is not impaired. Under a qualitative assessment an entity would consider macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, other relevant entity-specific events affecting a reporting unit, as well as whether a sustained decrease (both absolute and relative to its peers) in share price had occurred. An entity would consider the extent to which each of the adverse events and circumstances identified could affect the comparison of a reporting unit's fair value with its carrying amount. An entity should place more weight on the events and circumstances that most affect a reporting unit's fair value or the carrying amount of its net assets. An entity also should consider positive and mitigating events and circumstances that may affect its determination of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. An entity would evaluate, on the basis of the weight of evidence, the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative analysis in not required.

In other circumstances, an entity may perform a quantitative analysis to reach the conclusion regarding impairment with respect to a reporting unit. The first step of the quantitative impairment test requires an entity to compare the fair value of the reporting unit with its carrying value, including goodwill. If as a result of this analysis, the entity concludes there is an indication of impairment in a reporting unit having goodwill, the entity is required to perform the second step of the impairment analysis, determining the amount of goodwill impairment to be recorded. The amount is calculated by comparing the implied fair value of the goodwill to its carrying amount. This exercise would require the entity to allocate the fair value determined in step one to the

individual assets and liabilities of the reporting unit. Any remaining fair value would be the implied fair value of goodwill on the testing date. To the extent the recorded amount of goodwill of a reporting unit exceeds the implied fair value determined in step two, an impairment loss would be reflected in results of operations.

An entity may choose to perform a quantitative analysis without performing a qualitative analysis and may perform a qualitative analysis for certain reporting units, but a quantitative analysis for others. For the annual evaluation performed as of April 1, 2013, PNMR utilized a qualitative analysis for the TNMP reporting unit and a quantitative analysis for the PNM reporting unit. For the PNM reporting unit, a discounted cash flow methodology was primarily used to estimate the fair value of the reporting unit. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of long-term growth rates for the business, and determination of appropriate weighted average cost of capital for each reporting unit. Changes in these estimates and assumptions could materially affect the determination of fair value and the conclusion of impairment.

The annual evaluations performed as of April 1, 2013 and 2012 did not indicate impairments of the goodwill of any of PNMR's reporting units. The April 1, 2013 and 2012 quantitative evaluations indicated the fair value of the PNM reporting unit, which has goodwill of $51.6 million, exceeded its carrying value by more than 10%. The April 1, 2012 quantitative evaluation indicated the fair value of the TNMP reporting unit, which has goodwill of $226.7 million, exceeded its carrying value by more than 10%. Since the April 1, 2013 annual evaluation, there have been no indications that the fair values of the reporting units with recorded goodwill have decreased below the carrying values. Additional information concerning the Company's goodwill is contained in Note 22 of Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

(15) Sale of First Choice

On September 23, 2011, PNMR entered into an agreement for the sale of First Choice to Direct LP, Inc. for $270.0 million, subject to adjustment to reflect the amounts of certain components of working capital at closing. Closing occurred on November 1, 2011. For accounting purposes, the sale was effective as of the close of business on October 31, 2011. PNMR and the purchaser disagreed about the calculation of working capital at October 31, 2011. In accordance with the agreement for the sale, this matter was submitted to an independent party for a decision binding on the parties. A decision was received in August 2012. The decision resulted in PNMR being awarded $6.4 million of the $8.2 million in dispute. PNMR recorded an additional pre-tax gain of $1.0 million, which is included in other income in the three months ended September 30, 2012.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations for PNMR is presented on a combined basis, including certain information applicable to PNM and TNMP. The MD&A for PNM and TNMP is presented as permitted by Form 10-Q General Instruction H(2). This report uses the term "Company" when discussing matters of common applicability to PNMR, PNM, and TNMP. A reference to a "Note" in this Item 2 refers to the accompanying Notes to Condensed Consolidated Financial Statements (Unaudited) included in Item 1, unless otherwise specified. Certain of the tables below may not appear visually accurate due to rounding.

MD&A FOR PNMR

EXECUTIVE SUMMARY

Overview and Strategy

PNMR is a holding company with two regulated utilities serving approximately 744,000 residential, commercial, and industrial customers and end-users of electricity in New Mexico and Texas.

Strategic Goals

PNMR is focused on achieving the following strategic goals:

- Earning authorized returns on its regulated businesses
- Continuing to improve credit ratings
- Providing a top-quartile total return to investors

In conjunction with these goals, PNM and TNMP are dedicated to:

- Achieving industry-leading safety performance and customer satisfaction
- Maintaining strong plant performance and reliability

Earning Authorized Returns on Regulated Businesses

PNMR's success in accomplishing its strategic goals is highly dependent on continued favorable regulatory treatment for its utilities. The Company has multiple strategies to achieve favorable regulatory treatment, all of which have as their foundation a focus on the basics: managing the Company's business and serving customers well, while engaging stakeholders to build productive relationships.

Both PNM and TNMP seek cost recovery for their investments through general rate cases and various rate riders. The PUCT has approved mechanisms that allow TNMP to recover capital invested in transmission and distribution projects without having to file a general rate case and allow for more timely recovery of amounts invested in TNMP's systems. In 2011 and 2012, PNM made significant progress toward the goal of achieving authorized returns for its retail customers. In 2012, PNM saw additional progress toward achieving authorized returns for its transmission and generation customers regulated by FERC. PNM and TNMP completed several rate proceedings before their state regulators in 2011, 2012, and early 2013. PNM currently has a pending case before FERC in which it is requesting an increase in rates charged to transmission customers based on a formula rate mechanism. Additional information about rate filings is provided in Note 17 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K and in Note 11.

Fair and timely rate treatment from regulators is crucial to achieving PNMR's strategic goals because it leads to PNM and TNMP earning their allowed returns. PNMR believes that if the utilities earn their allowed returns, it would be viewed positively by rating agencies and would further improve credit ratings, which could lower costs to customers. Also, earning allowed returns should result in increased earnings for PNMR, which should lead to increased total returns to investors.

PNM's interest in PVNGS Unit 3 is excluded from NMPRC jurisdictional rates. While PVNGS Unit 3's financial contribution is not calculated in the authorized returns on its regulated business, it impacts PNM's earnings and has demonstrated to be a valuable asset. Power generated from PNM's 134 MW interest in PVNGS Unit 3 is currently sold into the wholesale market

and any earnings or losses are attributable to shareholders. PNM may request NMPRC approval to include PVNGS Unit 3 in the calculation of rates charged to customers in New Mexico as part of compliance with the requirements for BART at SJGS discussed below.

Continuing to Improve Credit Ratings

PNM is committed to maintaining investment grade credit ratings. The credit ratings for PNMR, PNM, and TNMP were set forth under the heading Liquidity in the MD&A contained in the 2012 Annual Reports on Form 10-K. As discussed under the subheading Liquidity in MD&A - Liquidity and Capital Resources below, S&P raised the corporate credit ratings and senior debt ratings for PNMR, PNM, and TNMP, as well as the preferred stock rating for PNM, on April 5, 2013. S&P retained the outlook as stable for all entities. On June 21, 2013, Moody's changed the ratings outlook for PNMR, PNM, and TNMP to positive from stable.

Providing Top-Quartile Total Returns to Investors

PNMR's strategic goal to provide top quartile total return to investors over the 2012 to 2016 period is based on five-year ongoing earnings per share growth plus five-year average dividend yield from a group of regulated electric utility companies with similar market capitalization. Top quartile total return currently is equal to an average annual rate of 10 percent to 13 percent. PNMR's long-term target is a dividend payout ratio of 50 percent to 60 percent of its ongoing earnings. Ongoing earnings, which is a non-GAAP financial measure, excludes certain non-recurring, infrequent, and other items from earnings determined in accordance with GAAP. The annual common stock dividend was raised by 16 percent in February 2012 and by 14 percent in February 2013. PNMR expects to provide above-average dividend growth in the near-term and to manage the payout ratio to meet its long-term target. The PNMR board will continue to evaluate the dividend on an annual basis, considering sustainability and growth, capital planning, and industry standards.

Business Focus

In addition to its strategic goals, PNMR's strategy and decision-making are focused on safely providing reliable, affordable, and environmentally responsible power to create enduring value for customers and communities. To accomplish this, PNMR works closely with customers, stakeholders, legislators, and regulators to ensure that resource plans and infrastructure investments benefit from robust public dialogue and balance the diverse needs of our communities.

Reliable and Affordable Power

PNMR and its utilities are keenly aware of the roles they play in enhancing economic vitality in their New Mexico and Texas service territories. Management believes there is a direct connection between electric infrastructure to ensure reliability and economic growth. When considering expanding or relocating to other communities, businesses consider energy affordability and energy reliability to be important factors. PNM and TNMP strive to balance service affordability with infrastructure investment to maintain a high level of electric reliability. The utilities also work to ensure that rates reflect actual costs of providing service.

Investing in PNM's and TNMP's infrastructure is critical to ensure reliability and meet future energy needs. Both utilities have long-established records of providing customers with top-tier electric reliability. In September 2011, TNMP began its deployment of smart meters in homes and businesses across its Texas service area. Through September 30, 2013, TNMP had completed installation of more than 120,000 smart meters. TNMP's deployment is expected to be completed in 2016.

As part of the State of Texas' long-term initiative to create a smart electric grid, the smart meter rollout will ultimately give consumers more energy consumption data and help them make more informed decisions. In 2014, TNMP will install a new outage management system that will leverage capabilities of the smart meters to enhance TNMP's responsiveness to outages.

During the 2010 to 2012 period, PNM and TNMP together invested $803.7 million in substations, power plants, and transmission and distribution systems in New Mexico and Texas. In 2012, PNM announced its planned 40 MW natural gas-fired La Luz peaking generating station to be located near Belen, New Mexico. PNM filed a request in May 2013 with the NMPRC for approval for construction of the La Luz project, which is expected to begin in 2014, with the facility going into service in 2016. PNM also announced an agreement to purchase Delta, a 132 MW gas-fired peaking facility, which has served PNM jurisdictional needs under a 20-year PPA since 2000. The purchase has been approved by the NMPRC and FERC. Closing on the purchase is anticipated in early 2014.

Environmentally Responsible Power

PNMR has a long-standing record of environmental stewardship. In 2012 and 2013, its environmental focus has been in three key areas:

- Preparing to meet New Mexico's increasing renewable energy requirements as cost-effectively as possible
- Developing strategies to meet regional haze rules at the coal-fired SJGS as cost effectively as possible while providing broad environmental benefits
- Increasing energy efficiency participation

Another area of emphasis is the reduction of the amount of fresh water used during the generation of power at PNM's power plants. The fresh water used per MWh generated has dropped by 22.3% since 2002, primarily due to the growth of renewable energy sources, the expansion of Afton to a combined-cycle plant that has both air and water cooling systems, and the use of gray water for cooling at Luna. In addition to the above areas of focus, in 2013, the Company also will be working to reduce the amount of solid waste going to landfills through increased recycling and reduction of waste. The Company has performed well in this area in the past and has set goals for even further reductions.

Renewable Energy

In 2012, PNM filed and the NMPRC approved PNM's 2013 renewable procurement strategy. The approved strategy will almost double PNM's existing solar capacity with the addition of 21.5 MW of utility-owned solar capacity having an estimated cost of almost $50 million. In addition to the solar expansion, the 2013 proposal includes a 20-year agreement to purchase energy from a geothermal facility to be built near Lordsburg, New Mexico. The 10 MW facility will be the first geothermal project for the PNM system. On July 1, 2013, PNM filed its 2014 renewable procurement strategy with the NMPRC. The 2014 plan calls for the construction of an additional 23 MW of utility-owned solar capacity having an estimated cost of $46.7 million, a 20 year PPA for the output of an existing 100 MW wind energy center, and the purchase of RECs in 2014 and 2015 to meet the RPS.

In addition to PNM's utility-owned PV solar facilities, PNM also owns the 500-KW PNM Prosperity Energy Storage Project, which uses advanced batteries to store solar power and dispatch the energy either during high-use periods or when solar production is limited. The project features one of the largest combinations of battery storage and PV energy in the nation and involves extensive research and development of smart grid concepts with the Electric Power Research Institute, East Penn Manufacturing Co., Northern New Mexico College, Sandia National Laboratories, and the University of New Mexico. When the facility went online in September 2011, it was the nation's first solar storage facility fully integrated into a utility's power grid.

PNM's existing resource portfolio includes the purchase of 204 MW of wind power. PNM also purchases power from a customer-owned distributed solar generation program having an installed capacity of 19.8 MW at the end of 2012. Distributed generation, wind, and solar power are key means for PNM to meet the RPS established by the REA and related regulations issued by the NMPRC. These rules require a utility to achieve prescribed levels of energy sales from renewable sources within its generation mix, if that can be accomplished without exceeding the RCT cost limit set by the NMPRC, which aims to moderate the cost to consumers when utilities use more renewable resources.

PNM sought and received a waiver from the NMPRC excusing it from meeting the RPS in 2012 because the cost to achieve the full RPS would exceed the RCT. The 2013 plan will enable PNM to comply with the statutory RPS amount in 2013, but required a variance from the NMPRC's diversity requirements in 2013 while the proposed geothermal facilities are being constructed. Although this plan had been expected to enable PNM to achieve full RPS quantity and diversity compliance by 2014 without exceeding the RCT, delays in the permitting process for the geothermal facility have delayed its anticipated full-scale production in-service date to later in 2014. PNM does not believe this delay will affect its ability to comply with the diversity requirements as amended in December 2012. PNM will continue to procure renewable resources while balancing the bill impact to customers in order to meet New Mexico's escalating RPS requirements.

SJGS

PNM continues its efforts to comply with the EPA regional haze rule in a manner that minimizes the cost impact to customers while still achieving broad environmental benefits. EPA's FIP for regional haze currently in effect requires the installation of SCRs on all four units at SJGS by September 2016.

Following approval by the majority of the other SJGS owners, PNM, NMED, and EPA agreed on February 15, 2013 to pursue a revised plan that could provide a new BART path to comply with federal visibility rules at SJGS. The terms of the non-

binding agreement would result in the retirement of SJGS Units 2 and 3 by the end of 2017 and the installation of SNCRs on Units 1 and 4 by the later of January 31, 2016 or 15 months after EPA approval of a revised SIP from the State of New Mexico. PNM would also build a natural gas-fired peaking generating plant to be sited at SJGS to partially replace the capacity from the retired coal units. Additional base load generating capacity may also be required, which could come from some combination of PVNGS Unit 3, renewable resources, and/or additional gas-fired generation. Implementing this plan includes:

- PNM submitting a new BART analysis to NMED, which occurred in April 2013
- NMED submitting a revised SIP to EIB, which occurred in May 2013
- Approval of the revised SIP by EIB, which occurred on September 5, 2013
- Submission of the revised SIP to EPA, which occurred on October 18, 2013
- EPA approval of the revised SIP
- NMPRC approval of the retirement of Units 2 and 3, as well as recovery of the unrecovered investment and costs to retire those units, and plans to acquire replacement power

The term sheet setting forth the non-binding agreement projects EPA final action in late 2014. Contemporaneously with the signing of the non-binding agreement, EPA indicated in writing that if the above plan does not move forward due to circumstances outside of the control of PNM and NMED, EPA will work with the State of New Mexico and PNM to create a reasonable FIP compliance schedule to reflect the time used to develop the new state plan.

In connection with the implementation of the revised plan and the retirement of SJGS Units 2 and 3, some of the SJGS participants have expressed a desire to exit their ownership in the plant. To implement the revised plan and accommodate the participants desiring to exit, the SJGS participants are negotiating a restructuring of the ownership in SJGS, as well as addressing the obligations of the exiting participants for plant decommissioning, mine reclamation, environmental matters, and certain ongoing operating costs, among other items. The negotiations could result in PNM acquiring additional ownership in SJGS Unit 4. Owners of the affected units also may seek approvals of their utility commissions or governing boards.

PNM, as the SJGS operating agent, presented the SNCR project to the participants in Unit 1 and Unit 4 for approval in late October 2013. The project was approved for Unit 1, but the Unit 4 project did not obtain the required percentage of votes for approval. Other capital projects related to Unit 4 were also not approved by the participants. The SJPPA provides that PNM is authorized and obligated to take reasonable and prudent actions necessary for the successful and proper operation of SJGS pending resolution by the participants. PNM is evaluating its responsibilities and obligations as operating agent under the SJPPA regarding the SJGS Unit 4 capital projects that were not approved by the participants, but has not reached a decision on how to proceed. PNM cannot predict the outcome of this matter.

On February 25, 2013, the parties filed their status reports with the Tenth Circuit. To demonstrate that progress has been made toward settling the Tenth Circuit litigation, information, including the non-binding agreement and its accompanying timeline, was submitted to the court. Following the parties' submission of their status reports, on February 28, 2013, the Tenth Circuit referred the litigation to the Tenth Circuit Mediation Office, which has authority to require the parties to attend mediation conferences to informally resolve issues in the pending appeals. Currently, proceedings for relief from the Tenth Circuit are in abeyance at PNM's request.

This revised BART plan would achieve similar visibility improvements as the installation of SCRs on all four units at SJGS. It has the added advantage of reducing other emissions beyond NOx, including SO_2, particulate matter, CO_2, and mercury, as well as reducing water usage. Detailed replacement power strategies also would be finalized. PNM believes adequate replacement power alternatives will be available to meet its generation needs and ensure reliability. PNM can provide no assurance that the requirements of this plan will be accomplished at all or within the required timeframes.

Additional information about BART at SJGS is contained in Note 16 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K and in Note 10. PNM anticipates filing for NMPRC approvals regarding BART at SJGS in late 2013 as discussed in Note 11.

In addition to the regional haze rule, SJGS is required to comply with other rules currently being developed or implemented that affect coal-fired generating units. Because of environmental upgrades completed in 2009, SJGS is well positioned to outperform the mercury limit imposed by EPA in the 2011 Mercury and Air Toxics Standards. The major environmental upgrades on each of the four units at SJGS have significantly reduced emissions of NOx, SO_2, particulate matter, and mercury. Since 2006, SJGS has reduced NOx emissions by 43 percent, SO_2 by 69 percent, particulate matter by 63 percent, and mercury by 99 percent.

Energy Efficiency

Energy efficiency also plays a significant role in helping to keep customers' electricity costs low while continuing to meet their energy needs. PNM's and TNMP's energy efficiency and load management portfolios continue to achieve robust results. In 2012, annual energy saved as a result of PNM's portfolio of energy efficiency programs was approximately 79 GWh. This is equivalent to the consumption of approximately 10,700 homes in PNM's service territory. PNM's load management and energy efficiency programs also help lower peak demand requirements. TNMP's energy efficiency programs in 2012 resulted in energy savings totaling an estimated 12.8 GWh.

Creating Value for Customers and Communities

Through outreach, collaboration, and various community-oriented programs, PNMR has a demonstrated commitment to build productive relationships with stakeholders, including customers, regulators, legislators, and intervenors.

Building off work that began in 2008, PNM has continued outreach efforts to connect low-income customers with nonprofit community service providers offering support and help with such needs as utility bills, food, clothing, medical programs, services for seniors, and weatherization. In 2012, PNM hosted 23 community events throughout its service territory to assist low-income customers. Furthermore, the PNM Good Neighbor Fund provided $1.0 million of assistance with utility bills to 10,216 families in 2012.

The PNM Resources Foundation helps nonprofits become more energy efficient through Reduce Your Use grants. For 2012, the foundation awarded $0.3 million to support 55 projects in New Mexico to provide shade structure installations, window replacements, and efficient appliance purchases. Since the program's inception in 2008, Reduce Your Use grants have provided nonprofit agencies in New Mexico with a total of $1.1 million of support. In May 2013, in connection with the PNM Resources Foundation's 30th anniversary, the foundation announced that 30 $10,000 environmental grants would be awarded in 2013. The recipients were announced in August 2013.

PNM also expanded its environmental stakeholder outreach in 2012, piloting small environmental stakeholder dialogue groups on key issues such as renewable energy and energy efficiency planning. PNM also employed proactive stakeholder outreach in two key projects - the development of the PNM's renewable energy procurement plans that involved distributed solar energy developers early in the conversation and the siting of the planned gas-fired peaking generation facility near Belen, New Mexico, which featured in-depth community involvement and education early in the planning stages of the project. In both cases highly favorable outcomes were achieved and controversial negative media coverage was virtually eliminated.

Economic Factors

In the three and nine months ended September 30, 2013, PNM experienced decreases in weather and leap-year normalized, retail load of 1.2% and 1.5% compared to 2012. However, PNM set a new all-time record for peak use on June 27, 2013 when usage reached 2,008 MW. This compares to the previous peak of 1,973 MW. New Mexico businesses are taking a longer time to recover from the economic downturn. In particular, the Albuquerque metropolitan area continues to lag the nation in economic recovery. Based on the current trends, PNM load could be down approximately 1% for the full year 2013 compared to 2012. In the three and nine months ended September 30, 2013, TNMP's weather normalized and leap-year adjusted load increased 3.3% and 1.9% compared to 2012. In recent years, New Mexico and Texas have fared better than the national average in unemployment. However, New Mexico's figures may be misleading due to people dropping out of the workforce. Employment growth is a better indicator. Texas growth rates are well above the national rate and New Mexico's employment growth rate is slightly positive.

Results of Operations

A summary of net earnings attributable to PNMR is as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
	(In millions, except per share amounts)					
Net earnings attributable to PNMR	$ 54.6	$ 57.9	$ (3.3)	$ 92.9	$ 96.5	$ (3.6)
Average diluted common and common equivalent shares	80.3	80.4	(0.1)	80.5	80.4	0.1
Net earnings attributable to PNMR per diluted share	$ 0.68	$ 0.72	$ (0.04)	$ 1.15	$ 1.20	$ (0.05)

The components of the change in earnings attributable to PNMR are:

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
	(In millions)	
PNM	$ (3.1)	$ (0.1)
TNMP	1.0	2.1
Corporate and Other	(1.2)	(5.5)
Net change	$ (3.3)	$ (3.6)

PNMR's operational results were affected by the following:

- Rate increases for PNM and TNMP - Additional information about these rate increases is provided in Note 17 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K and Note 11
- Net unrealized gains and losses on mark-to-market economic hedges for sales and fuel costs not recoverable under PNM's FPPAC
- Higher prices for sales of power from PVNGS Unit 3
- Milder weather in 2013 than 2012
- Lower retail load at PNM partially offset by higher retail load in at TNMP
- Increased income tax expense due to impairments of state tax credits and a change in state tax rate (Note 13)
- Other factors impacting results of operation for each segment are discussed under Results of Operations below

Liquidity and Capital Resources

The Company has revolving credit facilities that provide capacities for short-term borrowing and letters of credit of $300.0 million for PNMR and $400.0 million for PNM, both of which expire in October 2018. In addition, TNMP has a $75.0 million revolving credit facility, which expires in September 2018. Total availability for PNMR on a consolidated basis was $755.9 million at October 25, 2013. The Company utilizes these credit facilities and cash flows from operations to provide funds for both construction and operational expenditures. PNMR also has intercompany loan agreements with each of its subsidiaries.

The Company projects that its total capital requirements, consisting of construction expenditures and dividends, will total $2,054.0 million for 2013-2017, including amounts expended through September 30, 2013. The construction expenditures include additional renewable resources anticipated to be required to meet the RPS, additional peaking resources needed to meet needs outlined in PNM's current IRP, and environmental upgrades at Four Corners. This estimate does not include any amounts related to environmental upgrades at SJGS that ultimately may be required by EPA to address regional haze or expenditures that could be required to replace capacity should environmental control at SJGS involve shutdown of one or more SJGS units (Note 10). In addition to internal cash generation, the Company anticipates that it will be necessary to obtain additional long-term financing in the form of debt refinancing, new debt issuances, and/or new equity in order to fund its capital requirements through 2017. The Company currently believes that its internal cash generation, existing credit arrangements, and access to public and private capital markets will provide sufficient resources to meet the Company's capital requirements.

RESULTS OF OPERATIONS

Segment Information

The following discussion is based on the segment methodology that PNMR's management uses for making operating decisions and assessing performance of its various business activities. See Note 2 for more information on PNMR's operating segments.

The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto. Trends and contingencies of a material nature are discussed to the extent known. Refer also to Disclosure Regarding Forward Looking Statements and to Part II, Item 1A. Risk Factors.

PNM

The following table summarizes the operating results for PNM:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
	(In millions)					
Electric operating revenues	$ 326.0	$ 321.7	$ 4.3	$ 863.6	$ 832.2	$ 31.4
Cost of energy	100.2	99.2	1.0	283.7	263.0	20.7
Margin	225.8	222.5	3.3	579.9	569.2	10.7
Operating expenses	104.7	101.1	3.6	311.4	311.5	(0.1)
Depreciation and amortization	25.9	24.4	1.5	77.8	72.0	5.8
Operating income	95.2	97.0	(1.8)	190.8	185.7	5.1
Other income (deductions)	4.5	8.4	(3.9)	14.8	19.1	(4.3)
Net interest charges	(20.1)	(19.2)	(0.9)	(60.0)	(56.7)	(3.3)
Segment earnings before income taxes	79.6	86.1	(6.5)	145.6	148.2	(2.6)
Income (taxes)	(27.7)	(31.2)	3.5	(49.2)	(51.9)	2.7
Valencia non-controlling interest	(4.1)	(4.0)	(0.1)	(10.9)	(10.7)	(0.2)
Preferred stock dividend requirements	(0.1)	(0.1)	—	(0.4)	(0.4)	—
Segment earnings	$ 47.7	$ 50.8	$ (3.1)	$ 85.1	$ 85.2	$ (0.1)

The following table summarizes the significant changes to electric operating revenues, cost of energy, and margin:

	2012/2013 Change					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	Electric Operating Revenues	Cost of Energy	Margin	Electric Operating Revenues	Cost of Energy	Margin
	(In millions)					
Customer usage/load	$ (1.3)	$ —	$ (1.3)	$ (6.4)	$ —	$ (6.4)
Weather	(5.0)	—	(5.0)	(4.9)	—	(4.9)
Transmission and other	(2.5)	(0.7)	(1.8)	14.9	17.0	(2.1)
Wholesale rate increases	0.5	—	0.5	2.5	—	2.5
Energy efficiency rider	(1.4)	—	(1.4)	(1.7)	—	(1.7)
Renewable energy rider	3.8	1.6	2.2	15.0	6.3	8.7
Unregulated margin	0.9	(0.4)	1.3	3.1	(2.5)	5.6
Net unrealized economic hedges	9.3	0.5	8.8	8.9	(0.1)	9.0
Net change	$ 4.3	$ 1.0	$ 3.3	$ 31.4	$ 20.7	$ 10.7

The following table shows electric operating revenues by customer class and average number of customers:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
	(In millions, except customers)					
Residential	$ 122.9	$ 126.1	$ (3.2)	$ 319.8	$ 318.9	$ 0.9
Commercial	119.1	120.4	(1.3)	319.5	317.1	2.4
Industrial	21.2	22.6	(1.4)	57.7	59.9	(2.2)
Public authority	8.2	8.1	0.1	20.0	19.3	0.7
Economy service	7.8	6.8	1.0	23.9	17.7	6.2
Other retail	0.4	2.3	(1.9)	6.2	9.5	(3.3)
Transmission	10.5	10.8	(0.3)	28.5	29.3	(0.8)
Firm-requirements wholesale	10.1	10.5	(0.4)	31.0	28.8	2.2
Other sales for resale	18.2	15.8	2.4	52.0	35.4	16.6
Mark-to-market activity	7.6	(1.7)	9.3	5.0	(3.7)	8.7
	$ 326.0	$ 321.7	$ 4.3	$ 863.6	$ 832.2	$ 31.4
Average retail customers (thousands)	508.3	505.6	2.7	507.8	505.3	2.5

The following table shows GWh sales by customer class:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
	(Gigawatt hours)					
Residential	955.8	975.7	(19.9)	2,543.0	2,573.3	(30.3)
Commercial	1,049.8	1,103.5	(53.7)	3,001.8	3,064.1	(62.3)
Industrial	272.2	300.3	(28.1)	798.8	858.4	(59.6)
Public authority	78.4	84.0	(5.6)	205.0	211.1	(6.1)
Economy service	174.9	171.3	3.6	528.6	454.6	74.0
Firm-requirements wholesale	157.6	162.0	(4.4)	484.8	485.8	(1.0)
Other sales for resale	564.2	536.9	27.3	1,592.4	1,263.4	329.0
	3,252.9	3,333.7	(80.8)	9,154.4	8,910.7	243.7

For the three and nine months ended September 30, 2013, retail sales were lower compared to 2012 reflecting a continued sluggish economy in New Mexico. In particular, the Albuquerque metropolitan area continues to lag the nation in economic recovery. In spite of the economic pressures, PNM experienced year to date growth in average retail customers of 0.5%. Weather negatively impacted revenues and margin during the three and nine months ended September 30, 2013. Cooling degree days were 10.1% and 9.8% lower for the three and nine months ended September 30, 2013 compared to the same period in 2012. PNM's weather normalized and leap-year adjusted retail sales were lower in 2013 than in 2012 by 1.9% in the first quarter, 1.4% in the second quarter, 1.2% in the third quarter, and 1.5% for the nine months ended September 30. However, total KWh sales, excluding normalization, decreased 4.4% and 2.4% for the three and nine months ended September 30, 2013 compared to 2012. Based on the current trends, retail KWh sales could be down approximately 1% for the full year 2013 compared to 2012 on a weather normalized and leap-year adjusted basis.

PNM provides economy energy services to a major customer. In spite of the increase in KWh sales to this customer for the three and nine months ended September 30, 2013 compared to 2012, there is only a minor impact in margin resulting from providing ancillary services. Other changes in revenues and cost of energy are a pass through with no impact to margin. Other sales for resale revenues and volumes increased for the three months and nine months ended September 30, 2013, primarily due to reduced off-system sales at SJGS in 2012 resulting from the fire incident at the mine providing coal to SJGS and additional energy available for off-system sales in 2013 due to the reduction in retail load. Increased off-system sales from SJGS are included in PNM's FPPAC and do not impact margin. See Note 10 for more discussion on the SJGS mine fire incident.

Higher energy imbalance volumes related to contracts that are settled through an exchange of power rather than cash combined with lower transmission revenues due to expiration of contracts resulted in a decrease in margin of $1.8 million and $2.1 million in the three and nine months ended September 30, 2013 compared to 2012. Increases in rates charged to wholesale firm-requirements customers (Note 11) increased revenue and margin by $0.5 million and $2.5 million for the three and nine months ended September 30, 2013 compared to 2012.

PNM offers several energy efficiency programs and initiatives to its retail customers regulated by the NMPRC. In addition, PNM is allowed to earn incentives on these programs, based on energy savings of the programs. PNM recovers these energy efficiency program costs and incentives via a rate rider. For the three months and nine months ended September 30, 2013, revenues and margin from the energy efficiency rider were lower by $1.4 million and $1.7 million, primarily driven by lower energy efficiency billings, which were partly offset by additional incentives earned in 2013 compared to those earned in 2012. Changes in energy efficiency revenues are offset by changes in operating expenses.

In August 2012, PNM implemented its renewable energy rider, a mechanism approved by the NMPRC, which recovers renewable energy procurement costs, including the investment in and an allowed return on the 22 MW of PNM-owned solar PV facilities constructed to meet the RPS. See Note 11. For the three months and nine months ended September 30, 2013, this rider increased revenues by $3.8 million and $15.0 million and cost of energy, reflecting the purchase of RECs, by $1.6 million and $6.3 million. These revenues include a return on investment of $0.9 million and $2.8 million for the three and nine months ended September 30, 2013 compared to $0.3 million for the three and nine months ended September 30, 2012. The remaining revenues from this rider recover renewable energy operating, depreciation, and interest expenses.

For the three months and nine months ended September 30, 2013, higher unregulated revenues of $0.9 million and $3.1 million and margin of $1.3 million and $5.6 million, primarily associated with PNM's share of PVNGS Unit 3, were due to higher market power prices on sales compared to 2012. In addition, PNM incurred an expense of $2.0 million for gas imbalance settlements in the three months ended September 30, 2012 that did not recur in 2013.

Changes in unrealized mark-to-market gains and losses are based on economic hedges in place for sales and fuel costs not covered under the FPPAC, primarily associated with PVNGS Unit 3. Unrealized gains of $7.7 million for the three months ended September 30, 2013 compared to unrealized losses of $1.1 million for the three months ended September 30, 2012, increased margin by $8.8 million. Unrealized gains of $5.9 million for the nine months ended September 30, 2013 compared to unrealized losses of $3.1 million for the nine months ended September 30, 2012, increased margin by $9.0 million. Included in the 2013 gains is $6.0 million related to contracts, which were entered into in July 2013, for the sale of energy from PVNGS Unit 3 for 2014 and 2015 at market price plus a premium.

For the three and nine months ended September 30, 2013, operating expenses increased $3.6 million and decreased $0.1 million compared to 2012. In the three months ended September 30, 2013, higher maintenance expenses at Four Corners and PNM's natural gas-fired plants increased operating expense $0.5 million and $0.2 million. In the nine months ended September 30, 2013, lower outage costs at PVNGS, SJGS, and PNM's natural gas-fired plants of $1.2 million, $0.3 million, and $1.1 million were partially offset by increased outage costs at Four Corners of $1.5 million. Lower labor, health care, pension, and retiree medical expenses reduced operating expenses by $0.5 million and $2.2 million for the three and nine months ended September 30, 2013 compared to 2012. Higher capitalized administrative and general expenses of $1.0 million and $2.0 million decreased operating expenses for the three and nine months ended September 30, 2013. Lower allocation of corporate expenses of $0.9 million due to business restructuring in 2012 reduced operating expenses for the nine months ended September 30, 2013. Improved collection experience in 2013 decreased bad debt expense by $0.4 million for the nine months ended September 30, 2013 further decreasing operating expenses. These decreases were partially offset in the three and nine months ended September 30, 2013 by higher incentive compensation expense of $0.8 million and $2.5 million and higher property, regulatory, and payroll taxes of $0.7 million and $1.8 million. In addition, during the three months ended September 30, 2013, PNM concluded that certain costs that had been deferred as regulatory assets were no longer probable of recovery and recorded a regulatory disallowance of $1.7 million increasing operating expenses compared to 2012.

For the three and nine months ended September 30, 2013, depreciation expense increased by $1.5 million and $5.8 million compared to 2012, primarily due to amortization of previously deferred costs related to the 22 MW of PNM-owned solar PV facilities, which are being recovered through a rate rider beginning in August 2012, as well as higher depreciation due to an increase in utility plant in service.

Other income (deductions) decreased $3.9 million and $4.3 million for the three and nine months September 30, 2013 compared to 2012. Lower income from investments held by the NDT decreased other income by $3.7 million and $1.9 million in the three and nine months ended September 30, 2013 compared to 2012. Lower interest income on PVNGS lessor notes of $0.6 million and $1.7 million reduced other income due to lower outstanding balances. During the three and nine months ended September 30, 2013, PNM made commitments of $0.8 million and $1.0 million to support employment and other economic activities in the "four corners" area, including the Navajo Nation, which further decreased earnings. These decreases were partially offset by higher equity AFUDC of $0.6 million and $0.2 million for the three and nine months ended September 30, 2013 compared to 2012.

For the three and nine months ended September 30, 2013, interest expense increased $0.9 million and $3.3 million compared to 2012, primarily due to the deferral in 2012 of interest costs associated with the 22 MW of PNM-owned solar PV facilities, which are now being recovered through a rate rider.

TNMP

The following table summarizes the operating results for TNMP:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
	(In millions)					
Electric operating revenues	$ 73.7	$ 68.7	$ 5.0	$ 201.4	$ 187.4	$ 14.0
Cost of energy	14.5	11.6	2.9	41.3	34.3	7.0
Margin	59.2	57.1	2.1	160.1	153.1	7.0
Operating expenses	23.1	22.3	0.8	67.3	64.2	3.1
Depreciation and amortization	13.9	13.8	0.1	37.8	37.2	0.6
Operating income	22.3	21.0	1.3	55.0	51.7	3.3
Other income (deductions)	0.7	0.4	0.3	1.4	1.2	0.2
Net interest charges	(6.7)	(7.0)	0.3	(20.7)	(21.2)	0.5
Segment earnings before income taxes	16.3	14.3	2.0	35.7	31.7	4.0
Income (taxes)	(6.2)	(5.2)	(1.0)	(13.6)	(11.6)	(2.0)
Segment earnings	$ 10.1	$ 9.1	$ 1.0	$ 22.2	$ 20.1	$ 2.1

The following table summarizes the significant changes to total electric operating revenues, cost of energy, and margin:

	2012/2013 Change					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	Electric Operating Revenues	Cost of Energy	Margin	Electric Operating Revenues	Cost of Energy	Margin
	(In millions)					
Rate increases	$ 1.4	$ —	$ 1.4	$ 3.4	$ —	$ 3.4
Customer usage/load	0.5	—	0.5	1.2	—	1.2
Customer growth	0.4	—	0.4	1.2	—	1.2
Demand based customers	1.0	—	1.0	2.6	—	2.6
Weather	(0.1)	—	(0.1)	(1.4)	—	(1.4)
Recovery of third-party transmission costs	2.9	2.9	—	7.4	7.0	0.4
AMS surcharge	(0.1)	—	(0.1)	2.0	—	2.0
CTC surcharge	(1.0)	—	(1.0)	(2.8)	—	(2.8)
Other	—	—	—	0.4	—	0.4
Net change	$ 5.0	$ 2.9	$ 2.1	$ 14.0	$ 7.0	$ 7.0

The following table shows total electric operating revenues by retail tariff consumer class, including intersegment revenues, and average number of consumers:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
	(In millions, except consumers)					
Residential	$ 36.4	$ 33.2	$ 3.2	$ 84.1	$ 79.9	$ 4.2
Commercial	24.0	22.7	1.3	69.8	65.1	4.7
Industrial	3.2	3.2	—	9.6	10.1	(0.5)
Other	10.1	9.6	0.5	37.9	32.3	5.6
	$ 73.7	$ 68.7	$ 5.0	$ 201.4	$ 187.4	$ 14.0
Average consumers (thousands) [1]	235.3	233.6	1.7	234.7	232.7	2.0

[1] TNMP provides transmission and distribution services to REPs that provide electric service to consumers in TNMP's service territories. The number of consumers above represents the customers of these REPs. Under TECA, consumers in Texas have the ability to choose any REP to provide energy.

The following table shows GWh sales by retail tariff consumer class:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
	(Gigawatt hours)					
Residential	963.6	930.4	33.2	2,176.2	2,173.4	2.8
Commercial	714.7	692.5	22.2	1,854.2	1,796.7	57.5
Industrial	686.1	695.4	(9.3)	1,920.3	2,025.6	(105.3)
Other	27.6	26.5	1.1	77.3	78.0	(0.7)
	2,392.0	2,344.8	47.2	6,028.0	6,073.7	(45.7)

For the three and nine months ended September 30, 2013, revenues and margin increased by $1.4 million and $3.4 million compared to 2012 due to transmission cost of service rate increases in September 2012, March 2013, and September 2013. See Note 10. TNMP experienced positive year to date average customer growth of 0.9%. Weather had only minor impacts on results for the third quarter of 2013, but milder weather in the second quarter of 2013 compared to 2012 resulted in decreased revenues and margin of $1.4 million for the nine months ended September 30, 2013. For the three and nine months ended September 30, 2013, TNMP's weather normalized and leap-year adjusted retail KWh sales are up 3.3% and 1.9%. However, total retail KWh sales, excluding normalization, increased 2.0% and decreased 0.8% for the three and nine months ended September 30, 2013 compared to 2012.

Demand based revenues and margin for the three and nine months ended September 30, 2013 increased by $1.0 million and $2.6 million compared to 2012. This primarily results from TNMP, under a PUCT approved tariff, lowering the power factor billing threshold from 700 KW to 300 KW.

The AMS surcharge decreased revenues and margin by $0.1 million for the three months and increased revenues and margins by $2.0 million for the nine months 2013 compared to 2012, which amounts are offset by changes in operating expenses and depreciation. A decrease in the CTC surcharge rate decreased revenues and margin by $1.0 million and $2.8 million for the three and nine months ended September 30, 2013 compared to 2012, which amounts are offset by decreases in depreciation and amortization expense.

Customer related expense and administrative and general expense associated with the installation of additional meters under the AMS deployment decreased operating expenses $0.7 million for the three months and increased operating expense $0.5 million for the nine months ended September 30, 2013 compared to 2012. Higher property and sales tax expense of $0.6 million and $1.2 million increased operating expenses for the three and nine months ended September 30, 2013. Higher energy efficiency program expense of $0.4 million and $1.1 million increased operating expenses for the three and nine months ended September 30, 2013

compared to 2012, which amounts are offset by increases in operating revenue under TNMP's energy efficiency cost recovery factor. Higher employee benefits expense of $0.3 million and $0.6 million and higher incentive compensation expense of $0.2 million and $0.9 million also increased operating expenses for the three and nine months ended September 30, 2013 compared to 2012.

Depreciation expense associated with the AMS deployment, which is recovered through the AMS surcharge, increased $0.4 million and $1.2 million for the three and nine months ended September 30, 2013 compared to 2012. In addition, an increase in utility plant in service increased depreciation by $0.3 million and $1.0 million for the three and nine months ended September 30, 2013 compared to 2012. These increases are offset by lower amortization of the CTC regulatory asset of $0.8 million and $2.0 million for the three and nine months ended September 30, 2013 compared to 2012.

In April 2013, TNMP exchanged $93.2 million of its 9.5% First Mortgage Bonds for an equal amount of a new series of 6.95% First Mortgage Bonds. This resulted in decreases in interest expense of $0.6 million and $1.1 million during the three and nine months ended September 30, 2013, which were partially offset by increases in interest expense on short-term debt. See Note 8.

Corporate and Other

The table below summarizes the operating results for Corporate and Other:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
			(In millions)			
Total revenues	$ —	$ —	$ —	$ —	$ —	$ —
Cost of energy	—	—	—	—	—	—
Margin	—	—	—	—	—	—
Operating expenses	(3.3)	(4.8)	1.5	(10.2)	(12.7)	2.5
Depreciation and amortization	3.0	4.6	(1.6)	9.6	13.1	(3.5)
Operating income (loss)	0.3	0.2	0.1	0.6	(0.4)	1.0
Other income (deductions)	(3.5)	(0.9)	(2.6)	(7.5)	(4.9)	(2.6)
Net interest charges	(3.6)	(4.2)	0.6	(11.6)	(12.4)	0.8
Segment earnings (loss) before income taxes	(6.8)	(4.9)	(1.9)	(18.6)	(17.8)	(0.8)
Income (taxes) benefit	3.6	2.9	0.7	4.1	8.9	(4.8)
Segment earnings (loss)	$ (3.2)	$ (2.0)	$ (1.2)	$ (14.4)	$ (8.9)	$ (5.5)

Operating expenses for Corporate and Other are net of amounts allocated to PNM and TNMP under shared service agreements. Changes in depreciation and amortization are offset in operating expenses as a result of allocation of these costs to other business segments.

For the three and nine months ended September 30, 2013, depreciation and amortization decreased compared to 2012, primarily due to expenses of $1.5 million and $3.5 million of amortization of leasehold improvements for part of the Company's headquarters building that was abandoned and fully amortized during 2012. PNM and TNMP deferred their allocations of the accelerated amortization of leasehold improvements as regulatory assets to be recovered through rates. The related increases in operating expenses were offset by decreases in expenses for legal and consulting incurred in 2012 related to the Company's union negotiations and the restructuring of outsourcing arrangements for information technology, both of which did not recur in 2013, as well as the allocation of additional costs to PNM and TNMP in 2013, which were included in Corporate and Other in 2012.

The change in other income (deductions) during the three months and nine months ended September 30, 2013 is primarily due to losses related to premiums of $1.8 million and $3.0 million paid in 2013 for the repurchase of $14.7 million and $23.0 million principal amounts of PNMR's 9.25% Senior Unsecured Notes, Series A, due 2015. These repurchases were also primarily responsible for the decrease in net interest charges for the three and nine months ended September 30, 2013. In addition, other income (deductions) for the three and nine months ended September 30, 2012 included a pretax gain of $1.0 million resulting from the sale of First Choice recorded in September 2012. The gain on the sale of First Choice is partially offset by lower performance on other investments during the first six months of 2012 compared to 2013.

During the first six months of 2013, income (taxes) benefit for Corporate and Other included the impairment of New Mexico wind energy production tax credits of $3.9 million, after federal income tax benefit, and an expense of $1.2 million due to reductions in Corporate and Other's deferred tax assets resulting from newly-enacted legislation reducing future New Mexico corporate income tax rates. No such impairments or changes occurred in the three months ended September 30, 2013 or the nine months ended September 30, 2012. See Note 13.

LIQUIDITY AND CAPITAL RESOURCES

Statements of Cash Flows

The changes in PNMR's cash flows for the nine months ended September 30, 2013 compared to September 30, 2012 are summarized as follows:

	Nine Months Ended September 30,		
	2013	2012	Change
	(In millions)		
Net cash flows from:			
Operating activities	$ 311.0	$ 205.0	$ 106.0
Investing activities	(211.4)	(188.0)	(23.4)
Financing activities	(75.1)	(26.8)	(48.3)
Net change in cash and cash equivalents	$ 24.5	$ (9.7)	$ 34.2

The increase in PNMR's cash flows from operating activities relate to income tax refunds received of $95.5 million in 2013 compared to income taxes paid of $5.3 million in 2012 and $22.0 million lower contributions to the PNM and TNMP pension and other postretirement benefit plans in 2013 than in 2012. In addition, rate increases at TNMP and for two of PNM's firm-requirements wholesale customers, along with other changes in assets and liabilities resulting from normal operations increased operating cash flows. These increases were offset by refunds of $15.2 million made to customers related to the settlement of PNM's transmission rate case in 2013, $21.6 million of governmental grants received by PNM in 2012 that did not recur in 2013, and lower retail load at PNM.

The changes in PNMR's cash flows from investing activities relate primarily to an increase of $19.2 million in utility plant additions in the nine months ended September 30, 2013 compared to 2012. Utility plant additions at PNM were $20.1 million higher in the nine months ended September 30, 2013 than 2012, including increases in transmission and distribution additions of $33.9 million and renewable energy additions of $4.5 million. These increases were offset by $8.2 million lower nuclear fuel purchases, due to the acceleration of fuel deliveries in 2012 related to the financial difficulties of a supplier, and lower generation additions of $10.1 million. TNMP utility plant additions increased $7.6 million in the nine months ended September 30, 2013 compared to 2012, including increases in AMS additions of $4.4 million and other transmission and distribution additions of $3.2 million. Corporate plant additions decreased $8.5 million in the nine months ended September 30, 2013, primarily related to improvements made to the Company's corporate headquarters building in 2012. Proceeds from the sale of First Choice of $4.0 million received in 2012 included in investing activities also contributed to the change in cash flows.

The changes in cash flows from financing activities include a $77.4 million reduction in net short-term borrowings in the nine months ended September 30, 2013 compared to 2012. The decrease in short-term borrowings reflects the utilization of the tax refunds received in 2013. Cash flows from financing activities in 2013 also includes long-term borrowings of $75.0 million made at PNM, In addition, $13.0 million was paid in connection with TNMP's debt exchange and $26.0 million was paid by PNMR to repurchase $23.0 million of its outstanding 9.25% Senior Unsecured Notes, Series A, due 2015, in 2013.

Financing Activities

See Note 6 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K, for additional information concerning the Company's financing activities.

In December 2012, PNMR entered into the PNMR Term Loan Agreement, which must be repaid on or before December 27, 2013, borrowed $100.0 million under that agreement, and used the funds to repay $100.0 million in borrowings made under

the PNMR Revolving Credit Facility. PNMR anticipates that funds to repay the PNMR Term Loan Agreement at maturity will come from entering into a new arrangement similar to the PNMR Term Loan Agreement, borrowing under the PNMR Revolving Credit Agreement, or a combination of these sources. On April 22, 2013, PNM entered into the PNM Term Loan Agreement, which must be repaid on or before October 21, 2014, borrowed $75.0 million under that agreement, and used the funds to repay $75.0 million in borrowings made under the PNM Revolving Credit Facility. At September 30, 2013, average interest rates were 1.31% for the PNMR Term Loan Agreement and 1.44% for the PNM Term Loan Agreement.

The TNMP Revolving Credit Facility is a $75.0 million facility secured by $75.0 million aggregate principal amount of TNMP first mortgage bonds. On September 18, 2013, the TNMP Revolving Credit Facility was amended and restated extending its maturity date from December 16, 2015 to September 18, 2018.

Each of the term loans, as well as the PNMR Revolving Credit Facility, the PNM Revolving Credit Facility, and the TNMP Revolving Credit Facility, contain one financial covenant, which requires the maintenance of debt-to-capital ratios of less than or equal to 65%. These ratios for PNMR and PNM include the present value of payments under the PVNGS and EIP leases as debt.

On March 6, 2013, TNMP commenced an offer to exchange any and all of TNMP's $265.5 million aggregate principal amount outstanding 9.50% First Mortgage Bonds, due 2019, Series 2009A, for a new series of 6.95% First Mortgage Bonds due 2043, Series 2013A, and up to $140 in cash for each $1,000 of bonds exchanged. Settlement of the exchange offer occurred on April 3, 2013. Upon settlement, TNMP issued $93.2 million of 6.95% First Mortgage Bonds and paid an aggregate of $13.0 million in cash in exchange for $93.2 million of 9.50% First Mortgage Bonds, in addition to payment of accrued and unpaid interest on the exchanged bonds. The exchange resulted in the recording of a $23.2 million premium on the 6.95% First Mortgage Bonds reflecting the contractual interest rate being in excess of the market rate of interest on the date of the exchange. A regulatory asset was recorded offsetting the premium and the cash consideration paid in the exchange.

In the nine months ended September 30, 2013, PNMR purchased $23.0 million aggregate principal amount of its outstanding 9.25% Senior Unsecured Notes, Series A, due 2015, for $26.0 million plus accrued and unpaid interest.

On October 2, 2013, the NMPRC approved PNM's application to enter into a new revolving credit facility of up to $50.0 million with banks operating in New Mexico. PNM anticipates entering into a facility in late 2013.

In October 2013, the second of the two one-year extension options for the PNMR Revolving Credit Facility and the PNM Revolving Credit Facility were exercised extending the expiration of both facilities to October 31, 2018.

Capital Requirements

Total capital requirements consist of construction expenditures and cash dividend requirements for PNMR common stock and PNM preferred stock. Key activities in PNMR's current construction program include:

- Upgrading generation resources and additional renewable energy projects
- Expanding the electric transmission and distribution systems
- Purchasing nuclear fuel

Projected capital requirements, including amounts expended through September 30, 2013, are:

	2013	2014-2017	Total
		(In millions)	
Construction expenditures	$ 351.9	$ 1,438.2	$ 1,790.1
Dividends on PNMR common stock	51.0	210.3	261.3
Dividends on PNM preferred stock	0.5	2.1	2.6
Total capital requirements	$ 403.4	$ 1,650.6	$ 2,054.0

The construction expenditure estimates are under continuing review and subject to ongoing adjustment, as well as to Board review and approval. The construction expenditures above include additional renewable resources anticipated to be required to meet the RPS, additional peaking resources needed to meet needs outlined in PNM's current IRP, and environmental upgrades at Four Corners of $71.9 million estimated to be expended through 2017. The construction expenditures above do not include any amounts related to environmental upgrades at SJGS that ultimately may be required by EPA to address regional haze or expenditures

that could be required to replace capacity should environmental control at SJGS involve shutdown of one or more SJGS units. See Note 10 and Commitments and Contractual Obligations below. The ability of PNMR to pay dividends on its common stock is dependent upon the ability of PNM and TNMP to be able to pay dividends to PNMR. Note 5 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K describes regulatory and contractual restrictions on the payment of dividends by PNM and TNMP.

During the nine months ended September 30, 2013, PNMR met its capital requirements and construction expenditures through cash generated from operations, as well as its liquidity arrangements.

In addition to the capital requirements for construction expenditures and dividends, the Company has long-term debt that must be paid or refinanced at maturity. Note 6 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K contains information about the maturities of long-term debt. The Company has from time to time refinanced or repurchased portions of its outstanding debt before scheduled maturity. Depending on market conditions, the Company may refinance other debt issuances or make additional debt repurchases or enter into other liquidity arrangements in the future.

Liquidity

PNMR's liquidity arrangements include the PNMR Revolving Credit Facility and the PNM Revolving Credit Facility that both expire in October 2018 and the TNMP Revolving Credit Facility that expires in September 2018. The PNMR Revolving Credit Facility has a financing capacity of $300.0 million, the PNM Revolving Credit Facility has a financing capacity of $400.0 million, and the TNMP Revolving Credit Facility has a financing capacity of $75.0 million. The Company believes the terms and conditions of its facilities are consistent with those of other investment grade revolving credit facilities in the utility industry.

The revolving credit facilities provide short-term borrowing capacity and also allow letters of credit to be issued. Letters of credit reduce the available capacity under the facilities. The Company utilizes these credit facilities and cash flows from operations to provide funds for both construction and operational expenditures. The Company's business is seasonal with more revenues and cash flows from operations being generated in the summer months. In general, the Company relies on the credit facilities to be the initial funding source for construction expenditures. Accordingly, borrowings under the facilities may increase over time. Depending on market and other conditions, the Company will periodically sell long-term debt and use the proceeds to reduce the borrowings under the credit facilities. Borrowings under the PNMR Revolving Credit Facility ranged from zero to $71.8 million during the three months ended September 30, 2013 and from zero to $84.0 million during the nine months ended September 30, 2013. PNM had no borrowings under the PNM Revolving Credit Facility during the three months ended September 30, 2013 and borrowings ranged from zero to $130.8 million during the nine months ended September 30, 2013. Borrowings under the TNMP Revolving Credit Facility ranged from zero to $34.0 million during the three months ended September 30, 2013 and from zero to $40.0 million during the nine months ended September 30, 2013. At September 30, 2013, the average interest rate was 1.30% for the TNMP Revolving Credit Facility.

The Company currently believes that its capital requirements can be met through internal cash generation, existing or new credit arrangements, and access to public and private capital markets. To cover the difference in the amounts and timing of internal cash generation and cash requirements, the Company intends to use short-term borrowings under its current and future liquidity arrangements. However, if difficult market conditions experienced during 2008 and 2009 return or worsen, the Company may not be able to access the capital markets or renew credit facilities when they expire. Should that occur, the Company would seek to improve cash flows by reducing capital expenditures and exploring other available alternatives. Also, PNM may consider seeking authorization for the issuance of first mortgage bonds to improve access to the capital markets.

In addition to its internal cash generation, the Company anticipates that it will be necessary to obtain additional long-term financing to fund its capital requirements through 2017. This could include debt refinancing, new debt issuances, and/or new equity.

The Company's ability to access the credit and capital markets at a reasonable cost is largely dependent upon its:

- Ability to earn a fair return on its investments
- Results of operations
- Ability to obtain required regulatory approvals
- Conditions in the financial markets
- Credit ratings

The credit ratings for PNMR, PNM, and TNMP were set forth under the heading Liquidity in the MD&A contained in the 2012 Annual Reports on Form 10-K. On April 5, 2013, S&P raised the corporate credit ratings and the senior debt ratings for PNMR, PNM, and TNMP, as well as the preferred stock rating for PNM. S&P retained the outlook as stable for all entities. On June 21, 2013, Moody's changed the ratings outlook for PNMR, PNM, and TNMP to positive from stable. As of October 25, 2013, ratings on the Company's securities were as follows:

	PNMR	PNM	TNMP
S&P			
Senior secured debt	*	*	A-
Senior unsecured debt	BBB-	BBB	*
Preferred stock	*	BB+	*
Moody's			
Senior secured debt	*	*	A3
Senior unsecured debt	Ba1	Baa3	*
Preferred stock	*	Ba2	*

* Not applicable

Investors are cautioned that a security rating is not a recommendation to buy, sell, or hold securities, that it is subject to revision or withdrawal at any time by the assigning rating organization, and that each rating should be evaluated independently of any other rating.

A summary of liquidity arrangements, which do not include the PNMR Term Loan Agreement or the PNM Term Loan Agreement, as of October 25, 2013 is as follows:

	PNMR Separate	PNM Separate	TNMP Separate	PNMR Consolidated
		(In millions)		
Financing capacity - revolving credit facility	$ 300.0	$ 400.0	$ 75.0	$ 775.0
Amounts outstanding as of October 25, 2013:				
Revolving credit facility	—	—	7.0	7.0
Letters of credit	8.6	3.2	0.3	12.1
Total short–term debt and letters of credit	8.6	3.2	7.3	19.1
Remaining availability as of October 25, 2013	$ 291.4	$ 396.8	$ 67.7	$ 755.9
Invested cash as of October 25, 2013	$ 6.5	$ 15.7	$ —	$ 22.2

The above table excludes intercompany debt. The remaining availability under the revolving credit facilities at any point in time varies based on a number of factors, including the timing of collections of accounts receivables and payments for construction and operating expenditures.

For offerings of securities registered with the SEC, PNMR has a shelf registration statement expiring in March 2014. This shelf registration statement has unlimited availability and can be amended to include additional securities, subject to certain restrictions and limitations. PNMR can also offer new shares of common stock through the PNM Resources Direct Plan under a separate SEC shelf registration statement that expires in August 2015. PNM has a shelf registration statement for up to $440.0 million of senior unsecured notes that will expire in May 2014.

Off-Balance Sheet Arrangements

PNMR's off-balance sheet arrangements include PNM's operating lease obligations for PVNGS Units 1 and 2, the EIP transmission line, and Delta. These arrangements help ensure PNM the availability of lower-cost generation needed to serve customers. See MD&A - Off-Balance Sheet Arrangements and Notes 7, 9, and 16 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K. See Note 4 for additional information concerning the PVNGS Leases and Delta. See Note 10 for additional information concerning the EIP transmission line.

Commitments and Contractual Obligations

PNMR, PNM, and TNMP have contractual obligations for long-term debt, operating leases, construction expenditures, purchase obligations, and certain other long-term obligations. See MD&A - Commitments and Contractual Obligations in the 2012 Annual Reports on Form 10-K.

Contingent Provisions of Certain Obligations

As discussed in the 2012 Annual Reports on Form 10-K, PNMR, PNM, and TNMP have a number of debt obligations and other contractual commitments that contain contingent provisions. Some of these, if triggered, could affect the liquidity of the Company. In the unlikely event that the contingent requirements were to be triggered, PNMR, PNM, or TNMP could be required to provide security, immediately pay outstanding obligations, or be prevented from drawing on unused capacity under certain credit agreements. The contingent provisions also include contractual increases in the interest rate charged on certain of the Company's short-term debt obligations in the event of a downgrade in credit ratings. The Company believes its financing arrangements are sufficient to meet the requirements of the contingent provisions. No conditions have occurred that would result in any of the above contingent provisions being implemented.

Capital Structure

The capitalization tables below include the current maturities of long-term debt, but do not include short-term debt and do not include operating lease obligations as debt.

	September 30, 2013	December 31, 2012
PNMR		
PNMR common equity	48.6%	48.9%
Preferred stock of subsidiary	0.3%	0.3%
Long-term debt	51.1%	50.8%
Total capitalization	100.0%	100.0%
PNM		
PNM common equity	49.6%	50.5%
Preferred stock	0.4%	0.5%
Long-term debt	50.0%	49.0%
Total capitalization	100.0%	100.0%
TNMP		
Common equity	58.9%	59.8%
Long-term debt	41.1%	40.2%
Total capitalization	100.0%	100.0%

OTHER ISSUES FACING THE COMPANY

Climate Change Issues

Background

According to EPA, gases that trap heat in the atmosphere are called greenhouse gases. The four primary greenhouse gases are CO_2, methane, nitrous oxide, and fluorinated gases, including chlorofluorocarbons such as freon. In 2012, GHG associated with PNM's interests in generating plants were approximately 6.7 million metric tons of CO_2, which comprises the vast majority of PNM's GHG. By comparison, the total GHG in the United States in 2011, the latest year for which EPA has published this data, were approximately 6.7 billion metric tons, of which approximately 5.6 billion metric tons were CO_2.

PNM has several programs underway to reduce or offset its GHG from its resource portfolio, thereby reducing its exposure to climate change regulation. See Note 11. In 2011, PNM completed construction of 22 MW of utility-scale solar generation

located at five sites on PNM's system throughout New Mexico. In 2013, PNM is expanding its renewable energy portfolio by constructing 21.5 MW of utility-scale solar generation that will be online by the end of the year. On July 1, 2013, PNM filed its 2014 renewable energy procurement plan with the NMPRC that requests approval for construction of an additional 23 MW of utility-scale solar generation. If the plan is approved, the proposed generation will be online by the end of 2014. Since 2003 PNM has purchased the entire output of the 204 MW New Mexico Wind Energy Center and also included in the 2014 plan is a request for approval of the purchase of the full output of the 102 MW Red Mesa Wind Center beginning in January 2015. PNM has signed a 20-year PPA for the output of a 10 MW geothermal facility to be in service in 2014. Additionally, PNM has a customer distributed solar generation program that represented almost 20 MW at the end of 2012. PNM offers its customers a comprehensive portfolio of energy efficiency and load management programs, with a 2012 budget of over $17 million, that PNM estimates saved approximately 79 GWh of electricity in 2012. Over the next 18 years, PNM projects the expanded energy efficiency and load management programs will provide the equivalent of approximately 12,185 GWh of electricity, which will avoid at least 6.1 million metric tons of CO_2 based upon projected emissions from PNM's system-wide resources. These estimates are subject to change based upon the difficulty in accurately estimating avoidance because of the high uncertainty of many of the underlying variables and complex interrelationships between those variables, including changes in demand for electricity.

Management periodically updates the Board on implementation of the corporate environmental policy and the Company's environmental management systems, promotion of energy efficiency, and use of renewable resources. The Board is also advised of the Company's practices and procedures to assess the sustainability impacts of operations on the environment. The Board considers associated issues around climate change, the Company's GHG exposures, and potential financial consequences that might result from potential federal and/or state regulation of GHG.

As of December 31, 2012, approximately 81.8% of PNM's owned and leased generating capacity, all of which is located within the United States, consisted of coal or gas-fired generation that produces GHG. Based on current forecasts, the Company does not expect its output of GHG from existing sources to increase significantly in the near-term. Many factors affect the amount of GHG emitted. For example, if new natural gas-fired generation resources are added to meet increased load as anticipated in PNM's current IRP, GHG would be incrementally increased. In addition, plant performance could impact the amount of GHG emitted. If PVNGS experienced prolonged outages, PNM might be required to utilize other power supply resources such as gas-fired generation, which could increase GHG. As described in Note 10, on February 15, 2013, PNM, NMED, and EPA agreed to pursue a strategy to address the regional haze requirements of the CAA at the coal-fired SJGS, which would include the shutdown of SJGS Units 2 and 3. The shutdown of Units 2 and 3 will result in a reduction of GHG of approximately 50 percent at SJGS. That agreement also contemplates that gas-fired generation would be built to partially replace the retired capacity. Although replacement power strategies have not been finalized, the reduction in GHG from the retirement of the coal-fired generation would be far greater than the increase in GHG from replacement with gas-fired generation. On September 5, 2013, the EIB unanimously approved a revised SIP submitted by NMED that encompassed the February 15, 2013 agreement and the revised SIP was submitted to EPA for approval on October 18, 2013. EPA action on the revised SIP is projected for late 2014.

Because of PNM's dependence on fossil-fueled generation, any legislation or regulation that imposes a limit or cost on GHG could impact the cost at which electricity is produced. While PNM expects to recover that cost through rates, the timing and outcome of proceedings for cost recovery are uncertain. In addition, to the extent that any additional costs are recovered through rates, customers may reduce their demand, relocate facilities to other areas with lower energy costs, or take other actions that ultimately will adversely impact PNM.

Given the geographic location of its facilities and customers, PNM generally has not been exposed to the extreme weather events and other physical impacts commonly attributed to climate change, with the exception of periodic drought conditions. Climate changes are generally not expected to have material consequences in the near-term. Drought conditions in northwestern New Mexico could impact the availability of water for cooling coal-fired generating plants. Water shortage sharing agreements have been in place since 2004, although no shortage has been declared due to sufficient precipitation in the San Juan River basin. PNM also has a supplemental water contract in place with the Jicarilla Apache Nation to help address any water shortages from primary sources. The contract expires on December 31, 2016. TNMP has operations in the Gulf Coast area of Texas, which experiences periodic hurricanes and drought conditions. In addition to potentially causing physical damage to TNMP-owned facilities, which disrupt the ability to transmit and/or distribute energy, hurricanes can temporarily reduce customers' usage and demand for energy.

EPA Regulation

In April 2007, the United States Supreme Court held that EPA has the authority to regulate GHG under the CAA. This decision heightened the importance of this issue for the energy industry. In December 2009, EPA released its endangerment finding

stating that the atmospheric concentrations of six key greenhouse gases (CO_2, methane, nitrous oxides, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride) endanger the public health and welfare of current and future generations. In May 2010, EPA released the final PSD and Title V Greenhouse Gas Tailoring Rule (the "Tailoring Rule") to address GHG from stationary sources under the CAA permitting programs. The purpose of the rule is to "tailor" the applicability of two programs, PSD and Title V operating permit programs, to avoid impacting millions of small GHG emitters. The rule focuses on the largest sources of GHG, including fossil-fueled electric generating units. This program currently covers new construction projects that emit GHG of at least 100,000 tons per year (even if PSD is not triggered for other pollutants). In addition, modifications at existing facilities that increase GHG by at least 75,000 tons per year will be subject to PSD permitting requirements, even if they do not significantly increase emissions of any other pollutant. All of PNM's fossil-fueled generating plants are potentially subject to the Tailoring Rule because of the magnitude of non-GHG, but the existing plants do not have any currently planned projects that would trigger PSD permitting for GHG. Any newly constructed fossil-fired power plant would likely be subject to the Tailoring Rule.

On June 26, 2012, the D.C. Circuit rejected challenges to EPA's 2009 GHG endangerment finding, GHG standards for light-duty vehicles, PSD Interpretive Memorandum (EPA's so-called GHG "Timing Rule"), and Tailoring Rule. The Court found that EPA's endangerment finding and its light-duty vehicle rule "are neither arbitrary nor capricious," that "EPA's interpretation of the governing CAA provisions is unambiguously correct," and that "no petitioner has standing to challenge the Timing and Tailoring Rules."

On October 15, 2013, the United States Supreme Court granted a petition for a Writ of Certiorari regarding the permitting of stationary sources that emit GHG. The Supreme Court limited the question that it will be reviewing to: "Whether EPA permissibly determined that its regulation of greenhouse gas emissions from new motor vehicles triggered permitting requirements under the Clean Air Act for stationary sources that emit greenhouse gases." Specifically, the case deals with whether EPA's determination that regulation of GHG from motor vehicles required EPA to regulate stationary sources under the PSD and Title V permitting programs. The petitioners argued that EPA's determination that it was required to regulate GHG under the PSD and Title V Programs was unlawful as it violates Congressional intent.

On March 27, 2012, EPA issued its proposed carbon pollution standards for GHG from new fossil-fueled electric generating units ("EGUs"). The proposed NSPS set a limit of 1,000 lb CO_2/MWh and would cover newly constructed fossil-fueled EGUs larger than 25 MW. The proposed limit was based on the performance of natural gas combined cycle technology. Therefore, coal-fired power plants would only be able to comply with the standard by using carbon capture and sequestration technology. The proposed rule included an exemption for simple cycle EGUs. EPA accepted comment on the proposed rule through June 25, 2012 during which EPA received over 2.5 million comments on the proposed rule.

On June 25, 2013, President Obama announced the President's Climate Action Plan which outlines how his administration plans to cut GHG in the United States, prepare the country for the impacts of climate change, and lead international efforts to combat and prepare for global warming. The plan proposes actions that would lead to the reduction of GHG by 17% below 2005 levels by 2020. The President also issued a Presidential Memorandum to EPA to continue development of the GHG NSPS regulations for electric generators. The Presidential Memorandum establishes a timeline for the reproposal and issuance of an GHG NSPS for new sources and a timeline for the proposal and final rule for developing carbon pollution standards, regulations or guidelines for GHG reductions from existing sources. EPA met the President's timeline for the reproposal of the GHG NSPS for new sources by releasing the draft rule on September 20, 2013. In accordance with the Presidential Memorandum, EPA will issue a final rule in "a timely fashion thereafter." EPA is also directed to issue the proposed GHG NSPS for modified and existing EGUs by June 1, 2014 and issue the final rule by June 1, 2015. Each state then must submit a SIP that addresses how the state will comply with the new regulation no later than June 30, 2016.

The Presidential Memorandum further directs EPA to allow the use of "market-based instruments" and "other regulatory flexibilities" to ensure standards will allow for continued reliance on a range of energy sources and technologies and that they are developed and implemented in a manner that provides for reliable and affordable energy and to undertake the rulemaking through direct engagement with States, "as they will play a central role in establishing and implementing standards for existing power plants," and with utility leaders, labor leaders, non-governmental organizations, tribal officials and other stakeholders.

EPA's reproposed GHG NSPS for new sources published on September 20, 2013 apply only to new EGUs. The reproposed standard would revise requirements for new fossil-fired utility boilers, integrated gasification combined cycle units, combined and simple cycle turbines, and new sources meeting certain other criteria. New fossil fuel-fired utility boilers including coal-fired and integrated gasification combined cycle units would be required to meet an emissions limit of 1,100 pounds of CO_2 per MWh on a 12-operating month rolling average basis or an alternative limit of 1,000 to 1,050 pounds of CO_2 per MWh based on an 84-operating month average. New coal-fired facilities would only be able to meet the standard by using carbon capture and sequestration

technology. New combined or simple cycle gas turbines would be subject to an emission limit of either 1,000 or 1,100 pounds of CO_2 per MWh based on whether the rated capacity of the unit is above or below 850 million BTUs per hour. The reproposed GHG NSPS removed the blanket exemption for simple-cycle turbines and instead provided an exemption for units that sell to the transmission grid less than one-third of their potential electric output over a 3-year rolling average.

EPA regulation of GHG from large stationary sources will impact PNM's fossil-fueled EGUs. Impacts could involve investments in efficiency improvements and/or control technologies at the fossil-fueled EGUs. In setting existing source standards, EPA has historically used technology-based performance standards on emission rates. The only end-of-pipe emission control technology for coal and gas fired power plants available for GHG reduction is carbon capture and sequestration, which is not yet a commercially demonstrated technology. There are limited efficiency enhancement measures that may be available to a subset of the existing EGUs; however, such measures would provide only marginal GHG improvements. It is also possible EPA may consider a broader range of emission reduction measures, such as fuel switching, end use energy efficiency, or renewable energy deployment. Additional GHG control technologies for existing EGUs may become viable in the future. The costs of such improvements or technologies could impact the economic viability of some plants.

The ultimate impact of EPA's regulation of GHG to PNM is unknown because the regulatory requirements, including BACT implications and NSPS requirements, are in draft form or are still developing. PNM estimates that implementation of the revised SIP for BART at SJGS, which requires the installation of SNCRs on Units 1 and 4 by January 2016 or 15 months after EPA approval of a revised SIP and the retirement of SJGS Units 2 and 3 by the end of 2017, will allow PNM on a system-wide basis to meet or exceed the President's GHG reduction goal of 17% below 2005 levels by 2020 if the goal is is to be applied on a utility-by-utility basis. The reduction in CO_2 emissions that will result from implementation of the revised SIP may allow PNM to meet future GHG regulations; however, until such regulations are finalized, PNM is uncertain of the requirements for compliance.

Federal Legislation

Prospects for enactment of legislation imposing a new or enhanced regulatory program to address climate change in Congress are unlikely in 2013, although there is growing interest among some policymakers in addressing climate change and there may be legislation in the future. Instead, EPA is the primary venue for GHG regulation in the near future, especially for coal-fired units. PNM has assessed, and continues to assess, the impacts of potential climate change legislation or regulation on its business. This assessment is preliminary, and future changes arising out of the legislative or regulatory process could impact the assessment significantly. PNM's assessment includes assumptions regarding the specific GHG limits, the timing of implementation of these limits, the possibility of a cap and trade program including the associated costs and the availability of offsets, the development of technologies for renewable energy and to reduce emissions, and provisions for cost containment. Moreover, the assessment assumes various market reactions such as the price of coal and gas and regional plant economics. These assumptions, at best, are preliminary and speculative. However, based upon these assumptions, the enactment of climate change legislation could, among other things, result in significant compliance costs, including large capital expenditures by PNM, and could jeopardize the economic viability of certain generating facilities. See Note 10. In turn, these consequences could lead to increased costs to customers and affect results of operations, cash flows, and financial condition if the incurred costs are not fully recovered through regulated rates. Higher rates could also contribute to reduced demand for electricity. PNM's assessment process is ongoing, but too preliminary and speculative at this time for the meaningful prediction of financial impact.

State and Regional Activity

Pursuant to New Mexico law, each utility must submit an IRP to the NMPRC every three years to evaluate renewable energy, energy efficiency, load management, distributed generation, and conventional supply-side resources on a consistent and comparable basis. The IRP is required to take into consideration risk and uncertainty of fuel supply, price volatility, and costs of anticipated environmental regulations when evaluating resource options to meet supply needs of the utility's customers. The NMPRC issued an order in June 2007, requiring that New Mexico utilities factor a standardized cost of carbon emissions into their IRPs using prices ranging between $8 and $40 per metric ton of CO_2 emitted and escalating these costs by 2.5% per year. Under the NMPRC order, each utility must analyze these standardized prices as projected operating costs. Reflecting the developing nature of this issue, the NMPRC order states that these prices may be changed in the future to account for additional information or changed circumstances. However, PNM is required to use these prices for purposes of its IRP, and the prices may not reflect the costs that it ultimately will incur. PNM's IRP filed with the NMPRC on July 18, 2011 (Note 11) showed that while consideration of the NMPRC required carbon emissions costs did not significantly change the resource decisions regarding future facilities over the next 20 years, it did slightly impact the projected in-service dates of some of the identified resources. Much higher GHG costs than assumed in the NMPRC analysis are necessary to impact future resource decisions. The primary consequence of the standardized cost of carbon emissions was an increase to generation portfolio costs.

In recent years, New Mexico adopted regulations, which have since been repealed, that would directly limit GHG from larger sources, including EGUs, through a regional GHG cap and trade program and that would cap GHG from larger sources such as electric generation units. Although these rules have been repealed, PNM cannot rule out future state legislative or regulatory initiatives to regulate GHG.

On August 2, 2012, 33 New Mexico organizations representing public health, business, environmental, consumers, Native American and other interested parties filed a petition for rulemaking with the NMPRC. The petition asked the NMPRC to issue a NOPR regarding the implementation of an Optional Clean Energy Standard for electric utilities located in New Mexico. The proposed standard would have utilities that elect to participate reduce their CO_2 emissions by 3% per year. Utilities that opt into the program would be assured recovery of their reasonable compliance costs. On October 4, 2012, the NMPRC held a workshop to discuss the proposed standard and whether it has authority to proceed with the NOPR. On August 23, 2013, the petitioners amended the August 2, 2012 petition and requested that the NMPRC issue a NOPR to implement a "Carbon Risk Reduction Rule" for electric utilities in New Mexico. The proposed rule would require affected utilities to demonstrate a 3% per year CO_2 emission reduction from a base year between 2005 and 2012. The proposed rule would use a credit system that provides credits for electricity production based on how much less than 1.0 metric ton of CO_2 per MWh the utility emits. Credits would be retired such that 3% per year reductions are achieved from the baseline year until 2035 unless a participating utility elects to terminate the program early. Credits would not expire and could be banked. An advisory committee of interested stakeholders would monitor the program. In addition, utilities would be allowed to satisfy their obligations by funding NMPRC approved energy efficiency programs. There has been no further action on this matter at the NMPRC.

International Accords

The Company monitors international treaties and accords such as the Kyoto Protocol and the EU Emissions Trading System to determine potential impacts to their business activities. The Company does not anticipate any direct impact near-term from international accords.

Transmission Issues

At any given time, FERC has various notices of inquiry and rulemaking dockets related to transmission issues pending. Such actions may lead to changes in FERC administrative rules or ratemaking policy, but have no time frame in which action must be taken or a docket closed with no further action. Further, such notices and rulemaking dockets do not apply strictly to PNM, but will have industry-wide effects in that they will apply to all FERC-regulated entities. PNM monitors and often submits comments taking a position in such notices and rulemaking dockets or may join in larger group responses. PNM often cannot determine the full impact of a proposed rule and policy change until the final determination is made by FERC and PNM is unable to predict the outcome of these matters.

On November 24, 2009, FERC issued Order 729 approving two Modeling, Data, and Analysis Reliability Standards ("Reliability Standards") submitted by NERC – MOD-001-1 (Available Transmission System Capability) and MOD-029-1 (Rated System Path Methodology). Both MOD-001-1 and MOD-029-1 require a consistent approach, provided for in the Reliability Standards, to measuring the total transmission capability ("TTC") of a transmission path. The TTC level established using the two Reliability Standards could result in a reduction in the available transmission capacity currently used by PNM to deliver generation resources necessary for its jurisdictional load and for fulfilling its obligations to third-party users of the PNM transmission system.

During the first quarter of 2011, at the request of PNM and other southwestern utilities, NERC advised all transmission owners and transmission service providers that the implementation of portions of the MOD-029 methodology for "Flow Limited" paths has been delayed until such time as a modification to the standard can be developed that will mitigate the technical concerns identified by the transmission owners and transmission service providers. PNM and other western utilities filed a Standards Action Request with NERC in the second quarter of 2012 and are waiting for the request to be processed through NERC's standards development.

In July 2011, FERC issued Order 1000 adopting new requirements for transmission planning, cost allocation, and development. Order 1000 calls for significant changes to the transmission process of WestConnect, an organization of utility companies providing transmission of electricity in the western region that includes PNM. On October 11, 2012, PNM and other WestConnect participants filed modified versions of Attachment K to their transmission tariffs to meet Order 1000 regional compliance requirements. Thirteen intervention motions were filed, with several objecting to and/or protesting various provisions of the filings submitted by the WestConnect participants. On December 17, 2012, the WestConnect participants filed responses

to the issues raised by the intervenors. On March 22, 2013, FERC issued its order regarding PNM's and six other WestConnect FERC jurisdictional utilities compliance filings. FERC partially accepted many aspects of the filings including the governance structure that gives the transmission owners a veto authority over the regional plan and cost allocations. A major change directed by FERC is the requirement that the cost allocations be binding on identified beneficiaries and that a process be created that will result in a qualified developer being selected. WestConnect members are evaluating the order and will be required to submit revised filings. The WestConnect participants requested an extension of time to file updated compliance filings reflecting the March 22, 2013 FERC order regarding the original October 11, 2012 Attachment K submittals. On July 3, FERC issued an order granting the requests and extending the filing date to September 20, 2013. PNM and the other WestConnect FERC jurisdictional entities submitted compliance filings on September 20, 2013. On July 11, 2013 the WestConnect participants submitted an additional compliance filing to address the planning and cost allocation between WestConnect and other regions.

Financial Reform Legislation

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Reform Act"), enacted in July 2010, includes provisions that will require certain over-the-counter derivatives, or swaps, to be centrally cleared and executed through an exchange or other approved trading facility. It also includes provisions related to swap transaction reporting and recordkeeping and may impose margin requirements on swaps that are not centrally cleared. The United States Commodity Futures Trading Commission ("CFTC") has published final rules defining several key terms related to the act and has set compliance dates for various types of market participants. The Dodd-Frank Reform Act provides exemptions from certain requirements, including an exception to the mandatory clearing and swap facility execution requirements for commercial end-users that use swaps to hedge or mitigate commercial risk. PNM expects to qualify for this exception. PNM also expects to be able to comply with its requirements under the Dodd-Frank Reform Act and related rules within the time frames required by the CFTC. However, as a result of the Dodd-Frank Reform Act and related rules, PNM's swap activities could be subject to increased costs, including from higher margin requirements. In addition, implementation of, and compliance with, the swaps provisions of the Dodd-Frank Reform Act and related rules by PNM's swap counterparties could result in increased costs. At this time, PNM cannot predict the ultimate impact the Dodd-Frank Reform Act may have on PNM's financial condition, results of operations, cash flows, or liquidity.

Other Matters

On March 25, 2013, a petition was filed by IBEW Local 66 with the National Labor Relations Board seeking to certify a union at TNMP for utility workers. On April 12, 2013, a second petition was filed by IBEW Local 66 with the National Labor Relations Board seeking to certify a union at TNMP for meter technicians, who were not included in the original petition. Approximately 200 employees are covered by the petitions. Elections to determine whether the IBEW would represent the employees were held in May 2013. The employees voted to unionize through both petitions and contract negotiations have begun. Subsequently, on June 25, 2013, a third petition was filed by IBEW Local 66 with the National Labor Relations Board seeking to include a group of three relay technicians, who were not included in the original petition. In August 2013, the relay technicians voted to unionize and contract negotiations have begun.

See Notes 10 and 11 herein and Notes 16 and 17 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K for a discussion of commitments and contingencies and rate and regulatory matters.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires Company management to select and apply accounting policies that best provide the framework to report the results of operations and financial position for PNMR, PNM, and TNMP. The selection and application of those policies requires management to make difficult, subjective, and/or complex judgments concerning reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. As a result, there exists the likelihood that materially different amounts would be reported under different conditions or using different assumptions.

As of September 30, 2013, there have been no significant changes with regard to the critical accounting policies disclosed in PNMR's, PNM's, and TNMP's 2012 Annual Reports on Forms 10-K. The policies disclosed included unbilled revenues, regulatory accounting, impairments, decommissioning costs, derivatives, pension and other postretirement benefits, accounting for contingencies, income taxes, and market risk.

MD&A FOR PNM

RESULTS OF OPERATIONS

PNM operates in only one reportable segment, as presented above in Results of Operations for PNMR.

MD&A FOR TNMP

RESULTS OF OPERATIONS

TNMP operates in only one reportable segment, as presented above in Results of Operations for PNMR.

DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

Statements made in this filing that relate to future events or PNMR's, PNM's, or TNMP's 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 flows, 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 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 risk that reliability standards regarding available transmission capacity and other FERC 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
- 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, including the ability of the mines supplying coal to PNM's coal-fired generating units and the companies involved in supplying nuclear fuel to provide adequate quantities of fuel
- Uncertainty surrounding the status of PNM's participation in jointly-owned generation projects resulting from the scheduled expiration of the operational and fuel supply agreements for the projects, including potential restructuring and approval issues at SJGS and Four Corners necessary for operational and environmental compliance matters
- 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 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 decommissioning, reclamation, pension benefits, 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
- Changes in applicable accounting principles

Any material changes to risk factors occurring after the filing of PNMR's, PNM's, and TNMP's 2012 Annual Reports on Form 10-K are disclosed in Item 1A, Risk Factors, in Part II of this Form 10-Q.

For information about the risks associated with the use of derivative financial instruments, see Item 3. "Quantitative and Qualitative Disclosures About Market Risk."

SECURITIES ACT DISCLAIMER

Certain securities described or cross-referenced in this report have not been registered under the Securities Act of 1933, as amended, or any state securities laws and may not be reoffered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. This Form 10-Q does not constitute an offer to sell or the solicitation of an offer to buy any securities.

WEBSITES

The PNMR website, www.pnmresources.com, is an important source of Company information. New or updated information for public access is routinely posted. PNMR encourages analysts, investors, and other interested parties to register on the website to automatically receive Company information by e-mail. This information includes news releases, notices of webcasts, and filings with the SEC. Participants can unsubscribe at any time and will not receive information that was not requested.

Our Internet addresses are:

- PNMR: www.pnmresources.com
- PNM: www.pnm.com
- TNMP: www.tnmp.com

The contents of these websites are not a part of this Form 10-Q. The SEC filings of PNMR, PNM, and TNMP, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are accessible free of charge on the PNMR website as soon as reasonably practicable after they are filed with, or furnished to, the SEC. These reports are also available in print upon request from PNMR free of charge.

Also available on the Company's website at www.pnmresources.com/investors/governance.cfm and in print upon request from any shareholder are our:

- Corporate Governance Principles
- Code of Ethics (*Do the Right Thing-Principles of Business Conduct*)
- Charters of the Audit and Ethics Committee, Nominating and Governance Committee, Compensation and Human Resources Committee, and Finance Committee

The Company will post amendments to or waivers from its code of ethics (to the extent applicable to the Company's executive officers and directors) on its website.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company manages the scope of its various forms of risk through a comprehensive set of policies and procedures with oversight by senior level management through the RMC. The Board's Finance Committee sets the risk limit parameters. The RMC has oversight over the risk control organization. The RMC is assigned responsibility for establishing and enforcing the policies, procedures and limits and evaluating the risks inherent in proposed transactions on an enterprise-wide basis. The RMC's responsibilities include:

- Establishment of policies regarding risk exposure levels and activities in each of the business segments
- Approval of the types of derivatives entered into for hedging
- Review and approval of hedging risk activities

- Establishment of policies regarding counterparty exposure and limits
- Authorization and delegation of transaction limits
- Review and approval of controls and procedures for derivative activities
- Review and approval of models and assumptions used to calculate mark-to-market and market risk exposure
- Proposing risk limits to the Board's Finance Committee for its approval
- Quarterly reporting to the Board's Audit and Finance Committees on these activities.

To the extent an open position exists, fluctuating commodity prices, interest rates, equity prices, and economic conditions can impact financial results and financial position, either favorably or unfavorably. As a result, the Company cannot predict with certainty the impact that its risk management decisions may have on its businesses, operating results, or financial position.

Commodity Risk

Information concerning accounting for derivatives and the risks associated with commodity contracts is set forth in Note 5, including a summary of the fair values of mark-to-market energy related derivative contracts included in the Condensed Consolidated Balance Sheets. During the nine months ended September 30, 2013 and the year ended December 31, 2012, PNMR and PNM had no commodity derivative instruments designated as cash flow hedging instruments.

Commodity contracts that meet the definition of a derivative under GAAP, other than those derivatives designated as normal purchases and normal sales, are recorded at fair value on the Condensed Consolidated Balance Sheets. The following table details the changes in PNMR's net asset or liability balance sheet position for mark-to-market energy transactions:

	Nine Months Ended September 30,	
	2013	2012
Economic Hedges	(In thousands)	
Sources of fair value gain (loss):		
Net fair value at beginning of period	$ 1,204	$ (356)
Amount realized on contracts delivered during period	(306)	(3,695)
Changes in fair value	6,164	619
Net mark-to-market change recorded in earnings	5,858	(3,076)
Net change recorded as regulatory assets and liabilities	601	(42)
Net fair value at end of period	$ 7,663	$ (3,474)

The following table provides the maturity of PNMR's net assets (liabilities) other than cash flow hedges, giving an indication of the calendar year in which these mark-to-market amounts will settle and generate (use) cash.

Fair Value of Mark-to-Market Instruments at September 30, 2013

	Settlement Dates			
	2013	2014	2015	2016
	(In thousands)			
Economic hedges				
Prices actively quoted	$ —	$ —	$ —	$ —
Prices provided by other external sources	1,298	4,464	2,269	(368)
Prices based on models and other valuations	—	—	—	—
Total	$ 1,298	$ 4,464	$ 2,269	$ (368)

PNM measures the market risk of its long-term contracts and wholesale activities using a Monte Carlo VaR simulation model to report the possible loss in value from price movements and is not a measure of the potential accounting mark-to-market loss. The quantitative risk information is limited by the parameters established in creating the model. The Monte Carlo VaR methodology employs the following critical parameters: historical volatility estimates, market values of all contractual commitments, a three-day holding period, seasonally adjusted and cross-commodity correlation estimates, and a 95% confidence

level. The instruments being evaluated may trigger a potential loss in excess of calculated amounts if changes in commodity prices exceed the confidence level of the model used.

PNM measures VaR for the positions in its wholesale portfolio that are not covered by a FPPAC. For the nine months ended September 30, 2013, the high, low, and average VaR amounts were $1.4 million, $0.6 million, and $1.0 million. For the year ended December 31, 2012, the high, low, and average VaR amounts were $1.4 million, $0.3 million, and $0.6 million. At September 30, 2013 and December 31, 2012, the VaR amounts for the PNM wholesale portfolio were $0.7 million and $0.5 million.

The VaR limits, which were not exceeded during the nine months ended September 30, 2013 or the year ended December 31, 2012, represent an estimate of the potential gains or losses that could be recognized on the Company's portfolios, subject to market risk, given current volatility in the market, and are not necessarily indicative of actual results that may occur, since actual future gains and losses will differ from those estimated. Actual gains and losses may differ due to actual fluctuations in market prices, operating exposures, and the timing thereof, as well as changes to the underlying portfolios during the year.

Credit Risk

The Company is exposed to credit risk from its retail and wholesale customers, as well as counterparties to derivative instruments. The Company conducts counterparty risk analysis across business segments and uses a credit management process to assess the financial conditions of counterparties.

The following table provides information related to PNMR's credit exposure by the credit worthiness (credit rating) and concentration of credit risk for counterparties to derivative transactions. All credit exposures at September 30, 2013 will mature in less than two years, except for $0.8 million that matures in the fourth quarter of 2015.

Schedule of Credit Risk Exposure
September 30, 2013

Rating [1]	Credit Risk Exposure[2]	Number of Counter-parties >10%	Credit Risk Exposure of Counter-parties >10%
	(Dollars in thousands)		
External ratings:			
Investment grade	$ 12,644	2	$ 11,281
Non-investment grade	—	—	—
Split ratings	—		
Internal ratings:			
Investment grade	548	—	—
Non-investment grade	88	—	—
Total	$ 13,280		$ 11,281

(1) The rating "Investment Grade" is for counterparties, or a guarantor, with a minimum S&P rating of BBB- or Moody's rating of Baa3. The category "Internal Ratings - Investment Grade" includes those counterparties that are internally rated as investment grade in accordance with the guidelines established in the Company's credit policy.

(2) The Credit Risk Exposure is the gross credit exposure, including long-term contracts (other than firm-requirements wholesale customers), forward sales, and short-term sales. The exposure captures the amounts from receivables/ payables for realized transactions, delivered and unbilled revenues, and mark-to-market gains/losses. Gross exposures can be offset according to legally enforceable netting arrangements but are not reduced by posted credit collateral. At September 30, 2013, PNMR held no credit collateral to offset its credit exposure.

The Company provides for losses due to market and credit risk. Net credit risk for the Company's largest counterparty as of September 30, 2013 was $7.5 million.

The PVNGS lessor notes are not exposed to credit risk, since the notes are repaid as PNM makes payments on the underlying leases. Other investments have no significant counterparty credit risk.

Interest Rate Risk

The majority of the Company's long-term debt is fixed-rate debt and does not expose earnings to a major risk of loss due to adverse changes in market interest rates. However, the fair value of PNMR's consolidated long-term debt instruments would increase by 3.6%, or $69.3 million, if interest rates were to decline by 50 basis points from their levels at September 30, 2013. In general, an increase in fair value would impact earnings and cash flows to the extent not recoverable in rates if all or a portion of debt instruments were acquired in the open market prior to their maturity. TNMP has long-term debt of $50.0 million that bears interest at a variable rate. However, TNMP has also entered into a hedging arrangement that effectively results in this debt bearing interest at a fixed rate, thereby eliminating interest rate risk. At October 25, 2013, PNMR, PNM, and TNMP had zero, zero, and $7.0 million of short term debt outstanding under their revolving credit facilities, which allow for a maximum aggregate borrowing capacity of $300.0 million for PNMR, $400.0 million for PNM, and $75.0 million for TNMP. These facilities bear interest at variable rates, which averaged 1.30% for TNMP on October 25, 2013 borrowings. At October 25, 2013, PNMR had outstanding borrowings of $100.0 million under the PNMR Term Loan Agreement and PNM had outstanding borrowings of $75.0 million under the PNM Term Loan Agreement. The term loans bear interest at variable rates, which were 1.31% for PNMR and 1.44% for PNM at October 25, 2013. The Company is exposed to interest rate risk to the extent of future increases in variable interest rates.

The investments held by PNM in the NDT and trust for post-term reclamation of the coal mines serving SJGS had an estimated fair value of $211.4 million at September 30, 2013, of which 32.3% were fixed-rate debt securities that subject PNM to risk of loss of fair value with movements in market interest rates. If interest rates were to increase by 50 basis points from their levels at September 30, 2013, the decrease in the fair value of the fixed-rate securities would be 3.4%, or $2.3 million.

PNM does not directly recover or return through rates any losses or gains on the securities, including equity investments discussed below, in the trusts for nuclear decommissioning and reclamation. However, the overall performance of these trusts does enter into the periodic determinations of expense and funding levels, which are factored into the ratemaking process to the extent applicable to regulated operations. PNM is at risk for shortfalls in funding of obligations due to investment losses, including those from the equity market risks discussed below to the extent not ultimately recovered through rates charged to customers.

Equity Market Risk

The NDT and the trust for post-term reclamation of the coal mines serving SJGS hold certain equity securities at September 30, 2013. These equity securities expose PNM to losses in fair value should the market values of the underlying securities decline. At September 30, 2013, these equity securities were valued at $118.7 million. A hypothetical 10% decrease in equity prices would reduce the fair values of these funds by $11.9 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As of the end of the period covered by this quarterly report, each of PNMR, PNM, and TNMP conducted an evaluation under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer of each of PNMR, PNM, and TNMP concluded that the disclosure controls and procedures are effective.

Changes in internal controls

There have been no changes in each of PNMR's, PNM's, and TNMP's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, each of PNMR's, PNM's, and TNMP's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Notes 10 and 11 for information related to the following matters, for PNMR, PNM, and TNMP, incorporated in this item by reference.

Note 10

- The Clean Air Act - Regional Haze - SJGS
- The Clean Air Act - Regional Haze - Four Corners
- The Clean Air Act - Four Corners BART FIP Challenge
- The Clean Air Act - Regional Haze Challenges
- The Clean Air Act - SJGS Operating Permit Challenge
-
- The Clean Air Act - Citizen Suit Under the Clean Air Act
- The Clean Air Act - Four Corners Clean Air Act Lawsuit
- WEG v. OSM NEPA Lawsuit
- Navajo Nation Environmental Issues
- Endangered Species Act
- Santa Fe Generating Station
- Continuous Highwall Mining Royalty Rate
- SJCC Arbitration
- Four Corners Severance Tax Assessment
- PVNGS Water Supply Litigation
- San Juan River Adjudication
- Complaint Against Southwestern Public Service Company
- Navajo Nation Allottee Matters
- TGP Complaint

Note 11

- PNM - Renewable Portfolio Standard
- PNM - Renewable Energy Rider
- PNM - Energy Efficiency and Load Management
- PNM - 2010 Electric Rate Case and FPPAC
- PNM - Integrated Resource Plan
- PNM - Emergency FFPAC
- PNM - Applications for Approvals to Purchase Delta
- PNM - Application for Approval of La Luz Generating Station
- PNM - San Juan Generating Station Units 2 and 3 Retirement
- PNM - Transmission Rate Case
- PNM - Formula Transmission Rate Case
- PNM - Tri-State Complaint
- PNM - Firm-Requirements Wholesale Customers
- TNMP - Advanced Meter System Deployment and Surcharge Request
- TNMP - Energy Efficiency
- TNMP - Transmission Cost of Service Rates

See also Climate Change Issues under Other Issues Facing the Company in MD&A. The third paragraphs under State and Regional Activity is incorporated in this item by reference.

ITEM 1A. RISK FACTORS

As of the date of this report, there have been no material changes with regard to the Risk Factors disclosed in PNMR's, PNM's, and TNMP's Annual Reports on Form 10-K for the year ended December 31, 2012.

ITEM 6. EXHIBITS

3.1	PNMR	Articles of Incorporation of PNMR, as amended to date (incorporated by reference to Exhibit 3.1 to PNMR's Current Report on Form 8-K filed November 21, 2008)
3.2	PNM	Restated Articles of Incorporation of PNM, as amended through May 31, 2002 (incorporated by reference to Exhibit 3.1.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002)
3.3	TNMP	Articles of Incorporation of TNMP, as amended through July 7, 2005 (incorporated by reference to Exhibit 3.1.2 to TNMP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005)
3.4	PNMR	Bylaws of PNMR, with all amendments to and including December 8, 2009 (incorporated by reference to Exhibit 3.1 to PNMR's Current Report on Form 8-K filed December 11, 2009)
3.5	PNM	Bylaws of PNM, with all amendments to and including May 31, 2002 (incorporated by reference to Exhibit 3.1.2 to PNM's Report on Form 10-Q for the fiscal quarter ended June 30, 2002)
3.6	TNMP	Bylaws of TNMP, with all amendments to and including June 18, 2013 (incorporated by reference to Exhibit 3.6 to TNMP's Current Report on Form 8-K filed June 20, 2013)
12.1	PNMR	Ratio of Earnings to Fixed Charges
12.2	PNM	Ratio of Earnings to Fixed Charges
12.3	TNMP	Ratio of Earnings to Fixed Charges
31.1	PNMR	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	PNMR	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	PNM	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4	PNM	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.5	TNMP	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.6	TNMP	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	PNMR	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	PNM	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.3	TNMP	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	PNMR, PNM, and TNMP	XBRL Instance Document
101.SCH	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Schema Document
101.CAL	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

PNM RESOURCES, INC.
PUBLIC SERVICE COMPANY OF NEW MEXICO
TEXAS-NEW MEXICO POWER COMPANY

(Registrants)

Date: November 1, 2013

/s/ Thomas G. Sategna

Thomas G. Sategna
Vice President and Corporate Controller
(Officer duly authorized to sign this report)

530 Schedule Q04 – Reports to Securities and Exchange Commission

June 30, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

Commission File Number	Name of Registrants, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
001-32462	PNM Resources, Inc. (A New Mexico Corporation) 414 Silver Ave. SW Albuquerque, New Mexico 87102-3289 (505) 241-2700	85-0468296
001-06986	Public Service Company of New Mexico (A New Mexico Corporation) 414 Silver Ave. SW Albuquerque, New Mexico 87102-3289 (505) 241-2700	85-0019030
002-97230	Texas-New Mexico Power Company (A Texas Corporation) 577 N. Garden Ridge Blvd. Lewisville, Texas 75067 (972) 420-4189	75-0204070

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

PNM Resources, Inc. ("PNMR")	YES ✓	NO ___
Public Service Company of New Mexico ("PNM")	YES ✓	NO ___
Texas-New Mexico Power Company ("TNMP")	YES ___	NO ✓

(NOTE: As a voluntary filer, not subject to the filing requirements, TNMP filed all reports under Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months.)

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

PNMR	YES ✓	NO ___
PNM	YES ✓	NO ___
TNMP	YES ✓	NO ___

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller Reporting Company
PNMR	✓	—	—	—
PNM	—	—	✓	—
TNMP	—	—	✓	—

Indicate by check mark whether any of the registrants is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES __ NO ✓

As of July 26, 2013, 79,653,624 shares of common stock, no par value per share, of PNMR were outstanding.

The total number of shares of common stock of PNM outstanding as of July 26, 2013 was 39,117,799 all held by PNMR (and none held by non-affiliates).

The total number of shares of common stock of TNMP outstanding as of July 26, 2013 was 6,358 all held indirectly by PNMR (and none held by non-affiliates).

PNM AND TNMP MEET THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS (H) (1) (a) AND (b) OF FORM 10-Q AND ARE THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION (H) (2).

This combined Form 10-Q is separately filed by PNMR, PNM, and TNMP. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants. When this Form 10-Q is incorporated by reference into any filing with the SEC made by PNMR, PNM, or TNMP, as a registrant, the portions of this Form 10-Q that relate to each other registrant are not incorporated by reference therein.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

INDEX

	Page No.
GLOSSARY	4
PART I. FINANCIAL INFORMATION	
ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)	
PNM RESOURCES, INC. AND SUBSIDIARIES	
Condensed Consolidated Statements of Earnings	7
Condensed Consolidated Statements of Comprehensive Income	8
Condensed Consolidated Statements of Cash Flows	9
Condensed Consolidated Balance Sheets	11
Condensed Consolidated Statement of Changes in Equity	13
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES	
Condensed Consolidated Statements of Earnings	14
Condensed Consolidated Statements of Comprehensive Income	15
Condensed Consolidated Statements of Cash Flows	16
Condensed Consolidated Balance Sheets	18
Condensed Consolidated Statement of Changes in Equity	20
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES	
Condensed Consolidated Statements of Earnings	21
Condensed Consolidated Statements of Comprehensive Income	22
Condensed Consolidated Statements of Cash Flows	23
Condensed Consolidated Balance Sheets	24
Condensed Consolidated Statement of Changes in Common Stockholder's Equity	26
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	27
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	68
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	91
ITEM 4. CONTROLS AND PROCEDURES	94
PART II. OTHER INFORMATION	
ITEM 1. LEGAL PROCEEDINGS	95
ITEM 1A. RISK FACTORS	95
ITEM 6. EXHIBITS	96
SIGNATURE	97

GLOSSARY

Definitions:

Afton	Afton Generating Station
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
AMS	Advanced Meter System
AOCI	Accumulated Other Comprehensive Income
APS	Arizona Public Service Company, which is the operator and a co-owner of PVNGS and Four Corners
BACT	Best Available Control Technology
BART	Best Available Retrofit Technology
BHP	BHP Billiton, Ltd, the parent of SJCC
Board	Board of Directors of PNMR
BTU	British Thermal Unit
CAA	Clean Air Act
CCB	Coal Combustion Byproducts
CCN	Certificate of Convenience and Necessity
CO_2	Carbon Dioxide
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
Delta	Delta-Person Generating Station
DOE	United States Department of Energy
DOI	United States Department of Interior
EIB	New Mexico Environmental Improvement Board
EIP	Eastern Interconnection Project
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
ESA	Endangered Species Act
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIP	Federal Implementation Plan
Four Corners	Four Corners Power Plant
FPPAC	Fuel and Purchased Power Adjustment Clause
GAAP	Generally Accepted Accounting Principles in the United States of America
Gallup	City of Gallup, New Mexico
GHG	Greenhouse Gas Emissions
GWh	Gigawatt hours
IBEW	International Brotherhood of Electrical Workers
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
KW	Kilowatt
KWh	Kilowatt Hour
Lordsburg	Lordsburg Generating Station
Luna	Luna Energy Facility
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MMBTU	Million BTUs
Moody's	Moody's Investor Services, Inc.
MW	Megawatt
MWh	Megawatt Hour

NAAQS	National Ambient Air Quality Standards
Navajo Acts	Navajo Nation Air Pollution Prevention and Control Act, Navajo Nation Safe Drinking Water Act, and Navajo Nation Pesticide Act
NDT	Nuclear Decommissioning Trusts for PVNGS
NEC	Navopache Electric Cooperative, Inc.
NERC	North American Electric Reliability Council
Ninth Circuit	United States Court of Appeals for the Ninth Circuit
NMAG	New Mexico Attorney General
NMED	New Mexico Environment Department
NMIEC	New Mexico Industrial Energy Consumers Inc.
NMPRC	New Mexico Public Regulation Commission
NOx	Nitrogen Oxides
NOI	Notice of Inquiry
NOPR	Notice of Proposed Rulemaking
NRC	United States Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NSR	New Source Review
OCI	Other Comprehensive Income
OPEB	Other Post Employment Benefits
OSM	United States Office of Surface Mining Reclamation and Enforcement
PNM	Public Service Company of New Mexico and Subsidiaries
PNM Revolving Credit Facility	PNM's $400.0 Million Unsecured Revolving Credit Facility
PNM Term Loan Agreement	PNM's $75.0 Million Unsecured Term Loan Facility
PNMR	PNM Resources, Inc. and Subsidiaries
PNMR Revolving Credit Facility	PNMR's $300.0 Million Unsecured Revolving Credit Facility
PNMR Term Loan Agreement	PNMR's $100.0 Million Unsecured Term Loan Facility
PPA	Power Purchase Agreement
PSD	Prevention of Significant Deterioration
PUCT	Public Utility Commission of Texas
PV	Photovoltaic
PVNGS	Palo Verde Nuclear Generating Station
RCRA	Resource Conservation and Recovery Act
RCT	Reasonable Cost Threshold
REA	New Mexico's Renewable Energy Act of 2004
REC	Renewable Energy Certificates
REP	Retail Electricity Provider
RMC	Risk Management Committee
RPS	Renewable Energy Portfolio Standard
SCE	Southern California Edison Company
SCR	Selective Catalytic Reduction
SEC	United States Securities and Exchange Commission
SIP	State Implementation Plan
SJCC	San Juan Coal Company
SJGS	San Juan Generating Station
SNCR	Selective Non-Catalytic Reduction
SO_2	Sulfur Dioxide
SPS	Southwestern Public Service Company

S&P	Standard and Poor's Ratings Services
TECA	Texas Electric Choice Act
Tenth Circuit	United States Court of Appeals for the Tenth Circuit
TNMP	Texas-New Mexico Power Company and Subsidiaries
TNMP Revolving Credit Facility	TNMP's $75.0 Million Revolving Credit Facility
TNP	TNP Enterprises, Inc. and Subsidiaries
Tri-State	Tri-State Generation and Transmission Association, Inc.
Valencia	Valencia Energy Facility
VaR	Value at Risk
WEG	WildEarth Guardians

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands, except per share amounts)			
Electric Operating Revenues	$ 347,599	$ 323,860	$ 665,263	$ 629,234
Operating Expenses:				
Cost of energy	105,659	94,719	210,365	186,565
Administrative and general	43,139	45,289	87,829	90,089
Energy production costs	46,831	46,053	90,404	91,182
Depreciation and amortization	41,639	41,054	82,446	79,468
Transmission and distribution costs	17,148	17,565	33,443	33,814
Taxes other than income taxes	15,316	14,074	32,205	29,281
Total operating expenses	269,732	258,754	536,692	510,399
Operating income	77,867	65,106	128,571	118,835
Other Income and Deductions:				
Interest income	2,833	3,386	5,467	6,678
Gains (losses) on investments held by NDT	3,272	(795)	4,805	3,660
Other income	2,555	1,862	4,265	4,507
Other (deductions)	(4,194)	(2,716)	(7,546)	(7,268)
Net other income (deductions)	4,466	1,737	6,991	7,577
Interest Charges	30,616	30,198	61,914	59,765
Earnings before Income Taxes	51,717	36,645	73,648	66,647
Income Taxes	20,334	11,546	28,303	21,071
Net Earnings	31,383	25,099	45,345	45,576
(Earnings) Attributable to Valencia Non-controlling Interest	(3,573)	(3,455)	(6,777)	(6,720)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)	(264)	(264)
Net Earnings Attributable to PNMR	$ 27,678	$ 21,512	$ 38,304	$ 38,592
Net Earnings Attributable to PNMR per Common Share:				
Basic	$ 0.35	$ 0.27	$ 0.48	$ 0.48
Diluted	$ 0.34	$ 0.27	$ 0.48	$ 0.48
Dividends Declared per Common Share	$ 0.165	$ 0.145	$ 0.330	$ 0.290

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Net Earnings	$ 31,383	$ 25,099	$ 45,345	$ 45,576
Other Comprehensive Income:				
Unrealized Gain on Investment Securities:				
Unrealized holding gains arising during the period, net of income tax (expense) of $(290), $(3,022), $(3,401) and $(10,437)	443	4,611	5,190	15,924
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $2,185, $4,992, $2,714 and $8,538	(3,333)	(7,617)	(4,140)	(13,028)
Pension Liability Adjustment:				
Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of $(631), $(476), $(1,262) and $(952)	960	727	1,920	1,454
Fair Value Adjustment for Cash Flow Hedges:				
Change in fair market value, net of income tax (expense) benefit of $3, $40, $(1) and $99	(6)	(72)	2	(178)
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of $(18), $(16), $(35) and $(31)	33	29	64	56
Total Other Comprehensive Income (Loss)	(1,903)	(2,322)	3,036	4,228
Comprehensive Income	29,480	22,777	48,381	49,804
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,573)	(3,455)	(6,777)	(6,720)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)	(264)	(264)
Comprehensive Income Attributable to PNMR	$ 25,775	$ 19,190	$ 41,340	$ 42,820

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2013	2012
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 45,345	$ 45,576
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	103,914	99,971
Deferred income tax expense	27,797	21,354
Net unrealized (gains) losses on derivatives	1,729	1,978
Realized (gains) on investments held by NDT	(4,805)	(3,660)
Stock based compensation expense	3,198	1,435
Other, net	313	(820)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(23,021)	(20,901)
Materials, supplies, and fuel stock	(159)	(5,250)
Other current assets	3,870	(12,021)
Other assets	6,356	(6,659)
Accounts payable	(7,424)	(4,882)
Accrued interest and taxes	93,077	(9,944)
Other current liabilities	(21,310)	(3,016)
Proceeds from governmental grants	—	21,567
Other liabilities	(68,972)	(83,432)
Net cash flows from operating activities	159,908	41,296
Cash Flows From Investing Activities:		
Additions to utility and non-utility plant	(153,512)	(156,796)
Proceeds from sales of investments held by NDT	76,106	45,787
Purchases of investments held by NDT	(77,868)	(47,313)
Return of principal on PVNGS lessor notes	10,965	12,632
Other, net	1,240	3,687
Net cash flows from investing activities	(143,069)	(142,003)

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2013	**2012**
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	1,300	124,300
Long-term borrowings	75,000	—
Repayment of long-term debt	(9,445)	—
Cash paid in debt exchange	(13,048)	—
Proceeds from stock option exercise	11,345	5,410
Awards of common stock	(19,741)	(12,674)
Dividends paid	(24,958)	(21,770)
Valencia's transactions with its owner	(8,675)	(7,449)
Other, net	(2,804)	983
Net cash flows from financing activities	8,974	88,800
Change in Cash and Cash Equivalents	25,813	(11,907)
Cash and Cash Equivalents at Beginning of Period	8,985	15,091
Cash and Cash Equivalents at End of Period	$ 34,798	$ 3,184
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	$ 58,267	$ 56,217
Income taxes paid (refunded), net	$ (95,472)	$ 5,302
Supplemental schedule of noncash financing activities:		
Premium on long-term debt incurred in connection with debt exchange	$ 23,249	

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 34,798	$ 8,985
Accounts receivable, net of allowance for uncollectible accounts of $1,339 and $1,751	94,948	87,093
Unbilled revenues	71,410	57,266
Other receivables	39,651	53,332
Materials, supplies, and fuel stock	59,801	59,643
Regulatory assets	41,961	39,120
Commodity derivative instruments	2,870	3,785
Income taxes receivable	5,498	101,477
Other current assets	42,220	31,490
Total current assets	393,157	442,191
Other Property and Investments:		
Investment in PVNGS lessor notes	43,410	54,325
Investments held by NDT	197,072	188,971
Other investments	7,426	9,139
Non-utility property, net of accumulated depreciation of $139 and $131	4,479	4,487
Total other property and investments	252,387	256,922
Utility Plant:		
Plant in service and plant held for future use	5,385,946	5,313,796
Less accumulated depreciation and amortization	1,820,441	1,774,223
	3,565,505	3,539,573
Construction work in progress	160,155	125,287
Nuclear fuel, net of accumulated amortization of $45,793 and $42,644	81,785	81,627
Net utility plant	3,807,445	3,746,487
Deferred Charges and Other Assets:		
Regulatory assets	576,758	555,577
Goodwill	278,297	278,297
Commodity derivative instruments	202	352
Other deferred charges	95,660	92,757
Total deferred charges and other assets	950,917	926,983
	$ 5,403,906	$ 5,372,583

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2013	December 31, 2012
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 160,000	$ 158,700
Current installments of long-term debt	52,530	2,530
Accounts payable	88,378	99,177
Customer deposits	15,153	18,176
Accrued interest and taxes	49,408	52,003
Regulatory liabilities	464	15,173
Commodity derivative instruments	1,621	1,000
Dividends declared	132	11,679
Current portion of accumulated deferred income taxes	258	258
Other current liabilities	76,646	75,407
Total current liabilities	444,590	434,103
Long-term Debt	1,711,153	1,669,760
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	709,186	701,545
Accumulated deferred investment tax credits	13,146	14,242
Regulatory liabilities	452,101	423,460
Asset retirement obligations	89,395	85,893
Accrued pension liability and postretirement benefit cost	152,193	224,565
Commodity derivative instruments	1,540	1,933
Other deferred credits	109,399	116,523
Total deferred credits and other liabilities	1,526,960	1,568,161
Total liabilities	3,682,703	3,672,024
Commitments and Contingencies (See Note 9)		
Cumulative Preferred Stock of Subsidiary		
without mandatory redemption requirements ($100 stated value; 10,000,000 shares authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNMR common stockholders' equity:		
Common stock outstanding (no par value; 120,000,000 shares authorized; issued and outstanding 79,653,624 shares)	1,177,163	1,182,819
Accumulated other comprehensive income (loss), net of income taxes	(78,594)	(81,630)
Retained earnings	532,160	506,998
Total PNMR common stockholders' equity	1,630,729	1,608,187
Non-controlling interest in Valencia	78,945	80,843
Total equity	1,709,674	1,689,030
	$ 5,403,906	$ 5,372,583

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

	Attributable to PNMR				Non-controlling Interest in Valencia	Total Equity
	Common Stock	AOCI	Retained Earnings	Total PNMR Common Stockholder's Equity		
	(In thousands)					
Balance at December 31, 2012	$ 1,182,819	$ (81,630)	$ 506,998	$ 1,608,187	$ 80,843	$ 1,689,030
Proceeds from stock option exercise	11,345	—	—	11,345	—	11,345
Awards of common stock	(19,741)	—	—	(19,741)	—	(19,741)
Excess tax (shortfall) from stock-based payment arrangements	(458)	—	—	(458)	—	(458)
Stock based compensation expense	3,198	—	—	3,198	—	3,198
Valencia's transactions with its owner	—	—	—	—	(8,675)	(8,675)
Net earnings before subsidiary preferred stock dividends	—	—	38,568	38,568	6,777	45,345
Subsidiary preferred stock dividends	—	—	(264)	(264)	—	(264)
Total other comprehensive income	—	3,036	—	3,036	—	3,036
Dividends declared on common stock	—	—	(13,142)	(13,142)	—	(13,142)
Balance at June 30, 2013	$ 1,177,163	$ (78,594)	$ 532,160	$ 1,630,729	$ 78,945	$ 1,709,674

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Electric Operating Revenues	$ 279,690	$ 260,094	$ 537,583	$ 510,510
Operating Expenses:				
Cost of energy	91,855	83,235	183,514	163,792
Administrative and general	36,622	40,657	75,381	79,706
Energy production costs	46,836	46,053	90,402	91,182
Depreciation and amortization	26,051	23,946	51,884	47,580
Transmission and distribution costs	11,133	11,664	21,735	22,507
Taxes other than income taxes	8,891	7,870	19,125	16,969
Total operating expenses	221,388	213,425	442,041	421,736
Operating income	58,302	46,669	95,542	88,774
Other Income and Deductions:				
Interest income	2,868	3,429	5,541	6,764
Gains (losses) on investments held by NDT	3,272	(795)	4,805	3,660
Other income	1,559	1,370	2,872	3,203
Other (deductions)	(1,471)	(1,564)	(2,911)	(2,868)
Net other income (deductions)	6,228	2,440	10,307	10,759
Interest Charges	19,890	18,928	39,847	37,422
Earnings before Income Taxes	44,640	30,181	66,002	62,111
Income Taxes	14,943	9,841	21,532	20,694
Net Earnings	29,697	20,340	44,470	41,417
(Earnings) Attributable to Valencia Non-controlling Interest	(3,573)	(3,455)	(6,777)	(6,720)
Net Earnings Attributable to PNM	26,124	16,885	37,693	34,697
Preferred Stock Dividends Requirements	(132)	(132)	(264)	(264)
Net Earnings Available for PNM Common Stock	$ 25,992	$ 16,753	$ 37,429	$ 34,433

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Net Earnings	$ 29,697	$ 20,340	$ 44,470	$ 41,417
Other Comprehensive Income:				
Unrealized Gain on Investment Securities:				
Unrealized holding gains arising during the period, net of income tax (expense) of $(290), $(3,022), $(3,401) and $(10,437)	443	4,611	5,190	15,924
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $2,185, $4,992, $2,714 and $8,538	(3,333)	(7,617)	(4,140)	(13,028)
Pension Liability Adjustment:				
Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of $(631), $(476), $(1,262) and $(952)	960	727	1,920	1,454
Total Other Comprehensive Income (Loss)	(1,930)	(2,279)	2,970	4,350
Comprehensive Income	27,767	18,061	47,440	45,767
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,573)	(3,455)	(6,777)	(6,720)
Comprehensive Income Attributable to PNM	$ 24,194	$ 14,606	$ 40,663	$ 39,047

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2013	2012
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 44,470	$ 41,417
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	69,179	63,303
Deferred income tax expense	21,836	21,067
Net unrealized (gains) losses on derivatives	1,729	1,978
Realized (gains) on investments held by NDT	(4,805)	(3,660)
Other, net	(818)	(545)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(15,841)	(17,867)
Materials, supplies, and fuel stock	(238)	(5,152)
Other current assets	4,299	(10,885)
Other assets	6,196	(5,868)
Accounts payable	(5,829)	(7,112)
Accrued interest and taxes	45,380	61,503
Other current liabilities	(23,523)	10,095
Proceeds from governmental grants	—	21,567
Other liabilities	(69,059)	(78,105)
Net cash flows from operating activities	72,976	91,736
Cash Flows From Investing Activities:		
Utility plant additions	(98,673)	(111,344)
Proceeds from sales of NDT investments	76,106	45,787
Purchases of NDT investments	(77,868)	(47,313)
Return of principal on PVNGS lessor notes	10,965	12,632
Other, net	1,213	1,372
Net cash flows from investing activities	(88,257)	(98,866)

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2013	2012
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	(21,100)	20,400
Long-term borrowings	75,000	—
Valencia's transactions with its owner	(8,675)	(7,449)
Dividends paid	(264)	(17,944)
Other, net	(1,169)	984
Net cash flows from financing activities	43,792	(4,009)
Change in Cash and Cash Equivalents	28,511	(11,139)
Cash and Cash Equivalents at Beginning of Period	3,958	12,307
Cash and Cash Equivalents at End of Period	$ 32,469	$ 1,168
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	$ 37,845	$ 36,286
Income taxes paid (refunded), net	$ (44,999)	$ (63,114)

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 32,469	$ 3,958
Accounts receivable, net of allowance for uncollectible accounts of $1,339 and $1,751	71,483	69,876
Unbilled revenues	62,298	49,085
Other receivables	38,529	50,975
Affiliate receivables	10,351	9,050
Materials, supplies, and fuel stock	57,027	56,790
Regulatory assets	35,559	36,490
Commodity derivative instruments	2,870	3,785
Income taxes receivable	35,528	80,223
Other current assets	37,991	27,457
Total current assets	384,105	387,689
Other Property and Investments:		
Investment in PVNGS lessor notes	43,410	54,325
Investments held by NDT	197,072	188,971
Other investments	4,170	4,034
Non-utility property	976	976
Total other property and investments	245,628	248,306
Utility Plant:		
Plant in service and plant held for future use	4,182,309	4,133,532
Less accumulated depreciation and amortization	1,395,722	1,355,240
	2,786,587	2,778,292
Construction work in progress	128,507	102,329
Nuclear fuel, net of accumulated amortization of $45,793 and $42,644	81,785	81,627
Net utility plant	2,996,879	2,962,248
Deferred Charges and Other Assets:		
Regulatory assets	422,124	431,956
Goodwill	51,632	51,632
Commodity derivative instruments	202	352
Other deferred charges	84,619	81,724
Total deferred charges and other assets	558,577	565,664
	$ 4,185,189	$ 4,163,907

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2013	December 31, 2012
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	$ —	$ 21,100
Accounts payable	68,902	73,914
Affiliate payables	18,159	25,340
Customer deposits	15,153	18,176
Accrued interest and taxes	31,544	30,320
Regulatory liabilities	464	15,172
Commodity derivative instruments	1,621	1,000
Dividends declared	132	132
Current portion of accumulated deferred income taxes	3,447	3,447
Other current liabilities	56,817	54,150
Total current liabilities	196,239	242,751
Long-term Debt	1,290,598	1,215,579
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	575,730	573,881
Accumulated deferred investment tax credits	13,146	14,242
Regulatory liabilities	405,972	379,841
Asset retirement obligations	88,508	85,042
Accrued pension liability and postretirement benefit cost	138,478	208,618
Commodity derivative instruments	1,540	1,933
Other deferred credits	90,042	95,585
Total deferred credits and liabilities	1,313,416	1,359,142
Total liabilities	2,800,253	2,817,472
Commitments and Contingencies (See Note 9)		
Cumulative Preferred Stock		
without mandatory redemption requirements ($100 stated value; 10,000,000 authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNM common stockholder's equity:		
Common stock outstanding (no par value; 40,000,000 shares authorized; issued and outstanding 39,117,799 shares)	1,061,776	1,061,776
Accumulated other comprehensive income (loss), net of income taxes	(78,444)	(81,414)
Retained earnings	311,130	273,701
Total PNM common stockholder's equity	1,294,462	1,254,063
Non-controlling interest in Valencia	78,945	80,843
Total equity	1,373,407	1,334,906
	$ 4,185,189	$ 4,163,907

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

	Attributable to PNM					
	Common Stock	AOCI	Retained Earnings	Total PNM Common Stockholder's Equity	Non-controlling Interest in Valencia	Total Equity
	(In thousands)					
Balance at December 31, 2012	$ 1,061,776	$ (81,414)	$ 273,701	$ 1,254,063	$ 80,843	$ 1,334,906
Valencia's transactions with its owner	—	—	—	—	(8,675)	(8,675)
Net earnings	—	—	37,693	37,693	6,777	44,470
Total other comprehensive income	—	2,970	—	2,970	—	2,970
Dividends declared on preferred stock	—	—	(264)	(264)	—	(264)
Balance at June 30, 2013	$ 1,061,776	$ (78,444)	$ 311,130	$ 1,294,462	$ 78,945	$ 1,373,407

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Electric Operating Revenues	$ 67,909	$ 63,766	$127,680	$118,724
Operating Expenses:				
Cost of energy	13,804	11,484	26,851	22,773
Administrative and general	10,686	10,103	21,804	20,570
Depreciation and amortization	12,279	12,066	23,960	23,353
Transmission and distribution costs	6,016	5,901	11,708	11,307
Taxes other than income taxes	5,457	5,315	10,636	10,031
Total operating expenses	48,242	44,869	94,959	88,034
Operating income	19,667	18,897	32,721	30,690
Other Income and Deductions:				
Other income	609	448	946	937
Other (deductions)	(123)	326	(252)	(59)
Net other income (deductions)	486	774	694	878
Interest Charges	6,759	7,069	14,005	14,167
Earnings before Income Taxes	13,394	12,602	19,410	17,401
Income Taxes	5,055	4,584	7,345	6,372
Net Earnings	$ 8,339	$ 8,018	$12,065	$11,029

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Net Earnings	$ 8,339	$ 8,018	$ 12,065	$ 11,029
Other Comprehensive Income (Loss):				
Fair Value Adjustment for Cash Flow Hedges:				
Change in fair market value, net of income tax (expense) benefit of $3, $40, $(1) and $99	(6)	(72)	2	(178)
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of $(18), $(16), $(35) and $(31)	33	29	64	56
Total Other Comprehensive Income (Loss)	27	(43)	66	(122)
Comprehensive Income	$ 8,366	$ 7,975	$ 12,131	$ 10,907

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2013	2012
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 12,065	$ 11,029
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	26,034	25,885
Deferred income tax expense	4,348	6,247
Other, net	(10)	(258)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(7,180)	(3,034)
Materials and supplies	79	(98)
Other current assets	(4,082)	(3,904)
Other assets	590	(1,066)
Accounts payable	807	2,987
Accrued interest and taxes	(1,517)	(4,755)
Other current liabilities	1,278	4,214
Other liabilities	886	(3,408)
Net cash flows from operating activities	33,298	33,839
Cash Flows From Investing Activities:		
Utility plant additions	(47,390)	(39,595)
Proceeds from sales of utility plant	—	1,367
Net cash flows from investing activities	(47,390)	(38,228)
Cash Flow From Financing Activities:		
Short-term borrowings (repayments), net	25,000	—
Short-term borrowings (repayments) – affiliate, net	7,500	7,400
Cash paid in debt exchange	(13,048)	—
Dividends paid	(3,726)	(3,010)
Other, net	(1,634)	(1)
Net cash flows from financing activities	14,092	4,389
Change in Cash and Cash Equivalents	—	—
Cash and Cash Equivalents at Beginning of Period	1	1
Cash and Cash Equivalents at End of Period	$ 1	$ 1
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	$ 13,267	$ 12,761
Income taxes paid, net	$ 696	$ 1,848
Supplemental schedule of noncash financing activities:		
Premium on long-term debt incurred in connection with debt exchange	$ 23,249	

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1	$ 1
Accounts receivable	23,465	17,217
Unbilled revenues	9,112	8,181
Other receivables	614	2,359
Materials and supplies	2,774	2,853
Regulatory assets	6,402	2,630
Current portion of accumulated deferred income taxes	1,131	1,131
Other current assets	2,037	1,107
Total current assets	45,536	35,479
Other Property and Investments:		
Other investments	281	281
Non-utility property	2,240	2,240
Total other property and investments	2,521	2,521
Utility Plant:		
Plant in service and plant held for future use	1,033,729	1,009,108
Less accumulated depreciation and amortization	340,091	339,315
	693,638	669,793
Construction work in progress	24,658	19,801
Net utility plant	718,296	689,594
Deferred Charges and Other Assets:		
Regulatory assets	154,634	123,621
Goodwill	226,665	226,665
Other deferred charges	8,276	8,349
Total deferred charges and other assets	389,575	358,635
	$ 1,155,928	$ 1,086,229

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2013	December 31, 2012
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	$ 25,000	$ —
Short-term debt – affiliate	35,800	28,300
Current installments of long-term debt	50,000	—
Accounts payable	8,769	8,848
Affiliate payables	3,435	4,381
Accrued interest and taxes	28,974	30,491
Other current liabilities	10,882	8,854
Total current liabilities	162,860	80,874
Long-term Debt	286,238	311,589
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	168,200	163,710
Regulatory liabilities	45,693	43,619
Asset retirement obligations	763	732
Accrued pension liability and postretirement benefit cost	13,715	15,947
Other deferred credits	6,240	5,944
Total deferred credits and other liabilities	234,611	229,952
Total liabilities	683,709	622,415
Commitments and Contingencies (See Note 9)		
Common Stockholder's Equity:		
Common stock outstanding ($10 par value; 12,000,000 shares authorized; issued and outstanding 6,358 shares)	64	64
Paid-in-capital	390,366	390,366
Accumulated other comprehensive income (loss), net of income taxes	(150)	(216)
Retained earnings	81,939	73,600
Total common stockholder's equity	472,219	463,814
	$ 1,155,928	$ 1,086,229

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN COMMON STOCKHOLDER'S EQUITY
(Unaudited)

	Common Stock	Paid-in Capital	AOCI	Retained Earnings	Total Common Stockholder's Equity
			(In thousands)		
Balance at December 31, 2012	$ 64	$ 390,366	$ (216)	$ 73,600	$ 463,814
Net earnings	—	—	—	12,065	12,065
Total other comprehensive income	—	—	66	—	66
Dividends declared on common stock	—	—	—	(3,726)	(3,726)
Balance at June 30, 2013	$ 64	$ 390,366	$ (150)	$ 81,939	$ 472,219

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Significant Accounting Policies and Responsibility for Financial Statements

Financial Statement Preparation

In the opinion of management, the accompanying unaudited interim Condensed Consolidated Financial Statements reflect all normal and recurring accruals and adjustments that are necessary to present fairly the consolidated financial position at June 30, 2013 and December 31, 2012, the consolidated results of operations and comprehensive income for the three and six months ended June 30, 2013 and 2012, and the consolidated cash flows for the six months ended June 30, 2013 and 2012. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could ultimately differ from those estimated. Weather causes the Company's results of operations to be seasonal in nature and the results of operations presented in the accompanying Condensed Consolidated Financial Statements are not necessarily representative of operations for an entire year.

The Notes to Condensed Consolidated Financial Statements include disclosures for PNMR, PNM, and TNMP. This report uses the term "Company" when discussing matters of common applicability to PNMR, PNM, and TNMP. Discussions regarding only PNMR, PNM, or TNMP are so indicated. Certain amounts in the 2012 Condensed Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2013 financial statement presentation.

These Condensed Consolidated Financial Statements are unaudited. Certain information and note disclosures normally included in the annual Consolidated Financial Statements have been condensed or omitted, as permitted under the applicable rules and regulations. Readers of these financial statements should refer to PNMR's, PNM's, and TNMP's audited Consolidated Financial Statements and Notes thereto that are included in their respective 2012 Annual Reports on Form 10-K.

GAAP defines subsequent events as events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. Based on their nature, magnitude, and timing, certain subsequent events may be required to be reflected at the balance sheet date and/or required to be disclosed in the financial statements. The Company has evaluated subsequent events as required by GAAP.

Principles of Consolidation

The Condensed Consolidated Financial Statements of each of PNMR, PNM, and TNMP include their accounts and those of subsidiaries in which that entity owns a majority voting interest. PNM also consolidates the PVNGS Capital Trust and Valencia. PNM owns undivided interests in several jointly-owned power plants and records its pro-rata share of the assets, liabilities, and expenses for those plants.

PNMR shared services' administrative and general expenses, which represent costs that are primarily driven by corporate level activities, are charged to the business segments at cost. Other significant intercompany transactions between PNMR, PNM, and TNMP include interest and income tax sharing payments, as well as dividends paid on common stock. All intercompany transactions and balances have been eliminated. See Note 12.

Dividends on Common Stock

Dividends on PNMR's common stock are declared by its Board. The timing of the declaration of dividends is dependent on the timing of meetings and other actions of the Board. This has historically resulted in dividends considered to be attributable to the second quarter of each year being declared through actions of the Board during the third quarter of the year. The Board declared dividends on common stock considered to be for the second quarter of $0.165 per share in July 2013 and $0.145 in July 2012, which are reflected as being in the second quarter within "Dividends Declared per Common Share" on the PNMR Condensed Consolidated Statements of Earnings.

PNM declared and paid cash dividends on its common stock to PNMR of zero and $17.7 million in the six months ended June 30, 2013 and 2012. TNMP declared and paid cash dividends to PNMR of $3.7 million and $3.0 million in the six months ended June 30, 2013 and 2012. TNMP dividends paid in 2012 were recorded as reductions of paid-in-capital.

New Accounting Pronouncements

Information concerning recently issued accounting pronouncements that have not been adopted by the Company is presented below.

Accounting Standards Update 2013-11 - Income Taxes: Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

The FASB released guidance that requires entities to present an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for net operating losses in certain circumstances. The guidance is to be applied prospectively and is effective for annual and interim reporting periods beginning after December 15, 2013, with early adoption permitted. The Company is still analyzing the impacts of this new standard and when to adopt it. However, it appears that the new standard will result in substantially all of the Company's liability for unrecognized tax benefits being reclassified from being reflected in liability accounts to being reflected as reductions of deferred tax assets. Adoption of this standard will have no impact on earnings.

(2) Segment Information

The following segment presentation is based on the methodology that management uses for making operating decisions and assessing performance of its various business activities. A reconciliation of the segment presentation to the GAAP financial statements is provided.

PNM

PNM includes the retail electric utility operations of PNM that are subject to traditional rate regulation by the NMPRC. PNM provides integrated electricity services that include the generation, transmission, and distribution of electricity for retail electric customers in New Mexico. PNM also provides generation service to firm-requirements wholesale customers and sells electricity into the general wholesale market, as well as providing transmission services to third parties. The sale of electricity into the wholesale market includes the optimization of PNM's jurisdictional capacity, as well as the capacity excluded from retail rates. FERC has jurisdiction over wholesale and transmission rates.

TNMP

TNMP is an electric utility providing regulated transmission and distribution services in Texas under the TECA. TNMP's operations are subject to traditional rate regulation by the PUCT.

Corporate and Other

The Corporate and Other segment includes PNMR holding company activities, primarily related to corporate level debt and PNMR Services Company.

The following tables present summarized financial information for PNMR by segment. PNM and TNMP each operate in only one segment. Therefore, tabular segment information is not presented for PNM and TNMP.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

PNMR SEGMENT INFORMATION

	PNM	TNMP	Corporate and Other	Consolidated
Three Months Ended June 30, 2013		(In thousands)		
Electric operating revenues	$ 279,690	$ 67,909	$ —	$ 347,599
Cost of energy	91,855	13,804	—	105,659
Margin	187,835	54,105	—	241,940
Other operating expenses	103,482	22,159	(3,207)	122,434
Depreciation and amortization	26,051	12,279	3,309	41,639
Operating income (loss)	58,302	19,667	(102)	77,867
Interest income	2,868	—	(35)	2,833
Other income (deductions)	3,360	486	(2,213)	1,633
Net interest charges	(19,890)	(6,759)	(3,967)	(30,616)
Segment earnings (loss) before income taxes	44,640	13,394	(6,317)	51,717
Income taxes	14,943	5,055	336	20,334
Segment earnings (loss)	29,697	8,339	(6,653)	31,383
Valencia non-controlling interest	(3,573)	—	—	(3,573)
Subsidiary preferred stock dividends	(132)	—	—	(132)
Segment earnings (loss) attributable to PNMR	$ 25,992	$ 8,339	$ (6,653)	$ 27,678
Six Months Ended June 30, 2013				
Electric operating revenues	$ 537,583	$ 127,680	$ —	$ 665,263
Cost of energy	183,514	26,851	—	210,365
Margin	354,069	100,829	—	454,898
Other operating expenses	206,643	44,148	(6,910)	243,881
Depreciation and amortization	51,884	23,960	6,602	82,446
Operating income	95,542	32,721	308	128,571
Interest income	5,541	—	(74)	5,467
Other income (deductions)	4,766	694	(3,936)	1,524
Net interest charges	(39,847)	(14,005)	(8,062)	(61,914)
Segment earnings (loss) before income taxes	66,002	19,410	(11,764)	73,648
Income taxes (benefit)	21,532	7,345	(574)	28,303
Segment earnings (loss)	44,470	12,065	(11,190)	45,345
Valencia non-controlling interest	(6,777)	—	—	(6,777)
Subsidiary preferred stock dividends	(264)	—	—	(264)
Segment earnings (loss) attributable to PNMR	$ 37,429	$ 12,065	$ (11,190)	$ 38,304
At June 30, 2013:				
Total Assets	$ 4,185,189	$ 1,155,928	$ 62,789	$ 5,403,906
Goodwill	$ 51,632	$ 226,665	$ —	$ 278,297
Additions to utility and non-utility plant included in accounts payable	$ 7,900	$ 1,101	$ 749	$ 9,750

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	PNM	TNMP	Corporate and Other	Consolidated
Three Months Ended June 30, 2012		(In thousands)		
Electric operating revenues	$ 260,094	$ 63,766	$ —	$ 323,860
Cost of energy	83,235	11,484	—	94,719
Margin	176,859	52,282	—	229,141
Other operating expenses	106,244	21,319	(4,582)	122,981
Depreciation and amortization	23,946	12,066	5,042	41,054
Operating income (loss)	46,669	18,897	(460)	65,106
Interest income	3,429	—	(43)	3,386
Other income (deductions)	(989)	774	(1,434)	(1,649)
Net interest charges	(18,928)	(7,069)	(4,201)	(30,198)
Segment earnings (loss) before income taxes	30,181	12,602	(6,138)	36,645
Income taxes (benefit)	9,841	4,584	(2,879)	11,546
Segment earnings (loss)	20,340	8,018	(3,259)	25,099
Valencia non-controlling interest	(3,455)	—	—	(3,455)
Subsidiary preferred stock dividends	(132)	—	—	(132)
Segment earnings (loss) attributable to PNMR	$ 16,753	$ 8,018	$ (3,259)	$ 21,512
Six Months Ended June 30, 2012				
Electric operating revenues	$ 510,510	$ 118,724	$ —	$ 629,234
Cost of energy	163,792	22,773	—	186,565
Margin	346,718	95,951	—	442,669
Other operating expenses	210,364	41,908	(7,906)	244,366
Depreciation and amortization	47,580	23,353	8,535	79,468
Operating income (loss)	88,774	30,690	(629)	118,835
Interest income	6,764	—	(86)	6,678
Other income (deductions)	3,995	878	(3,974)	899
Net interest charges	(37,422)	(14,167)	(8,176)	(59,765)
Segment earnings (loss) before income taxes	62,111	17,401	(12,865)	66,647
Income taxes (benefit)	20,694	6,372	(5,995)	21,071
Segment earnings (loss)	41,417	11,029	(6,870)	45,576
Valencia non-controlling interest	(6,720)	—	—	(6,720)
Subsidiary preferred stock dividends	(264)	—	—	(264)
Segment earnings (loss) attributable to PNMR	$ 34,433	$ 11,029	$ (6,870)	$ 38,592
At June 30, 2012:				
Total Assets	$ 4,069,375	$ 1,054,679	$ 128,535	$ 5,252,589
Goodwill	$ 51,632	$ 226,665	$ —	$ 278,297
Additions to utility and non-utility plant included in accounts payable	$ 8,681	$ 551	$ 392	$ 9,624

(3) Variable Interest Entities

GAAP determines how an enterprise evaluates and accounts for its involvement with variable interest entities, including determining the primary beneficiary of a variable interest entity, by focusing primarily on whether the enterprise has the power to direct the activities that most significantly impact the economic performance of a variable interest entity. GAAP also requires continual reassessment of the primary beneficiary of a variable interest entity. Additional information concerning PNM's variable interest entities is contained in Note 9 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Valencia

PNM has a PPA to purchase all of the electric capacity and energy from Valencia, a 145 MW natural gas-fired power plant near Belen, New Mexico, through May 2028. A third-party built, owns, and operates the facility while PNM is the sole purchaser of the electricity generated. PNM is obligated to pay fixed operations and maintenance and capacity charges in addition to variable operations and maintenance charges under this PPA. For the three and six months ended June 30, 2013, PNM paid $4.7 million and $9.4 million for fixed charges and $0.2 million and $0.3 million for variable charges. For the three and six months ended June 30, 2012, PNM paid $4.6 million and $9.3 million for fixed charges and $0.2 million and $0.3 million for variable charges. PNM does not have any other financial obligations related to Valencia. The assets of Valencia can only be used to satisfy obligations of Valencia and creditors of Valencia do not have any recourse against PNM's assets. PNM has concluded that the third party entity that owns Valencia is a variable interest entity and that PNM is the primary beneficiary of the entity under GAAP. As the primary beneficiary, PNM consolidates the entity in its financial statements. The assets and liabilities of Valencia set forth below are immaterial to PNM and, therefore, not shown separately on the Condensed Consolidated Balance Sheets. The owner's equity and net income of Valencia are considered attributable to non-controlling interest.

Summarized financial information for Valencia is as follows:

Results of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Operating revenues	$ 4,922	$ 4,888	$ 9,697	$ 9,559
Operating expenses	(1,349)	(1,433)	(2,920)	(2,839)
Earnings attributable to non-controlling interest	$ 3,573	$ 3,455	$ 6,777	$ 6,720

Financial Position

	June 30, 2013	December 31, 2012
	(In thousands)	
Current assets	$ 3,124	$ 3,655
Net property, plant, and equipment	76,541	77,953
Total assets	79,665	81,608
Current liabilities	720	765
Owners' equity – non-controlling interest	$ 78,945	$ 80,843

PVNGS Leases

PNM leases interests in Units 1 and 2 of PVNGS under arrangements, which were entered into in 1985 and 1986, that are accounted for as operating leases. PNM is not the legal or tax owner of the leased assets. PNM has an option to purchase the leased assets at appraised value at the end of the leases, but does not have a fixed price purchase option and does not provide residual value guarantees. As set forth in the leases, PNM has options to renew the leases at fixed rates, which represent 50% of the amounts during the original terms of the leases, for two years beyond the termination of the original lease terms. The option periods on all of the Unit 1 leases and one of the Unit 2 leases, amounting to 14% of the Unit 2 capacity under lease, may be further extended for up to an additional six years (the "Maximum Option Period") if the appraised remaining useful lives and fair value of the leased assets are greater than parameters set forth in the leases. As discussed in Note 9 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K, PNM notified each of the lessors of the Unit 1 leases that it will extend

each Unit 1 lease for the Maximum Option Period upon the expiration of the basic lease term on January 15, 2015. In addition, PNM notified each of the lessors in the Unit 2 leases that PNM will "retain" the assets leased under that lease upon the expiration of the basic lease term on January 15, 2016. PNM will be required to specify by notice to each of the lessors by January 15, 2014, whether on January 15, 2016 it will extend the Unit 2 leases or purchase the leased assets. PNM is unable to predict the outcome of this proceeding.

PNM is only obligated to make payments to the trusts for the scheduled semi-annual lease payments, which, net of amounts that will be returned to PNM through its ownership in related lessor notes, aggregate $65.9 million as of June 30, 2013 over the remaining original terms of the leases. Under certain circumstances (for example, final shutdown of the plant, the NRC issuing specified violation orders with respect to PVNGS, or the occurrence of specified nuclear events), PNM would be required to make specified payments to the beneficial owners and take title to the leased interests. If such an event had occurred as of June 30, 2013, PNM could have been required to pay the beneficial owners up to $160.4 million, which would result in PNM taking ownership of the leased assets and termination of the leases. PNM has no other financial obligations or commitments to the trusts or the beneficial owners. Creditors of the trusts have no recourse to PNM's assets other than with respect to the contractual lease payments. PNM has no additional rights to the assets of the trusts other than the use of the leased assets.

PNM has evaluated the PVNGS lease arrangements, including the notices discussed above, and concluded that it does not have the power to direct the activities that most significantly impact the economic performance of the trusts and, therefore, is not the primary beneficiary of the trusts under GAAP. PNM has recorded no assets or liabilities related to the trusts other than the accrual of lease payments between the scheduled payment dates, which were $26.0 million at June 30, 2013 and December 31, 2012, that are included in other current liabilities on the Condensed Consolidated Balance Sheets. For additional information regarding these leases, see Risk Factors, MD&A – Off Balance Sheet Arrangements and Note 7 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Delta

PNM has a PPA covering the entire output of Delta, which is a variable interest under GAAP. PNM also controls the dispatch of the generating plant, which impacts the variable payments made under the PPA and impacts the economic performance of the entity that owns Delta. PNM makes fixed and variable payments to Delta under the PPA. For the three and six months ended June 30, 2013, PNM incurred fixed capacity charges of $1.6 million and $3.2 million and variable energy charges of $0.4 million and $0.6 million under the PPA. For the three and six months ended June 30, 2012, PNM incurred fixed capacity charges of $1.5 million and $3.1 million and variable energy charges of $0.2 million and $0.3 million. PNM's only quantifiable obligation under the PPA is to make the fixed payments, which as of June 30, 2013, aggregated $42.2 million through the end of the PPA in 2020. PNM will also pay variable costs, which cannot be quantified since the amounts are based on how much the generating plant is in operation.

This arrangement was entered into prior to December 31, 2003 and PNM was unsuccessful in obtaining the information necessary to determine if it is the primary beneficiary of the entity that owns Delta, or to consolidate that entity if it were determined that PNM is the primary beneficiary. Accordingly, PNM was unable to make those determinations and, as provided in GAAP, accounted for this PPA as an operating lease.

In December 2012, PNM entered into an agreement with the owners of Delta under which PNM would purchase the entity that owns Delta. At closing PNM would make a cash payment of $23.0 million, which would be adjusted for actual working capital compared to a targeted working capital and certain prepayments of debt. Delta had project financing debt, which PNM would retire at closing of the purchase, of $17.7 million at June 30, 2013, including $3.2 million due by June 30, 2014. The purchase is subject to approval of the NMPRC and FERC, as well as other customary closing conditions. Furthermore, closing is subject to the seller remedying specified operational, NERC compliance, and environmental issues. FERC approved the purchase on February 26, 2013 and the NMPRC approved the purchase on June 26, 2013. Closing of the purchase is anticipated to occur before the end of 2013.

Delta informed PNM that at June 30, 2013, it had total assets of $25.4 million, including net property, plant, and equipment of $21.7 million, and total liabilities of $19.6 million. Delta also indicated its revenue for the three and six months ended June 30, 2013 was $2.2 million and $4.0 million and its net earnings were $0.1 million and $0.3 million. Consolidation of Delta would be immaterial to the Condensed Consolidated Balance Sheets of PNMR and PNM. Since all of Delta's revenues and expenses are

attributable to its PPA arrangement with PNM, the primary impact of consolidating Delta to the Condensed Consolidated Statements of Earnings of PNMR and PNM would be to reclassify Delta's net earnings from operating expenses and reflect such amount as earnings attributable to a non-controlling interest, without any impact to net earnings attributable to PNMR and PNM.

(4) Fair Value of Derivative and Other Financial Instruments

Energy Related Derivative Contracts

Overview

The primary objective for the use of derivative instruments, including energy contracts, options, and futures, is to manage price risk associated with forecasted purchases of energy and fuel used to generate electricity, as well as managing anticipated generation capacity in excess of forecasted demand from existing customers. The Company's energy related derivative contracts manage commodity risk. PNM is required to meet the demand and energy needs of its retail and firm-requirements wholesale customers. PNM is exposed to market risk for its share of PVNGS Unit 3 and the needs of its firm-requirements wholesale customers not covered under a FPPAC. PNM's operations are managed primarily through a net asset-backed strategy, whereby PNM's aggregate net open forward contract position is covered by its forecasted excess generation capabilities or market purchases. PNM could be exposed to market risk if its generation capabilities were to be disrupted or if its load requirements were to be greater than anticipated, to the extent not covered by the FPPAC. If all or a portion of load requirements were required to be covered as a result of such unexpected situations, commitments would have to be met through market purchases. Additional information concerning the Company's energy related derivative contracts, including how commodity risk is managed, is contained in Note 8 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Commodity Risk

Marketing and procurement of energy often involve market risks associated with managing energy commodities and establishing open positions in the energy markets, primarily on a short-term basis. PNM routinely enters into various derivative instruments such as forward contracts, option agreements, and price basis swap agreements to economically hedge price and volume risk on power commitments and fuel requirements and to minimize the effect of market fluctuations in wholesale portfolios. PNM monitors the market risk of its commodity contracts using VaR calculations to maintain total exposure within management-prescribed limits in accordance with approved risk and credit policies.

Accounting for Derivatives

Under derivative accounting and related rules for energy contracts, the Company accounts for its various derivative instruments for the purchase and sale of energy based on the Company's intent. Energy contracts that meet the definition of a derivative under GAAP and do not qualify, or are not designated, for the normal sales and purchases exception are recorded on the balance sheet at fair value at each period end. The changes in fair value are recognized in earnings unless specific hedge accounting criteria are met and elected. Normal sales and purchases are not marked to market and are reflected in results of operations when the underlying transactions settle.

During the six months ended June 30, 2013 and the year ended December 31, 2012, the Company was not hedging its exposure to the variability in future cash flows from commodity derivatives through designated cash flows hedges. The contracts recorded at fair value that do not qualify or are not designated for cash flow hedge accounting are classified as economic hedges. Economic hedges are defined as derivative instruments, including long-term power agreements, used to economically hedge generation assets, purchased power and fuel costs, and customer load requirements. Changes in the fair value of economic hedges are reflected in results of operations and are classified between operating revenues and cost of energy according to the intent of the economic hedge. The Company has no trading transactions.

Fair value is defined under GAAP as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is based on current market quotes as available and is supplemented by modeling techniques and assumptions made by the Company to the extent quoted market prices or volatilities are not available. External pricing input availability varies based on commodity location, market liquidity, and term of the agreement. Valuations of derivative assets and

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

liabilities take into account nonperformance risk including the effect of counterparties' and the Company's credit risk. The Company regularly assesses the validity and availability of pricing data for its derivative transactions. Although the Company uses its best judgment in estimating the fair value of these instruments, there are inherent limitations in any estimation technique.

Commodity Derivatives

Commodity derivative instruments that are recorded at fair value, all of which are accounted for as economic hedges, are summarized as follows:

	Economic Hedges	
	June 30, 2013	December 31, 2012
PNMR and PNM	(In thousands)	
Current assets	$ 2,870	$ 3,785
Deferred charges	202	352
	3,072	4,137
Current liabilities	(1,621)	(1,000)
Long-term liabilities	(1,540)	(1,933)
	(3,161)	(2,933)
Net	$ (89)	$ 1,204

Certain of PNM's commodity derivative instruments included in the above table are subject to master netting agreements whereby assets and liabilities could be offset in the settlement process. The Company does not offset fair value, cash collateral, and accrued payable or receivable amounts recognized for derivative instruments under master netting arrangements and the above table reflects the gross amounts of assets and liabilities. The amounts that could be offset under master netting agreements were immaterial at June 30, 2013 and December 31, 2012.

At June 30, 2013 and December 31, 2012, PNMR and PNM had no amounts recognized for the legal right to reclaim cash collateral. In addition, at June 30, 2013 and December 31, 2012, amounts posted as cash collateral under margin arrangements were $2.0 million and $1.9 million for both PNMR and PNM. PNMR and PNM had no obligation to return cash collateral at June 30, 2013 and December 31, 2012. Cash collateral amounts are included in other current assets on the Condensed Consolidated Balance Sheets.

PNM has a NMPRC approved hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC. The table above includes $0.5 million of current assets and $0.1 million of deferred charges at June 30, 2013 and less than $0.1 million of current assets at December 31, 2012 related to this plan. The offsets to these amounts are recorded as regulatory assets and liabilities on the Condensed Consolidated Balance Sheets.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the effect on earnings, excluding income tax effects, of commodity derivative instruments that are recorded at fair value. Commodity derivatives had no impact on OCI for the periods presented.

	Economic Hedges			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
PNMR and PNM	(In thousands)			
Electric operating revenues	$ 3,269	$ (3,581)	$ (1,334)	$ 1,637
Cost of energy	(263)	63	493	(541)
Total gain (loss)	$ 3,006	$ (3,518)	$ (841)	$ 1,096

Commodity contract volume positions are presented in MMBTU for gas related contracts and in MWh for power related contracts. The table below presents PNMR's and PNM's net buy (sell) volume positions:

	Economic Hedges	
	MMBTU	MWh
June 30, 2013		
PNMR and PNM	1,675,000	(1,798,394)
December 31, 2012		
PNMR and PNM	1,127,500	(2,477,520)

In connection with managing its commodity risks, the Company enters into master agreements with certain counterparties. If the Company is in a net liability position under an agreement, some agreements provide that the counterparties can request collateral from the Company if the Company's credit rating is downgraded; other agreements provide that the counterparty may request collateral to provide it with "adequate assurance" that the Company will perform; and others have no provision for collateral.

The table below presents information about the Company's contingent requirements to provide collateral under commodity contracts having an objectively determinable collateral provision that are in net liability positions and are not fully collateralized with cash. Contractual liability represents commodity derivative contracts recorded at fair value on the balance sheet, determined on an individual contract basis without offsetting amounts for individual contracts that are in an asset position and could be offset under master netting agreements with the same counterparty. The table only reflects cash collateral that has been posted under the existing contracts and does not reflect letters of credit under the Company's revolving credit facilities that have been issued as collateral. Net exposure is the net contractual liability for all contracts, including those designated as normal purchases and sales, offset by existing cash collateral and by any offsets available under master netting agreements, including both asset and liability positions.

Contingent Feature – Credit Rating Downgrade	Contractual Liability	Existing Cash Collateral	Net Exposure
		(In thousands)	
June 30, 2013			
PNMR and PNM	$ 2,675	$ —	$ 2,581
December 31, 2012			
PNMR and PNM	$ 2,933	$ —	$ 2,777

Sale of Power from PVNGS Unit 3

Since January 1, 2011, PNM has been selling power from its interest in PVNGS Unit 3 at market prices. As of June 30, 2013, PNM had contracted to sell 100% of PVNGS Unit 3 output through 2013, at market price plus a premium. In July 2013, PNM entered into contracts to sell 100% of PVNGS Unit 3 output for 2014 and 2015, at market price plus a premium. PNM has

established fixed rates for substantially all of these sales through the end of 2013 through hedging arrangements that are accounted for as economic hedges. PNM is also partially hedged for 2014.

Non-Derivative Financial Instruments

The carrying amounts reflected on the Condensed Consolidated Balance Sheets approximate fair value for cash, receivables, and payables due to the short period of maturity. Available-for-sale securities are carried at fair value, which include unrealized gains on securities which have not been recognized in net earnings. Available-for-sale securities for PNMR and PNM consist of PNM assets held in the NDT for its share of decommissioning costs of PVNGS and a trust for PNM's share of post-term reclamation costs related to the coal mines serving SJGS, which investments are included in "other investments" on the Condensed Consolidated Balance Sheet. The fair value and gross unrealized gains of investments in available-for-sale securities are presented in the following table.

	June 30, 2013		December 31, 2012	
	Unrealized Gains	Fair Value	Unrealized Gains	Fair Value
	(In thousands)			
Cash and cash equivalents	$ —	$ 26,652	$ —	$ 4,628
Equity securities:				
Domestic value	9,205	33,675	5,223	30,044
Domestic growth	16,846	59,347	15,212	51,650
International and other	511	15,127	247	14,868
Fixed income securities:				
U.S. Government	313	17,077	1,305	32,592
Municipals	1,819	40,284	4,069	43,861
Corporate and other	199	8,607	1,100	14,868
	$ 28,893	$ 200,769	$ 27,156	$ 192,511

The proceeds and gross realized gains and losses on the disposition of available-for-sale securities for PNMR and PNM are shown in the following table. Realized gains and losses are determined by specific identification of costs of securities sold.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Proceeds from sales	$ 61,821	$ 19,027	$ 76,106	$ 45,787
Gross realized gains	$ 4,960	$ 2,434	$ 6,351	$ 4,766
Gross realized (losses)	$ (1,311)	$ (1,186)	$ (1,717)	$ (1,925)

Held-to-maturity securities are those investments in debt securities that the Company has the ability and intent to hold until maturity. Held-to-maturity securities consist of the investment in PVNGS lessor notes and certain items within other investments.

At June 30, 2013, the available-for-sale and held-to-maturity debt securities had the following final maturities:

	Fair Value		
	Available -for-Sale	Held-to-Maturity	
	PNMR and PNM	PNMR	PNM
	(In thousands)		
Within 1 year	$ 1,470	$ 7,519	$ 3,819
After 1 year through 5 years	18,713	67,362	66,018
After 5 years through 10 years	8,334	—	—
After 10 years through 15 years	7,887	—	—
After 15 years through 20 years	10,616	—	—
After 20 years	18,948	—	—
	$ 65,968	$ 74,881	$ 69,837

The Company has no available-for-sale or held-to-maturity securities for which carrying value exceeds fair value. There are no impairments considered to be "other than temporary" that are included in AOCI and not recognized in earnings.

Fair Value Disclosures

The Company determines the fair values of its derivative and other instruments based on the hierarchy established in GAAP, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs used in determining fair values for the Company consist of internal valuation models.

For the NDT and reclamation trust investments, Level 2 fair values are provided by the trustee utilizing a pricing service. The pricing provider predominantly uses the market approach using bid side market value based upon a hierarchy of information for specific securities or securities with similar characteristics. For commodity derivatives, Level 2 fair values are determined based on market observable inputs, which are validated using multiple broker quotes, including forward price, volatility, and interest rate curves to establish expectations of future prices. Credit valuation adjustments are made for estimated credit losses based on the overall exposure to each counterparty. For long-term debt, Level 2 fair values are provided by an external pricing service. The pricing service primarily utilizes quoted prices for similar debt in active markets when determining fair value. For investments categorized as Level 3, primarily the PVNGS lessor notes and other investments, fair values were determined by discounted cash flow models that take into consideration discount rates that are observable for similar type assets and liabilities. Management of the Company independently verifies the information provided by pricing services.

The Company records any transfers between fair value hierarchy levels as of the end of each calendar quarter. There were no transfers between levels during the six months ended June 30, 2013 and 2012.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Items recorded at fair value on the Condensed Consolidated Balance Sheets are presented below:

		GAAP Fair Value Hierarchy	
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
		(In thousands)	
June 30, 2013			
PNMR and PNM			
Decommissioning and reclamation investments:			
Cash and cash equivalents	$ 26,652	$ 26,652	$ —
Equity securities:			
Domestic value	33,675	33,675	—
Domestic growth	59,347	59,347	—
International and other	15,127	15,127	—
Fixed income securities:			
U.S. government	17,077	15,312	1,765
Municipals	40,284	—	40,284
Corporate and other	8,607	—	8,607
	$ 200,769	$ 150,113	$ 50,656
Commodity derivative assets	$ 3,072	$ —	$ 3,072
Commodity derivative liabilities	(3,161)	—	(3,161)
Net	$ (89)	$ —	$ (89)
December 31, 2012			
PNMR and PNM			
Decommissioning and reclamation investments:			
Cash and cash equivalents	$ 4,628	$ 4,628	$ —
Equity securities:			
Domestic value	30,044	30,044	—
Domestic growth	51,650	51,650	—
International and other	14,868	14,868	—
Fixed income securities:			
U.S. government	32,592	27,737	4,855
Municipals	43,861	—	43,861
Corporate and other	14,868	—	14,868
	$ 192,511	$ 128,927	$ 63,584
Commodity derivative assets	$ 4,137	$ —	$ 4,137
Commodity derivative liabilities	(2,933)	—	(2,933)
Net	$ 1,204	$ —	$ 1,204

There were no Level 3 fair value measurements at June 30, 2013 or December 31, 2012.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The carrying amounts and fair values of investments in PVNGS lessor notes, other investments, and long-term debt, which are not recorded at fair value on the Condensed Consolidated Balance Sheets are presented below:

			GAAP Fair Value Hierarchy		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In thousands)		
June 30, 2013					
PNMR					
Long-term debt	$ 1,763,683	$ 1,977,764	$ —	$ 1,974,064	$ 3,700
Investment in PVNGS lessor notes	$ 66,033	$ 69,837	$ —	$ —	$ 69,837
Other investments	$ 3,729	$ 6,944	$ 754	$ —	$ 6,190
PNM					
Long-term debt	$ 1,290,598	$ 1,417,596	$ —	$ 1,417,596	$ —
Investment in PVNGS lessor notes	$ 66,033	$ 69,837	$ —	$ —	$ 69,837
Other investments	$ 473	$ 473	$ 473	$ —	$ —
TNMP					
Long-term debt	$ 336,238	$ 395,666	$ —	$ 395,666	$ —
Other investments	$ 281	$ 281	$ 281	$ —	$ —
December 31, 2012					
PNMR					
Long-term debt	$ 1,672,290	$ 1,969,362	$ —	$ 1,966,725	$ 2,637
Investment in PVNGS lessor notes	$ 77,682	$ 84,198	$ —	$ —	$ 84,198
Other investments	$ 5,599	$ 6,965	$ 774	$ —	$ 6,191
PNM					
Long-term debt	$ 1,215,579	$ 1,385,433	$ —	$ 1,385,433	$ —
Investment in PVNGS lessor notes	$ 77,682	$ 84,198	$ —	$ —	$ 84,198
Other investments	$ 494	$ 494	$ 494	$ —	$ —
TNMP					
Long-term debt	$ 311,589	$ 418,166	$ —	$ 418,166	$ —
Other investments	$ 281	$ 281	$ 281	$ —	$ —

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(5) Earnings Per Share

In accordance with GAAP, dual presentation of basic and diluted earnings per share is presented in the Condensed Consolidated Statements of Earnings of PNMR. Information regarding the computation of earnings per share is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands, except per share amounts)			
Net Earnings Attributable to PNMR	$ 27,678	$ 21,512	$ 38,304	$ 38,592
Average Number of Common Shares:				
Outstanding during period	79,654	79,654	79,654	79,654
Vested awards of restricted stock	194	154	202	177
Average Shares - Basic	79,848	79,808	79,856	79,831
Dilutive Effect of Common Stock Equivalents [1]:				
Stock options and restricted stock	607	558	661	590
Average Shares - Diluted	80,455	80,366	80,517	80,421
Net Earnings Per Share of Common Stock:				
Basic	$ 0.35	$ 0.27	$ 0.48	$ 0.48
Diluted	$ 0.34	$ 0.27	$ 0.48	$ 0.48

[1] Excludes the effect of out-of-the-money options for 825,877 shares of common stock at June 30, 2013.

(6) Stock-Based Compensation

PNMR has various stock-based compensation programs, including stock options, restricted stock, and performance shares granted under the Performance Equity Plan ("PEP"). In 2011, the Company changed its approach to awarding stock-based compensation. As a result, no stock options have been granted in 2013 or 2012 and awards of restricted stock have increased. Certain restricted stock awards are subject to achieving performance or market targets and have service requirements. Other awards of restricted stock are only subject to time vesting requirements. Additional information concerning stock-based compensation under the PEP is contained in Note 13 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Restricted stock under the PEP refers to awards of stock subject to vesting, performance, or market conditions rather than to shares with contractual post-vesting restrictions. Generally, the awards vest ratably over three years from the grant date of the award. However, certain awards with performance or market conditions vest upon satisfaction of those conditions. In addition, plan provisions provide that upon retirement, participants become 100% vested in stock awards.

The stock-based compensation expense related to stock options and restricted stock awards without performance or market conditions is amortized to compensation expense over the requisite vesting period, which is generally three years. However, compensation expense for awards to participants that are retirement eligible on the award date is recognized immediately at the award date and is not amortized. Compensation expense for performance-based shares is recognized ratably over the performance period and is adjusted periodically to reflect the level of achievement expected to be attained. Compensation expense related to market-based shares is recognized ratably over the measurement period, regardless of the actual level of achievement, provided the employees meet their service requirements. At June 30, 2013 and December 31, 2012, PNMR had unrecognized expense related to stock awards of $6.3 million and $3.8 million.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The Company uses the Black Scholes option pricing model to estimate the fair value of stock option awards based on multiple factors, including historical exercise patterns of employees in relatively homogeneous groups with respect to exercise and post-vesting employment termination behaviors, expected exercising patterns for these same homogeneous groups, and both the implied and historical volatility of PNMR's stock price. The grant date fair value for restricted stock and stock awards with Company internal performance targets is determined based on the market price of PNMR common stock on the date of the agreements reduced by the present value of future dividends, which will not be received prior to vesting, applied to the total number of shares that are anticipated to vest, although the number of shares that ultimately vest cannot be determined until after the performance periods end. The grant date fair value of stock awards with market targets is determined using Monte Carlo simulation models, which provide grant date fair values that include an expectation of the number of shares to vest.

The following table summarizes the weighted-average assumptions used to determine the awards grant date fair value:

	Six Months Ended June 30,	
Restricted Shares and Performance Based Shares	**2013**	**2012**
Expected quarterly dividends per share	$ 0.165	$ 0.145
Risk-free interest rate	0.34%	0.65%
Market-Based Shares		
Dividend yield	2.86%	3.45%
Expected volatility	25.11%	43.98%
Risk-free interest rate	0.36%	1.04%

The following table summarizes activity in stock options and restricted stock awards, including performance-based and market-based shares, for the six months ended June 30, 2013:

	Stock Option Shares	Weighted-Average Exercise Price	Restricted Stock	Weighted-Average Grant Date Fair Value
Outstanding at beginning of period	1,992,700	$ 20.72	353,722	$ 14.03
Granted	—	$ —	249,113	$ 20.03
Exercised	(225,328)	$ 13.09	(275,122)	$ 15.93
Forfeited	—	$ —	(8,982)	$ 18.05
Expired	(258,526)	$ 27.24	—	$ —
Outstanding at end of period	1,508,846	$ 20.75	318,731	$ 17.87

Included as restricted stock granted and exercised in the table above are 100,953 shares that were based upon achieving performance or market targets for 2012. The Board approved these shares in February 2013, including shares with market targets at near maximum levels.

PNMR also has share agreements that provide for performance or market targets through 2015. Excluded from the above table are maximums of 188,129, 198,369, and 179,811 restricted stock shares for periods ending in 2013, 2014, and 2015 that would be awarded if all performance or market criteria are achieved and all executives remain eligible.

In March 2012, the Company entered into a retention award agreement with its Chairman, President, and Chief Executive Officer under which she would receive 135,000 shares of PNMR's common stock if the Company meets specific market targets at the end of 2016 and she remains an employee of the Company. If the Company achieves specific market targets at the end of 2014 and she remains an employee of the Company, she would receive 35,000 of the total shares at that time. The retention award

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

was made under the PEP and was approved by the Board on February 28, 2012. The above table does not include any shares under the retention award agreement.

At June 30, 2013, the aggregate intrinsic value of stock options outstanding, all of which are exercisable, was $6.6 million with a weighted-average remaining contract life of 3.79 years. At June 30, 2013, the exercise price of 825,877 outstanding stock options is greater than the closing price of PNMR common stock on that date; therefore, those options have no intrinsic value.

The following table provides additional information concerning stock options and restricted stock activity, including performance-based and market-based shares:

	Six Months Ended June 30,	
Stock Options	**2013**	**2012**
Weighted-average grant date fair value of options granted	$ —	$ —
Total fair value of options that vested (in thousands)	$ 625	$ 1,058
Total intrinsic value of options exercised (in thousands)	$ 2,189	$ 1,917
Restricted Stock		
Weighted-average grant date fair value	$ 20.03	$ 15.63
Total fair value of restricted shares that vested (in thousands)	$ 4,383	$ 3,828

(7) Financing

Additional information concerning financing activities, including a TNMP cash-flow hedge that establishes a fixed interest rate on a variable rate loan, is contained in Note 6 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Short-term Debt

PNMR has a revolving credit financing capacity of $300.0 million under the PNMR Revolving Credit Facility. PNM has a revolving credit financing capacity of $400.0 million under the PNM Revolving Credit Facility. Both of these facilities currently expire on October 31, 2017 and provide for an additional one-year extension option, subject to approval by the lenders. In December 2012, PNMR borrowed $100.0 million under the PNMR Term Loan Agreement, which matures in December 2013. TNMP has a revolving credit financing capacity of $75.0 million under the TNMP Revolving Credit Facility that expires in December 2015. At June 30, 2013, the weighted average interest rate was 1.70% for borrowings outstanding under the PNMR Revolving Credit Facility, 1.33% for the PNMR Term Loan Agreement, and 1.82% for the TNMP Revolving Credit Facility. Short-term debt outstanding consisted of:

Short-term Debt	**June 30, 2013**	**December 31, 2012**
	(In thousands)	
PNM – Revolving credit facility	$ —	$ 21,100
TNMP – Revolving credit facility	25,000	—
PNMR:		
Revolving credit facility	35,000	37,600
PNMR Term Loan Agreement	100,000	100,000
	$ 160,000	$ 158,700

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

At July 26, 2013, PNMR, PNM, and TNMP had $261.4 million, $396.8 million, and $52.7 million of availability under their respective revolving credit facilities, including reductions of availability due to outstanding letters of credit. Total availability at July 26, 2013, on a consolidated basis, was $710.9 million for PNMR. As of July 26, 2013, TNMP had $37.8 million in borrowings from PNMR under their intercompany loan agreement. At July 26, 2013, PNMR, PNM and TNMP had consolidated invested cash of $3.1 million, $6.7 million, and none.

Financing Activities

On March 6, 2013, TNMP commenced an offer to exchange any and all of TNMP's $265.5 million aggregate principal amount outstanding 9.50% First Mortgage Bonds, due 2019, Series 2009A, for a new series of 6.95% First Mortgage Bonds, due 2043, Series 2013A, and up to $140 in cash for each $1,000 of bonds exchanged. Settlement of the exchange offer occurred on April 3, 2013. Upon settlement, TNMP issued $93.2 million of 6.95% First Mortgage Bonds and paid an aggregate of $13.0 million in cash in exchange for $93.2 million of 9.50% First Mortgage Bonds, in addition to payment of accrued and unpaid interest on the exchanged bonds. The exchange resulted in the recording of a $23.2 million premium on the 6.95% First Mortgage Bonds reflecting the contractual interest rate being in excess of the market rate of interest on the date of the exchange. A regulatory asset was recorded offsetting the premium and the cash consideration paid in the exchange.

On April 22, 2013, PNM entered into a $75.0 million Term Loan Agreement (the "PNM Term Loan Agreement") among PNM, the lenders identified therein, and Union Bank, N.A., as Administrative Agent. Funding of the PNM Term Loan Agreement occurred on April 22, 2013, at which time the funds were used to repay $75.0 million in borrowings made under the PNM Revolving Credit Facility. The PNM Term Loan Agreement bears interest at a variable rate, which was 1.45% at June 30, 2013, must be repaid on or before October 21, 2014, and is reflected as long-term debt on the Condensed Consolidated Balance Sheets. The PNM Term Loan Agreement includes customary covenants, including requirements to not exceed a maximum consolidated debt-to-consolidated capitalization ratio and customary events of default. The PNM Term Loan Agreement has a cross default provision and a change of control provision.

In April 2013, PNMR purchased $8.3 million aggregate principal amount of its outstanding 9.25% Senior Unsecured Notes, Series A, due 2015, for $9.4 million plus accrued and unpaid interest.

(8) Pension and Other Postretirement Benefit Plans

PNMR and its subsidiaries maintain qualified defined benefit pension plans, postretirement benefit plans providing medical and dental benefits, and executive retirement programs ("PNM Plans" and "TNMP Plans"). PNMR maintains the legal obligation for the benefits owed to participants under these plans.

Additional information concerning pension and OPEB plans is contained in Note 12 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K. Annual net periodic benefit cost (income) for the plans is actuarially determined using the methods and assumptions set forth in that note and is recognized ratably throughout the year.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

PNM Plans

The following tables present the components of the PNM Plans' net periodic benefit cost:

	Three Months Ended June 30,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2013	2012	2013	2012	2013	2012
	(In thousands)					
Components of Net Periodic Benefit Cost						
Service cost	$ —	$ —	$ 65	$ 54	$ —	$ —
Interest cost	7,035	8,058	1,029	1,324	180	219
Expected return on plan assets	(10,482)	(10,325)	(1,261)	(1,225)	—	—
Amortization of net (gain) loss	3,710	2,629	1,061	972	58	21
Amortization of prior service cost	19	79	(336)	(336)	—	—
Net periodic benefit cost	$ 282	$ 441	$ 558	$ 789	$ 238	$ 240

	Six Months Ended June 30,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2013	2012	2013	2012	2013	2012
	(In thousands)					
Components of Net Periodic Benefit Cost						
Service cost	$ —	$ —	$ 130	$ 108	$ —	$ —
Interest cost	14,071	16,116	2,057	2,648	360	438
Expected return on plan assets	(20,965)	(20,650)	(2,522)	(2,450)	—	—
Amortization of net (gain) loss	7,420	5,258	2,121	1,944	116	42
Amortization of prior service cost	38	158	(672)	(672)	—	—
Net periodic benefit cost	$ 564	$ 882	$ 1,114	$ 1,578	$ 476	$ 480

PNM made contributions to its pension plan trust of zero and $60.0 million in the three and six months ended June 30, 2013 and zero and $77.7 million in the three and six months ended June 30, 2012. PNM does not anticipate making additional contributions to its pension trust in 2013. Based on current law, including recent amendments to funding requirements, and estimates of portfolio performance, PNM estimates minimum required contributions for its pension plan trust would total $49.1 million for 2014-2017. Minimum required contributions were developed using current funding assumptions, including discount rates of 4.8% to 5.2%. Actual amounts required to be funded in the future will depend on the actuarial assumptions at that time, including the appropriate discount rate. PNM may make additional contributions at its discretion. PNM made contributions to the OPEB trust of $1.1 million and $1.6 million in the three and six months ended June 30, 2013 and $0.8 million and $1.6 million in the three and six months ended June 30, 2012. PNM expects contributions during 2013 to the OPEB trust to total $3.3 million. Disbursements under the executive retirement program, which are funded by PNM and considered to be contributions to the plan, were $0.4 million and $0.8 million in the three and six months ended June 30, 2013 and $0.3 million and $0.7 million in the three and six months ended June 30, 2012 and are expected to total $1.5 million during 2013.

TNMP Plans

The following tables present the components of the TNMP Plans' net periodic benefit cost (income):

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Three Months Ended June 30,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2013	2012	2013	2012	2013	2012
	(In thousands)					
Components of Net Periodic Benefit Cost (Income)						
Service cost	$ —	$ —	$ 75	$ 61	$ —	$ —
Interest cost	772	909	141	156	9	11
Expected return on plan assets	(1,212)	(1,331)	(126)	(129)	—	—
Amortization of net (gain) loss	262	115	—	(52)	—	—
Amortization of prior service cost	—	—	14	14	—	—
Net Periodic Benefit Cost (Income)	$ (178)	$ (307)	$ 104	$ 50	$ 9	$ 11

	Six Months Ended June 30,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2013	2012	2013	2012	2013	2012
	(In thousands)					
Components of Net Periodic Benefit Cost (Income)						
Service cost	$ —	$ —	$ 150	$ 122	$ —	$ —
Interest cost	1,544	1,818	283	312	18	22
Expected return on plan assets	(2,425)	(2,662)	(252)	(258)	—	—
Amortization of net (gain) loss	524	230	—	(104)	—	—
Amortization of prior service cost	—	—	28	28	—	—
Net Periodic Benefit Cost (Income)	$ (357)	$ (614)	$ 209	$ 100	$ 18	$ 22

TNMP made contributions to its pension plan trust of zero and $1.0 million in the three and six months ended June 30, 2013 and zero and $5.3 million in the three and six months ended June 30, 2012. TNMP does not anticipate making additional contributions to its pension trust in 2013. Based on current law, including recent amendments to funding requirements, and estimates of portfolio performance, TNMP estimates there would be no minimum required contributions to its pension plan trust for 2014-2017. Minimum required contributions were developed using current funding assumptions, including discount rates of 4.8% and 5.2%. Actual amounts to be funded in the future will depend on the actuarial assumptions at that time, including the appropriate discount rate. TNMP may make additional contributions at its discretion. TNMP made contributions to the OPEB trust of $0.3 million in the three and six months ended June 30, 2013 and zero and $0.3 million in the three and six months ended June 30, 2012. TNMP does not anticipate making additional contributions to the OPEB trust in 2013. Disbursements under the executive retirement program, which are funded by TNMP and considered to be contributions to the plan, were less than $0.1 million in the three and six months ended June 30, 2013 and 2012 and are expected to total $0.1 million during 2013.

(9) Commitments and Contingencies

Overview

There are various claims and lawsuits pending against the Company. The Company is also subject to federal, state, and local environmental laws and regulations and periodically participates in the investigation and remediation of various sites. In addition, the Company occasionally enters into financial commitments in connection with its business operations. The Company is also involved in various legal and regulatory (Note 10) proceedings in the normal course of its business. It is not possible at

this time for the Company to determine fully the effect of all litigation and other legal and regulatory proceedings on its financial position, results of operations, or cash flows.

With respect to some of the items listed below, the Company has determined that a loss is not probable or that, to the extent probable, cannot be reasonably estimated. In some cases, the Company is not able to predict with any degree of certainty the range of possible loss that could be incurred. Notwithstanding these facts, the Company has assessed these matters based on current information and made judgments concerning their potential outcome, giving due consideration to the nature of the claim, the amount and nature of damages sought, and the probability of success. Such judgments are made with the understanding that the outcome of any litigation, investigation, and other legal proceeding is inherently uncertain. In accordance with GAAP, the Company records liabilities for matters where it is probable a loss has been incurred and the amount of loss is reasonably estimable. The actual outcomes of the items listed below could ultimately differ from the judgments made and the differences could be material. The Company cannot make any assurances that the amount of reserves or potential insurance coverage will be sufficient to cover the cash obligations that might be incurred as a result of litigation or regulatory proceedings. The Company does not expect that any known lawsuits, environmental costs, and commitments will have a material effect on its financial condition, results of operations, or cash flows.

Additional information concerning commitments and contingencies is contained in Note 16 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Commitments and Contingencies Related to the Environment

Nuclear Spent Fuel and Waste Disposal

Nuclear power plant operators are required to enter into spent fuel disposal contracts with the DOE that require the DOE to accept and dispose of all spent nuclear fuel and other high-level radioactive wastes generated by domestic power reactors. Although the Nuclear Waste Policy Act required the DOE to develop a permanent repository for the storage and disposal of spent nuclear fuel by 1998, the DOE announced that it would not be able to open the repository by 1998 and sought to excuse its performance under the contract. In November 1997, the D.C. Circuit issued a decision preventing the DOE from excusing its own delay, but refused to order the DOE to begin accepting spent nuclear fuel. Based on this decision and the DOE's delay, a number of utilities, including APS (on behalf of itself and the other PVNGS owners, including PNM), filed damages actions against the DOE in the Court of Federal Claims. The PVNGS owners previously received a damages award for costs incurred through December 2006. APS filed a subsequent lawsuit, on behalf of itself and the other PVNGS owners, against DOE in the Court of Federal Claims on December 19, 2012. The lawsuit alleges that from January 1, 2007, through June 30, 2011, APS, as a co-owner of PVNGS, incurred additional damages due to DOE's continuing failure to remove spent nuclear fuel and high level waste from PVNGS. Activities in this legal proceeding are currently limited to review by the government of supporting information for APS's claim. PNM is unable to predict the outcome of this matter. PNM estimates that it will incur approximately $42.8 million (in 2010 dollars) for its share of the costs related to the on-site interim storage of spent nuclear fuel at PVNGS during the term of the operating licenses. PNM accrues these costs as a component of fuel expense as the fuel is consumed. At June 30, 2013 and December 31, 2012, PNM had a liability for interim storage costs of $12.3 million and $13.9 million included in other deferred credits.

On June 8, 2012, the D.C. Circuit issued its decision on a challenge by several states and environmental groups of the NRC's rulemaking regarding temporary storage and permanent disposal of high-level nuclear waste and spent nuclear fuel. The petitioners had challenged the NRC's 2010 update to the agency's Waste Confidence Decision. The D.C. Circuit found that the agency's 2010 Waste Confidence Decision update constituted a major federal action, which requires either an environmental impact statement or a finding of no significant impact from the agency's actions. The D.C. Circuit found that the NRC's evaluation of the environmental risks from spent nuclear was deficient, and therefore remanded the 2010 Waste Confidence Decision update for further action. In September 2012, the NRC issued a directive to its staff to proceed with development of a generic environmental impact statement to support an updated Waste Confidence Decision within 24 months. PNM is unable to predict the impact that the decision may have on the operation of PVNGS.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The Clean Air Act

Regional Haze

In 1999, EPA developed a regional haze program and regional haze rules under the CAA. The rule directs each of the 50 states to address regional haze. Pursuant to the CAA, states have the primary role to regulate visibility requirements by promulgating SIPs. States are required to establish goals for improving visibility in national parks and wilderness areas (also known as Class I areas) and to develop long-term strategies for reducing emissions of air pollutants that cause visibility impairment in their own states and for preventing degradation in other states. States must establish a series of interim goals to ensure continued progress. The first planning period specifies setting reasonable progress goals for improving visibility in Class I areas by the year 2018. In July 2005, the EPA promulgated its final regional haze rule guidelines for states to conduct BART determinations for certain covered facilities, including utility boilers, built between 1962 and 1977 that have the potential to emit more than 250 tons per year of visibility impairing pollution. If it is demonstrated that the emissions from these sources cause or contribute to visibility impairment in any Class I area, then BART must be installed by 2018.

SJGS

SJGS is a source that is subject to the statutory obligations of the CAA to reduce visibility impacts. The State of New Mexico submitted its SIP on the regional haze and interstate transport elements of the visibility rules for review by EPA in June 2011. The SIP found that BART to reduce NOx emissions from SJGS is selective non-catalytic reduction technology ("SNCR"). Nevertheless, in August 2011, EPA published its FIP, stating that it was required to do so by virtue of a consent decree it had entered into with an environmental group in litigation concerning the interstate transport requirements of the CAA. The FIP included a regional haze BART determination for SJGS that requires installation of selective catalytic reduction technology ("SCR") with stringent NOx emission limits on all four units by September 21, 2016.

PNM, the Governor of New Mexico, and NMED petitioned the Tenth Circuit to review EPA's decision and requested EPA to reconsider its decision. The Tenth Circuit denied petitions to stay the effective date of the rule on March 1, 2012. These parties have also formally asked EPA to stay the effective date of the rule. Several environmental groups have intervened in support of EPA. WEG also filed an action to challenge EPA's rule in the Tenth Circuit, seeking to shorten its compliance period from five years to three years and PNM has intervened in this action. Oral arguments on the merits of the FIP challenges were held in October 2012 in the Tenth Circuit. In accordance with the court's order, the parties have filed supplemental information. No decision has been announced and there is no deadline for a court decision.

In litigation involving several environmental groups, the United States District Court for the District of Columbia entered a consent decree, which, as amended, required EPA to issue a final rulemaking on New Mexico's regional haze SIP by November 15, 2012. EPA approved all components of the SIP, except for the NOx BART determination for SJGS. With respect to that element of the SIP, EPA determined that with the FIP in place, it had met its obligation under the consent decree.

Because the unchanged compliance deadline of the FIP required PNM to continue to take steps to commence installation of SCRs at SJGS, PNM entered into a contract in October 2012 with an engineering, procurement, and construction contractor to install SCRs on behalf of the SJGS owners. The construction contract, which includes termination provisions in the event that SCRs are determined in the future to be unnecessary, has been suspended through November 1, 2014. PNM estimated the total cost to install SCRs on all four units of SJGS to be between approximately $824 million and $910 million, which amounts include costs for construction management, gross receipts taxes, AFUDC, and other PNM costs, although final costs would be refined through an "open book" subcontractor bidding process. The costs for the project to install SCRs would encompass installation of technology to comply with the NAAQS requirements described below.

PNM previously indicated it estimated the cost of SNCRs on all four units of SJGS to be between approximately $85 million and $90 million based on a conceptual design study. Along with the SNCR installation, additional equipment would be required to be installed to meet the NAAQS requirements described below, the cost of which had been estimated to total between approximately $105 million and $110 million for all four units of SJGS. The estimates for SNCRs and the NAAQS requirements include gross receipts taxes, AFUDC, and other PNM costs.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Based upon its current SJGS ownership interest, PNM's share of the costs under either SCRs or SNCRs as described above would be about 46.3%.

During 2012 and early 2013, PNM engaged in discussions with NMED and EPA regarding an alternative to the FIP and SIP. On February 15, 2013, PNM, NMED, and EPA agreed to pursue a revised plan that could provide a new BART path to comply with federal visibility rules at SJGS. The terms of the non-binding agreement would result in the retirement of SJGS Units 2 and 3 by the end of 2017 and the installation of SNCRs on Units 1 and 4 by the later of January 31, 2016 or 15 months after EPA approval of a revised SIP. The revised plan would require approval by EIB and EPA.

NMPRC approval of the retirement of SJGS Units 2 and 3 and plans for PNM to acquire power to replace its reduced capacity from SJGS would also be part of implementation. PNM also anticipates requesting approval to recover from ratepayers the unrecovered investment in SJGS Units 2 and 3 and costs incurred to retire those units. PNM anticipates filing for the required NMPRC approvals in December 2013. On July 10, 2013, the NMPRC issued an order initiating a proceeding regarding the possible retirement of SJGS Units 2 and 3 and impacts on service reliability, and other items. The order requires PNM to make monthly presentations to the NMPRC on this matter. At June 30, 2013, PNM's net book value of SJGS Units 2 and 3 was approximately $289 million.

In accordance with the revised plan, PNM submitted a new BART analysis to the NMED on April 1, 2013, reflecting the terms of the non-binding agreement, including the installation of SNCRs on Units 1 and 4 and the retirement of Units 2 and 3, NMED developed a revised SIP and submitted it to the EIB for approval in May 2013. The EIB will conduct a public hearing on the revised SIP on September 5 and 6, 2013. Upon approval by EIB, the revised SIP will be submitted to EPA for approval. EIB approval is projected for the fourth quarter of 2013, with EPA action in late 2014.

Due to the long lead times on certain equipment purchases, PNM is taking steps to prepare for the potential installation of SNCRs on Units 1 and 4. In April 2013, PNM issued an RFP for SNCR system design and technology. In May 2013, PNM entered into an SNCR equipment and related services contract with an SNCR technology provider, but has not yet entered into a construction and procurement contract.

In connection with the implementation of the plan, retirement of SJGS Units 2 and 3 could result in shifts in ownership among SJGS owners as may be agreed upon by the owners, including PNM acquiring additional ownership in SJGS Unit 4. Owners of the affected units also may seek approvals of their utility commissions or governing boards.

This revised plan primarily focuses on how SJGS would meet the regional haze rule, but also indicates that PNM would build a natural gas-fired generating plant to be sited at SJGS to partially replace the capacity from the retired coal units. Detailed replacement power strategies also would be finalized. PNM believes adequate replacement power alternatives will be available to meet its generation needs and ensure reliability.

Contemporaneously with the signing of the non-binding agreement, EPA indicated in writing that if the terms agreed to do not move forward due to circumstances outside of the control of PNM and NMED, EPA will work with the State of New Mexico and PNM to create a reasonable FIP compliance schedule to reflect the time used to develop the revised SIP. PNM is also exploring potential additional areas of relief, including relief from the Tenth Circuit.

On February 25, 2013, the parties filed their status reports with the Tenth Circuit. To demonstrate that progress has been made toward settling the Tenth Circuit litigation, information, including the non-binding agreement and its accompanying timeline, was submitted to the Tenth Circuit. Following the parties' submission of their status reports, on February 28, 2013, the Tenth Circuit referred the litigation to the Tenth Circuit Mediation Office, which has authority to require the parties to attend mediation conferences to informally resolve issues in the pending appeals.

If the February 15, 2013 plan described above is implemented, PNM currently estimates its share of the costs to install SNCRs and the additional equipment to comply with NAAQS requirements on SJGS Units 1 and 4 would be approximately $60 million to $80 million, including gross receipts taxes, AFUDC, and other PNM costs. This amount is based on the anticipation that PNM's ownership share of SJGS Units 1 and 4 would aggregate to approximately 52%. PNM also estimates that the cost of replacing a portion of PNM's share of the reduction in generating capacity due to the retirement of SJGS Units 2 and 3 with identified gas-fired peaking capacity would be approximately $280 million. Neither of these amounts is included in PNM's current construction expenditure forecast since approval of the plan is subject to numerous conditions. Additional base load generating

capacity may be required to replace a portion of retired SJGS capacity. Although the nature of additional base load capacity has not yet been identified, it could come from PVNGS Unit 3 or additional gas-fired generation. Operating costs would also increase with the installation of either SCRs or SNCRs.

PNM can provide no assurance that the requirements of the plan agreed to on February 15, 2013 will be accomplished at all or within the required timeframes. If the February 15, 2013 plan is not implemented, PNM would seek to work with NMED and EPA to develop a revised timetable for implementation of the FIP. If an agreement on a revised timetable cannot be reached, PNM will likely be unable to complete the installation of SCRs on all four units at SJGS by the FIP deadline of September 21, 2016. In such event, PNM would likely seek relief from the compliance deadline from EPA or the Tenth Circuit in order to continue to be able to operate the plant during the completion of the installation process. If relief is not granted, PNM could be forced to temporarily cease operation of some or all of the SJGS units. If a shutdown was required, PNM would then have to acquire temporary replacement power through short-term or open-market purchases in order to serve the needs of its customers. There can be no assurance that sufficient replacement power will be available to serve PNM's needs or, if available, what costs would be incurred.

PNM is unable to predict the ultimate outcome of these matters or what additional pollution control equipment will be required at SJGS. PNM will seek recovery from its ratepayers for all costs that may be incurred as a result of the CAA requirements. Although the additional equipment and other final requirements will result in additional capital and operating costs being incurred, PNM believes that its access to the capital markets is sufficient to be able to finance the installation. It is possible that requirements to comply with the CAA, combined with the financial impact of possible future climate change regulation or legislation, if any, other environmental regulations, the result of litigation, and other business considerations, could jeopardize the economic viability of SJGS or the ability of individual participants to continue participation in the plant.

Four Corners

On August 6, 2012, EPA issued its final BART determination for Four Corners. The rule includes two compliance alternatives. The first emission control strategy finalized by EPA would require the installation of post-combustion controls, including SCRs, on each of Units 1-5 at Four Corners to reduce NOx emissions. Under the second emission control alternative, the owners of Four Corners would have the option to close permanently Units 1-3 by January 1, 2014 and install SCR post-combustion NOx controls on each of Units 4 and 5 by July 31, 2018. For particulate matter emissions, EPA is requiring Units 4 and 5 to meet an emission limit of 0.015 lb/MMBTU and the plant to meet a 20% opacity limit, both of which are achievable through operation of the existing baghouses. Although unrelated to BART, the final BART rule also imposes a 20% opacity limitation on certain fugitive dust emissions from Four Corners' coal and material handling operations. Under the EPA's final BART determination, the Four Corners participants had until July 1, 2013 to notify EPA of which emission control strategy Four Corners would follow. On June 19, 2013, APS requested EPA to extend the notification date to December 31, 2013 due to new uncertainties surrounding the potential impacts of the May 9, 2013 announcement by the Arizona Corporation Commission ("ACC"), which regulates APS, to examine whether to deregulate the state's electric market and introduce open competition to consumers. On July 11, 2013, EPA published a proposed rule in the Federal Register granting the extension.

The Four Corners participants' obligations to comply with EPA's final BART determinations, coupled with the financial impact of possible future climate change regulation or legislation, other environmental regulations, and other business considerations, could jeopardize the economic viability of Four Corners or the ability of individual participants to continue their participation in Four Corners.

PNM is continuing to evaluate the impacts of EPA's BART determination for Four Corners. PNM estimates its share of costs, including PNM's AFUDC, to be up to approximately $75 million for post-combustion controls at Four Corners Units 4 and 5. PNM would seek recovery from its ratepayers of all costs that are ultimately incurred. PNM has no ownership interest in Four Corners Units 1, 2, and 3. PNM is unable to predict the ultimate outcome of this matter.

SCE, a participant in Four Corners, has indicated that certain California legislation may prohibit it from making emission control expenditures at Four Corners. APS and SCE entered into an asset purchase agreement, providing for the purchase by APS of SCE's 48% interest in each of Units 4 and 5 of Four Corners. A principal remaining condition to closing is the negotiation and execution of a new coal supply contract for Four Corners on terms reasonably acceptable to APS. See Coal Supply below. APS

has announced that, if APS's purchase of SCE's interests in Units 4 and 5 at Four Corners is consummated, it will shut down Units 1, 2, and 3 at Four Corners. In light of the ACC's announcement to re-examine whether to deregulate the retail electric market in Arizona, APS has announced that it currently expects it will not be in a position to close the Four Corners purchase transaction with SCE until the ACC's intentions with regard to pursuing deregulation in Arizona become clearer.

Four Corners BART FIP Challenge

On October 22, 2012, WEG filed a petition for review in the Ninth Circuit challenging the Four Corners BART FIP. In its petition, WEG alleges that the final BART rule results in more air pollution being emitted into the air than allowed by law and that EPA failed to follow the requirements of the ESA. APS intervened in this matter and filed a motion to dismiss this lawsuit for lack of jurisdiction or alternatively to transfer the lawsuit to the Tenth Circuit. On February 25, 2013, the Ninth Circuit denied APS' motion to dismiss, but granted the request to transfer the case to the Tenth Circuit. This matter is now proceeding in the Tenth Circuit. PNM cannot currently predict the outcome of this matter or the range of its potential impact.

Regional Haze Challenges

On December 27, 2012, WEG filed a petition for review in the Tenth Circuit challenging the SO_2 and particulate matter emissions elements of EPA's approval of New Mexico's Regional Haze SIP. On February 26, 2013, HEAL Utah and other environmental groups filed petitions in the Tenth Circuit challenging EPA's final approval of the remaining elements of New Mexico's Regional Haze SIP, as well as EPA's approval of the Albuquerque/Bernalillo County Air Quality Control Board SIP. PNM was granted intervention in both matters and the Tenth Circuit consolidated the two matters based on the similarity of issues. The parties are in the process of briefing their respective positions. PNM is continuing to evaluate the impacts of these matters, but is unable to predict their ultimate outcomes.

SJGS Operating Permit Challenge

On February 16, 2012, EPA issued its response to a WEG petition objecting to SJGS's operating permit granted by the NMED in January 2011. In its order, EPA required NMED to provide clarification on several of the matters raised by WEG. EPA's order in this matter does not constitute a finding that the plant has violated any provision of the CAA or that it has violated any emission limits.

In August 2012, NMED issued a response to the EPA order stating that SJGS's operating permit would be reopened to make certain modifications to the permit. NMED issued a public notice regarding proposed modifications to the SJGS operating permit on September 19, 2012 and issued a revised operating permit on November 26, 2012. The revised permit includes changes to the SO_2 and particulate matter emission limits that were previously incorporated into the SJGS NSR permit. In addition, the revised permit requires PNM to submit a compliance plan to address carbon monoxide ("CO") emissions increases at SJGS Unit 2. PNM submitted a compliance plan in May 2013 and considers this matter resolved.

WEG v. OSM NEPA Lawsuit

In February 2013, WEG filed a Petition for Review in the United States District Court of Colorado against OSM challenging federal administrative decisions affecting seven different mines in four states issued at various times from 2007 through 2012. In its petition, WEG challenges several unrelated mining plan modification approvals, which were each separately approved by OSM. Of the fifteen claims for relief in the WEG Petition, two concern SJCC's San Juan mine. WEG's allegations concerning the San Juan mine arise from OSM administrative actions in 2008. WEG alleges various National Environmental Policy Act violations against OSM including, but not limited to, OSM's alleged failure to provide requisite public notice and participation, alleged failure to analyze certain environmental impacts, and alleged reliance on outdated and insufficient documents. WEG's petition seeks various forms of relief, including voiding, reversing and remanding the various mining modification approvals, enjoining the federal defendants from re-issuing the mining plan approvals for the mines, and enjoining operations at the seven mines. SJCC intervened in this matter and seeks to sever SJCC's claims from the lawsuit and transfer venue to the New Mexico federal court. PNM cannot currently predict the outcome of this matter or the range of its potential impact.

National Ambient Air Quality Standards ("NAAQS")

The CAA requires EPA to set NAAQS for pollutants considered harmful to public health and the environment. EPA has set NAAQS for certain pollutants, including NOx, SO_2, ozone, and particulate matter. In 2010, EPA updated the primary NOx and SO_2 NAAQS to include a 1-hour maximum standard while retaining the annual standards for NOx and SO_2 and the 24-hour SO_2 standard. New Mexico is in attainment for the 1-hour NOx NAAQS. EPA has issued draft guidance on how to determine whether areas in a state comply with the new 1-hour SO_2 NAAQS. On May 21, 2013, the EPA released draft guidance on characterizing air quality in areas with limited or no monitoring data near existing SO_2 sources. This characterization will result in these areas being designated as attainment, nonattainment, or unclassified for compliance with the 1-hour SO_2 NAAQS. Although the determination process has not been finalized, PNM believes that compliance with the 1-hour SO_2 standard may require operational changes and/or equipment modifications at SJGS. On June 4, 2013, Sierra Club and National Resource Defense Council issued a NOI to sue EPA for failure to issue non-attainment designations for areas they claim to be in violation of the 2010 1-hour SO_2 standard. On April 6, 2012, PNM filed an application for an amendment to its air permit for SJGS, which would be required for the installation of either SCRs or SNCRs described above. In addition, this application included a proposal by PNM to install equipment modifications for the purpose of reducing fugitive emissions, including NOx, SO_2, and particulate matter. These modifications would help SJGS meet the NAAQS. It is anticipated that this technology would be installed at the same time as the installation of regional haze BART controls, in order to most efficiently and cost effectively conduct construction activities at SJGS. The cost of this technology is dependent upon the type of control technology that is ultimately determined to be NOx BART at SJGS. See Regional Haze - SJGS above.

EPA finalized revisions to its NAAQS for fine particulate matter on December 14, 2012. PNM is currently evaluating the impact of the revised standard on SJGS and its operations.

In January 2010, EPA announced it would strengthen the 8-hour ozone standard by setting a new standard in a range of 0.060-0.070 parts per million. EPA is reviewing its 2008 standard and is scheduled to propose a new standard in December 2013 and finalize it by the end of 2014. Depending upon where the standard for ozone is set, San Juan County, where SJGS is situated, could be designated as not attaining the standard for ozone. If that were to occur, NMED would have responsibility for bringing the county into compliance and would look at all sources of NOx and volatile organic compounds since these are the pollutants that form ground-level ozone. As a result, SJGS could be required to install further NOx controls to meet a new ozone NAAQS. In addition, other counties in New Mexico, including Bernalillo County, may be designated as non-attainment. PNM cannot predict the outcome of this matter, the impact of other potential environmental mitigations, or if additional NOx controls would be required as a result of ozone non-attainment designation.

Citizen Suit Under the Clean Air Act

The operations of SJGS are covered by a Consent Decree with the Grand Canyon Trust and Sierra Club and with the NMED that includes stipulated penalties for non-compliance with specified emissions limits. Stipulated penalty amounts are placed in escrow on a quarterly basis pending review of SJGS's emissions performance. In May 2011, PNM entered into an agreement with NMED and the plaintiffs to resolve a dispute over the applicable NOx emission limits under the Consent Decree. Under the agreement, so long as the NOx emissions limits imposed under the EPA FIP and the New Mexico SIP meet a specified emissions limit, and PNM does not challenge these limits, the parties' dispute is deemed settled.

In May 2010, PNM filed a petition with the federal district court seeking a judicial determination on a dispute relating to PNM's mercury controls. NMED and plaintiffs seek to require PNM to implement additional mercury controls. PNM estimates the implementation would increase annual mercury control costs for the entire station, which are currently $0.6 million, to a total of $6.1 million. The court appointed a special master to evaluate the technical arguments in the case and to address the detection and determination limits of the mercury monitors at SJGS and the appropriate brominated activated carbon injection rate that maximizes the reduction of mercury emissions from SJGS. The special master issued a report indicating he was unable to make a determination on either of these issues. In September 2012, PNM submitted objections to certain portions of the special master report and requested an evidentiary hearing. Also in September 2012, NMED and plaintiffs filed a motion asking the court to affirm certain findings in the special master report and order PNM to conduct additional mercury testing. PNM cannot predict the outcome of this matter.

Section 114 Request

In April 2009, APS received a request from EPA under Section 114 of the CAA seeking detailed information regarding projects at and operations of Four Corners. EPA has taken the position that many utilities have made physical or operational changes at their plants that should have triggered additional regulatory requirements under the NSR provisions of the CAA. APS has responded to EPA's request. PNM is currently unable to predict the timing or content of EPA's response, if any, or any resulting actions.

Four Corners Clean Air Act Lawsuit

In October 2011, Earthjustice, on behalf of several environmental organizations, filed a lawsuit in the United States District Court for the District of New Mexico against APS and the other Four Corners participants alleging violations of the NSR provisions of the CAA and NSPS violations. The plaintiffs seek to have the court enjoin operations at Four Corners until APS applies for and obtains any required NSR permits and complies with the NSPS. The plaintiffs further request the court to order the payment of civil penalties, including a beneficial mitigation project. The case is being held in abeyance while the parties seek to negotiate a settlement. On March 30, 2013, upon joint motion of the parties, the court issued an order deeming the motions to dismiss withdrawn without prejudice during pendency of the stay. At such time as the stay is lifted, the Four Corners participants may reinstate their motions to dismiss without risk of default. PNM cannot currently predict the outcome of this matter or the range of its potential impact.

Navajo Nation Environmental Issues

Four Corners is located on the Navajo Reservation and is held under an easement granted by the federal government, as well as a lease from the Navajo Nation. The Navajo Acts purport to give the Navajo Nation Environmental Protection Agency authority to promulgate regulations covering air quality, drinking water, and pesticide activities, including those activities that occur at Four Corners. In October 1995, the Four Corners participants filed a lawsuit in the District Court of the Navajo Nation challenging the applicability of the Navajo Acts to Four Corners. In May 2005, APS and the Navajo Nation signed an agreement resolving the dispute regarding the Navajo Nation's authority to adopt operating permit regulations under the Navajo Nation Air Pollution Prevention and Control Act. As a result of this agreement, APS sought, and the courts granted, dismissal of the pending litigation in the Navajo Nation Supreme Court and the Navajo Nation District Court, to the extent the claims relate to the CAA. The agreement does not address or resolve any dispute relating to other aspects of the Navajo Acts. PNM cannot currently predict the outcome of these matters or the range of their potential impacts.

Endangered Species Act

In January 2011, the Center for Biological Diversity, Diné Citizens Against Ruining Our Environment, and San Juan Citizens Alliance filed a lawsuit in the United States District Court for the District of Colorado against the OSM and the DOI, alleging that OSM failed to engage in mandatory ESA consultation with the United States Fish and Wildlife Service prior to authorizing the renewal of an operating permit for the mine that serves Four Corners. The lawsuit alleges that activities at the mine, including mining and the disposal of coal combustion residue, will adversely affect several endangered species and their critical habitats. The lawsuit requested the court to vacate and remand the mining permit and enjoin all activities carried out under the permit until OSM has complied with the ESA. Neither PNM nor APS was a party to the lawsuit. On March 14, 2012, the Court entered an order dismissing the plaintiffs' lawsuit without prejudice. On May 14, 2012, the plaintiffs appealed the Court's order to the Tenth Circuit. On July 8, 2013, the Tenth Circuit entered an order dismissing the appeal.

Cooling Water Intake Structures

EPA issued its proposed cooling water intake structures rule in April 2011, which would provide national standards for certain cooling water intake structures at existing power plants and other facilities under the Clean Water Act to protect fish and other aquatic organisms by minimizing impingement mortality (the capture of aquatic wildlife on intake structures or against screens) and entrainment mortality (the capture of fish or shellfish in water flow entering and passing through intake structures). The proposed rule would require facilities such as Four Corners and SJGS to either demonstrate that impingement mortality at its cooling water intakes does not exceed a specified rate or reduce the flow at those structures to less than a specified velocity and to take certain protective measures with respect to impinged fish. The proposed rule would also require these facilities to either

meet the definition of a closed cycle recirculating cooling system or conduct a "structured site-specific analysis" to determine what site-specific controls, if any, should be required.

The proposed rule would require existing facilities to comply with the impingement mortality requirements as soon as possible, but no later than eight years after the effective date of the rule, and to comply with the entrainment requirements as soon as possible under a schedule of compliance established by the permitting authority. EPA was required to issue a final rule by June 27, 2013; however, that date has been extended to November 4, 2013. PNM and APS continue to follow the rulemaking and are performing analyses to determine the potential costs of compliance with the proposed rule. PNM is unable to predict the outcome of this matter or a range of the potential costs of compliance.

Effluent Limitation Guidelines

On June 7, 2013, EPA published proposed revised effluent limitation guidelines establishing technology-based wastewater discharge limitations for steam electric power plants. EPA's proposal offers numerous options that target metals and other pollutants in wastewater streams originating from fly ash and bottom ash handling activities, scrubber activities, and non-chemical metal cleaning wastes operations. EPA is subject to a consent decree deadline to finalize the revised guidelines by May 22, 2014. PNM is in the process of reviewing the proposed rule to assess the impact to SJGS and Reeves Station, the only PNM-operated power plants that would be covered by the proposed rule. APS is currently assessing the impact to Four Corners. PNM is unable to predict the outcome of this matter or if it will have a material impact on PNM's financial position, results of operations, or cash flows.

Santa Fe Generating Station

PNM and the NMED are parties to agreements under which PNM installed a remediation system to treat water from a City of Santa Fe municipal supply well, an extraction well, and monitoring wells to address gasoline contamination in the groundwater at the site of the former Santa Fe Generating Station and service center. PNM believes the observed groundwater contamination originated from off-site sources, but agreed to operate the remediation facilities until the groundwater meets applicable federal and state standards or until the NMED determines that additional remediation is not required, whichever is earlier. The municipal well continues to operate and meets federal drinking water standards. PNM is not able to assess the duration of this project.

The Superfund Oversight Section of the NMED has conducted multiple investigations into the chlorinated solvent plume in the vicinity of the site of the former Santa Fe Generating Station. In February 2008, a NMED site inspection report was submitted to EPA, which states that neither the source nor extent of contamination has been determined and also states that the source may not be the former Santa Fe Generating Station. The NMED investigation is ongoing. In January 2013, NMED notified PNM that monitoring results from April 2012 showed elevated concentrations of nitrate in three monitoring wells and an increase in free-phase hydrocarbons in another well. None of these wells are routinely monitored as part of PNM's obligations under the settlement agreement. In April 2013, NMED conducted the same level of testing on the wells as was conducted in April 2012, but has not yet provided PNM any data from the recent tests. PNM is unable to predict the outcome of this matter, but does not believe the former generating station is the source of the nitrates or the increased levels of free-phase hydrocarbons.

Coal Combustion Byproducts Waste Disposal

CCBs consisting of fly ash, bottom ash, and gypsum from SJGS are currently disposed of in the surface mine pits adjacent to the plant. SJGS does not operate any CCB impoundments. The Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department currently regulates mine placement of ash with federal oversight by the OSM. APS disposes of CCBs in ash ponds and dry storage areas at Four Corners and also sells a portion of its fly ash for beneficial uses, such as a constituent in concrete production. Ash management at Four Corners is regulated by EPA and the New Mexico State Engineer's Office.

In June 2010, EPA published a proposed rule that includes two options for waste designation of coal ash. One option is to regulate CCBs as a hazardous waste, which would allow EPA to create a comprehensive federal program for waste management and disposal of CCBs. The other option is to regulate CCBs as a non-hazardous waste, which would provide EPA with the authority to develop performance standards for waste management facilities handling the CCBs and would be enforced primarily by state authorities or through citizen suits. Both options allow for continued use of CCBs in beneficial applications. EPA's proposal does

not address the placement of CCBs in surface mine pits for reclamation. An OSM CCB rulemaking team has been formed to develop a proposed rule.

On April 5, 2012, several environmental groups, including Sierra Club, filed a citizen suit in the D.C. Circuit claiming that EPA has failed to review and revise RCRA's regulations with respect to CCBs. The groups allege that EPA has already determined that revisions to the CCBs regulations are necessary. They also claim that EPA now has a non-discretionary duty to revise the regulations. The environmental groups asked the court to direct EPA to complete its review of the regulation of CCBs and a hazardous waste analytical procedure and to issue necessary revisions of such regulations as soon as possible. Two industry group members subsequently filed separate lawsuits in the D.C. Circuit seeking to ensure that disposal of coal ash would not be regulated as a hazardous waste. The environmental and industry lawsuits have been consolidated.

PNM advocates for the non-hazardous regulation of CCBs. However, if CCBs are ultimately regulated as a hazardous waste, costs could increase significantly. PNM would seek recovery from its ratepayers of all costs that are ultimately incurred. PNM cannot predict the outcome of EPA's or OSM's proposed rulemaking regarding CCB regulation, including mine placement of CCBs, or whether these actions will have a material impact on its operations, financial position, or cash flows.

Hazardous Air Pollutants ("HAPs") Rulemaking

In December 2011, the EPA issued its final Mercury and Air Toxics Standards ("MATS") to reduce emissions of heavy metals, including mercury, arsenic, chromium, and nickel, as well as acid gases, including hydrochloric and hydrofluoric gases, from coal and oil-fired electric generating units with a capacity of at least 25 MW. Existing facilities will generally have up to four years to demonstrate compliance with the new rule. PNM's assessment of MATS indicates that the control equipment currently used at SJGS allows the plant to meet the emission standards set forth in the rule although the plant may be required to install additional monitoring equipment. With regard to mercury, stack testing performed for EPA during the MATS rulemaking process showed that SJGS achieved a mercury removal rate of 99% or greater. APS has determined that no additional equipment will be required at Four Corners to comply with the rule.

Other Commitments and Contingencies

Coal Supply

The coal requirements for SJGS are being supplied by SJCC, a wholly owned subsidiary of BHP. In addition to coal delivered to meet the current needs of SJGS, PNM prepays SJCC for certain coal mined but not yet delivered to the plant site. At June 30, 2013 and December 31, 2012, prepayments for coal, which are included in other current assets, amounted to $14.9 million and $9.9 million. These amounts reflect delivery of a portion of the prepaid coal and its utilization due to the mine fire incident described below. SJCC holds certain federal, state, and private coal leases and has an underground coal sales agreement to supply processed coal for operation of SJGS through 2017. Under the coal sales agreement, SJCC is reimbursed for all costs for mining and delivering the coal, including an allocated portion of administrative costs, and receives a return on its investment. BHP Minerals International, Inc. has guaranteed the obligations of SJCC under the coal agreement. The coal agreement contemplates the delivery of coal that would supply substantially all the requirements of SJGS through December 31, 2017.

APS purchases all of Four Corners' coal requirements from a supplier that is also a subsidiary of BHP and has a long-term lease of coal reserves with the Navajo Nation. The Four Corners coal contract runs through July 6, 2016 with pricing determined using an escalating base-price. In December 2012, BHP announced that it has entered into a Memorandum of Understanding with the Navajo Nation setting out the key terms under which the coal mine would be sold to the Navajo Nation. The BHP subsidiary would be retained as the mine manager and operator until July 2016. Key terms of the new coal supply contract are being finalized by the Navajo Nation and the Four Corners owners. As a result of this proposed change in ownership, APS expected that a new coal supply contract would be executed upon completion of negotiations and following the endorsement of the transfer of ownership to a new Navajo Nation commercial enterprise to be established by the Navajo Nation Tribal Council. On April 29, 2013, the Navajo Nation Tribal Council approved the creation of the new commercial enterprise with sufficient power and authority to execute the transaction with BHP. These negotiations, and the related transaction whereby full ownership of the coal mine would be transferred to the Navajo Nation, are proceeding. See The Clean Air Act - Regional Haze - Four Corners above. PNM is unable to predict the outcome of this matter.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In 2010, PNM updated its study of the final reclamation costs for both the surface mines that previously provided coal to SJGS and the current underground mine providing coal and revised its estimates of the final reclamation costs. The estimate for decommissioning the Four Corners mine was also revised in 2010. Based on the most recent estimates, remaining payments for mine reclamation, in future dollars, are estimated to be $58.9 million for the surface mines at both SJGS and Four Corners and $19.7 million for the underground mine at SJGS as of June 30, 2013. At June 30, 2013 and December 31, 2012, liabilities, in current dollars, of $25.4 million and $26.8 million for surface mine reclamation and $4.5 million and $4.2 million for underground mine reclamation were recorded in other deferred credits.

PNM collects a provision for surface and underground mine reclamation costs in its rates. The NMPRC has capped the amount that can be collected from ratepayers for final reclamation of the surface mines at $100.0 million. Previously, PNM recorded a regulatory asset for the $100.0 million and recovers the amortization of this regulatory asset in rates. If future estimates increase the liability for surface mine reclamation, the excess would be expensed at that time.

San Juan Underground Mine Fire Incident

On September 9, 2011, a fire was discovered at the underground mine owned and operated by SJCC that provides coal for SJGS. The federal Mine Safety and Health Administration ("MSHA") was notified of the incident. On September 12, 2011, SJCC informed PNM that the fire was extinguished. However, MSHA required sealing the incident area and confirmation of a noncombustible environment before allowing re-entry of the sealed area. SJCC regained entry into the sealed area of the mine in early March 2012. On May 4, 2012, SJCC received approval from MSHA and resumed longwall mining operations. If further difficulties occur in the longwall mining operation, PNM and the other owners of SJGS would need to consider alternatives for operating SJGS, including running at less than full capacity or shutting down one or more units, the impacts of which cannot be determined at the current time.

The costs of the mine recovery flowed through the cost-reimbursable component of the coal supply agreement. PNM anticipates that it will recover through its FPPAC the portion of such costs allocable to its customers subject to New Mexico regulation. PNM's filings with the NMPRC reflect an estimate that this incident increased coal costs and the deferral of cost recovery under the FPPAC by $21.6 million. SJCC has submitted an insurance claim regarding the costs it incurred due to the mine fire. Any recovery obtained by SJCC through its insurance carrier may be reimbursable (in whole or in part) to PNM through the coal sales agreement. Any insurance recovery would be flowed through PNM's FPPAC to the extent it relates to increased coal costs included in the FPPAC. The potential impacts of any insurance settlement cannot be determined at the current time. Based on information PNM has received from SJCC to date, PNM does not expect the mine fire to have a material effect on its financial condition, results of operations, or cash flows.

Nuclear Fuel

In late August 2012, one of PVNGS's suppliers that converts uranium concentrates to uranium hexafluoride invoked the force majeure provision in its contract when it shut down its conversion plant due to regulatory compliance issues. The issues have been resolved and the conversion plant has restarted. The PVNGS participants are continually identifying their future nuclear fuel resource needs and negotiating arrangements to fill those needs. The PVNGS participants have sufficient strategic reserves of enriched uranium such that they do not anticipate a short-term impact on nuclear fuel supplies as a result of the force majeure declaration.

PVNGS Liability and Insurance Matters

Liability for incidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. In accordance with the Price-Anderson Act, the PVNGS participants have insurance for public liability exposure for a nuclear incident totaling $12.6 billion per occurrence. Commercial insurance carriers provide $375 million and $12.2 billion is provided through a mandatory industry wide retrospective assessment program. If losses at any nuclear power plant covered by the program exceed the accumulated funds, PNM could be assessed retrospective premium adjustments. Based on PNM's 10.2% interest in each of the three PVNGS units, PNM's maximum potential assessment per incident for all three units is $36.0 million, with an annual payment limitation of $5.4 million.

The PVNGS participants maintain "all risk" (including nuclear hazards) insurance for damage to, and decontamination of, property at PVNGS in the aggregate amount of $2.75 billion, a substantial portion of which must first be applied to stabilization and decontamination. These coverages are provided by Nuclear Electric Insurance Limited ("NEIL"). Effective April 1, 2013, a sublimit of $1.5 billion for non-nuclear property damage losses has been enacted to the primary policy offered by NEIL. If NEIL's losses in any policy year exceed accumulated funds, PNM is subject to retrospective assessments of $4.3 million for each retrospective assessment declared by NEIL's Board of Directors. The insurance coverages discussed in this and the previous paragraph are subject to policy conditions and exclusions.

Water Supply

Because of New Mexico's arid climate and periodic drought conditions, there is concern in New Mexico about the use of water, including that used for power generation. PNM has secured groundwater rights in connection with the existing plants at Reeves Station, Delta, Afton, Luna, and Lordsburg. Water availability does not appear to be an issue for these plants at this time. However, prolonged drought, ESA activities and a Federal lawsuit by the State of Texas suing the State of New Mexico over water allocations could pose a threat of reduced water availability for these plants.

PNM, APS, and BHP have undertaken activities to secure additional water supplies for SJGS, Four Corners, and related mines to accommodate the possibility of inadequate precipitation in coming years. Since 2004, PNM has entered into agreements for voluntary sharing of the impacts of water shortages with tribes and other water users in the San Juan basin. This agreement has been extended through 2016. In addition, in the case of water shortage, PNM, APS, and BHP have reached agreement with the Jicarilla Apache Nation on a supplemental contract relating to water for SJGS and Four Corners that runs through 2016. Although PNM does not believe that its operations will be materially affected by drought conditions at this time, it cannot forecast the weather or its ramifications, or how policy, regulations, and legislation may impact PNM should water shortages occur in the future.

In April 2010, APS signed an agreement on behalf of the PVNGS participants with five cities to provide cooling water essential to power production at PVNGS for forty years.

PVNGS Water Supply Litigation

In 1986, an action commenced regarding the rights of APS and the other PVNGS participants to the use of groundwater and effluent at PVNGS. APS filed claims that dispute the court's jurisdiction over PVNGS' groundwater rights and their contractual rights to effluent relating to PVNGS and, alternatively, seek confirmation of those rights. In 1999, the Arizona Supreme Court issued a decision finding that certain groundwater rights may be available to the federal government and Indian tribes. In addition, the Arizona Supreme Court issued a decision in 2000 affirming the lower court's criteria for resolving groundwater claims. Litigation on these issues has continued in the trial court. No trial dates have been set in these matters. PNM does not expect that this litigation will have a material impact on its results of operation, financial position, or cash flows.

San Juan River Adjudication

In 1975, the State of New Mexico filed an action in New Mexico District Court to adjudicate all water rights in the San Juan River Stream System, including water used at Four Corners and SJGS. PNM was made a defendant in the litigation in 1976. In March 2009, President Obama signed legislation confirming a 2005 settlement with the Navajo Nation. Under the terms of the settlement agreement, the Navajo water rights would be settled and finally determined by entry by the court of two proposed adjudication decrees. The court has ordered that settlement of the Navajo Nation's claims under the settlement agreement and entry of the proposed decrees be heard in an expedited proceeding. The court recently issued an order finding that no evidentiary hearing is warranted in the Navajo Nation proceeding, and that it will be issuing an order addressing the issues raised by the parties at some point in the future. This order must be entered no later than December 31, 2013, pursuant to the 2005 settlement.

PNM's water rights in the San Juan Basin may be affected by the rights recognized in the settlement agreement as being owned by the Navajo Nation, which comprise a significant portion of water available from sources on the San Juan River and in the San Juan Basin. Therefore, PNM has elected to participate in this proceeding. The Company is unable to predict the ultimate outcome of this matter or estimate the amount or range of potential loss and cannot determine the effect, if any, of any water rights adjudication on the present arrangements for water at SJGS and Four Corners. Final resolution of the case cannot be expected for several years. An agreement reached with the Navajo Nation in 1985, however, provides that if Four Corners loses a portion

of its rights in the adjudication, the Navajo Nation will provide, for an agreed upon cost, sufficient water from its allocation to offset the loss.

Complaint Against Southwestern Public Service Company

In September 2005, PNM filed a complaint under the Federal Power Act against SPS alleging SPS overcharged PNM for deliveries of energy through its fuel cost adjustment clause practices. PNM also intervened in a proceeding brought by other customers raising similar arguments relating to SPS' fuel cost adjustment clause practices (the "Golden Spread proceeding"). In 2008, FERC issued its order in the Golden Spread proceeding affirming that SPS violated its fuel cost adjustment clause tariffs, but shortening the refund period applicable to the violation of the fuel cost adjustment clause issues. PNM and SPS have filed petitions for rehearing and clarification of the scope of the remedies that were ordered and reversal of various rulings in the order. FERC has not yet acted upon the requests for rehearing or clarification and they remain pending further decision. PNM cannot predict the final outcome of the case at FERC or the range of possible outcomes.

Navajo Nation Allottee Matters

A putative class action was filed against PNM and other utilities in February 2009 in the United States District Court in Albuquerque. Plaintiffs claim to be allottees, members of the Navajo Nation, who pursuant to the Dawes Act of 1887, were allotted ownership in land carved out of the Navajo Nation and allege that defendants, including PNM, are rights-of-way grantees with rights-of-way across the allotted lands and are either in trespass or have paid insufficient fees for the grant of rights-of-way or both. In March 2010, the court ordered that the entirety of the plaintiffs' case be dismissed. The court did not grant plaintiffs leave to amend their complaint, finding that they instead must pursue and exhaust their administrative remedies before seeking redress in federal court. In May 2010, plaintiffs filed a Notice of Appeal with the Bureau of Indian Affairs ("BIA"), which was denied by the BIA Regional Director. In May 2011, plaintiffs appealed the Regional Director's decision to the DOI Board of Appeals. Briefings on the merits of the appeal are complete and a decision is pending. PNM is participating in order to preserve its interests regarding any PNM-acquired rights-of-way implicated in the appeal. PNM cannot predict the outcome of the proceeding or the range of potential outcomes at this time.

In a separate matter, in September 2012, forty-three landowners claiming to be Navajo allottees filed a notice of appeal with the BIA appealing a March 2011 decision of the BIA Regional Director regarding renewal of a right-of-way for a PNM transmission line. The allottees, many of whom are also allottees in the above matter, generally allege that they were not paid fair market value for the right-of-way, that they were denied the opportunity to make a showing as to their view of fair market value, and thus denied due process. PNM is participating in this matter in order to preserve its interests regarding the right-of-way implicated in the appeal. PNM cannot predict the outcome of the proceeding or the range of potential outcomes at this time.

TGP Complaint

On March 2, 2012, TGP Granada, LLC and its affiliate (collectively, "TGP") filed a complaint at FERC against PNM and Tortoise Capital Resources Corp. ("TTO"). PNM owns 60% of the EIP and leases the other 40% from TTO. PNM's lease of the portion of the EIP owned by TTO expires on April 1, 2015. The lease provides PNM the option, with 24 months advance notice, of purchasing the leased assets at the end of the lease for fair market value, as well as options to renew the lease.

TGP's filing requested FERC to direct PNM and TTO to identify the party that will immediately assume the obligation of making transmission capacity on the EIP available to customers for use after the April 1, 2015 expiration of the EIP lease agreement. TGP also requested a declaratory order or waiver regarding certain provisions of PNM's Open Access Transmission Tariff to allow its affiliate to change the point-of-receipt associated with a transmission service agreement related to the EIP without losing its transmission service priority. On July 5, 2012, FERC issued an order denying TGP's requests for declaratory order and waiver. In addition, FERC directed PNM, in consultation with TTO, to identify the party that will provide long-term transmission service over the leased portion of the EIP.

On November 1, 2012, PNM and TTO entered into a definitive agreement for PNM to exercise the option to purchase on April 1, 2015 the leased capacity at fair market value, which the parties agreed would be $7.7 million. The lease remains in existence and PNM will record the purchase at the termination of the lease on April 1, 2015. The definitive agreement sets forth the terms and conditions under which PNM would also assume responsibility for scheduling long-term transmission service on

the leased capacity. In November 2012, PNM requested the necessary FERC approvals for the definitive agreement. In January 2013, FERC approved PNM's requests. On February 8, 2013, FERC issued an order dismissing as moot a motion filed by TGP for clarification of FERC's July 5, 2012 order. Since no rehearing request or appeal was filed, the February 8, 2013 order is final and non-appealable.

(10) Regulatory and Rate Matters

The Company is involved in various regulatory matters, some of which contain contingencies that are subject to the same uncertainties as those described in Note 9. Additional information concerning regulatory and rate matters is contained in Note 17 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

PNM

Renewable Portfolio Standard

The REA establishes a mandatory RPS requiring a utility to acquire a renewable energy portfolio equal to 10% of retail electric sales by 2011, 15% by 2015, and 20% by 2020. The NMPRC requires renewable energy portfolios to be "fully diversified." Prior to December 2012, the diversity requirements were 20% from wind energy, 20% from solar energy, 10% from other renewable technologies, and 1.5% from distributed generation with the distributed generation component increasing to 3% in 2015. In December 2012, NMPRC issued an order that amended the diversity requirements to 30% wind, 20% solar, 5% other, and 1.5% distributed generation, increasing to 3% in 2015, and adopted other changes to its renewable energy rule, including the increase in the RCT discussed below. In June 2013, the NMPRC initiated a new rulemaking proceeding in which it proposed to eliminate specific diversity targets and to reconsider the inclusion of avoided environmental and capacity costs in the application of the RCT. A public hearing is scheduled for September 10, 2013.

The REA provides for streamlined proceedings for approval of utilities' renewable energy procurement plans, assures utilities recovery of costs incurred consistent with approved procurement plans, and requires the NMPRC to establish a RCT for the procurement of renewable resources to prevent excessive costs being added to rates. The NMPRC had established a RCT for 2011 of 2% of all customers' aggregated overall annual electric charges that increased by 0.25% annually until reaching 3% in 2015. In December 2012, the NMPRC approved an amended RCT set at 3% of customers' annual electric charges beginning in 2013 and continuing thereafter.

In July 2011, PNM filed its renewable energy procurement plan for 2012. The plan requested a variance from the RPS due to RCT limitations. The plan was diversity-compliant based on the reduced RPS, except for non-wind/non-solar resources, which were not available. In December 2011, the NMPRC approved PNM's 2012 plan, but ordered PNM to spend an additional $0.9 million on renewable procurements in 2012. PNM is recovering the costs of the supplemental procurements through the renewable rider discussed below. The NMPRC also required PNM to file its 2013 renewable energy procurement plan by April 30, 2012. The 2013 plan proposed procurements for 2013 and 2014 of 20 MW of PNM-owned solar PV facilities, at an estimated cost of $45.5 million, wind and solar REC purchases in 2013, and a PPA for the output of a new 10 MW geothermal facility. The plan also included an additional procurement of 2 MW of PNM-owned solar PV facilities at an estimated cost of $4.5 million to supply the energy sold under PNM's voluntary renewable energy tariff. The plan will enable PNM to comply with the statutory RPS amount in 2013, but requires a variance from the NMPRC's diversity requirements in 2013 while the proposed geothermal facilities are being constructed. This plan had been expected to achieve full RPS quantity and diversity compliance by 2014 without exceeding the RCT. The NMPRC approved the plan in December 2012, but reduced the additional solar PV procurement from 2 MW to 1.5 MW. Construction of the geothermal facility has been delayed due to a longer than expected permitting process. This will delay the in-service date of the geothermal facility until later in 2014. PNM does not believe this delay will affect its ability to comply with the diversity requirements as amended in December 2012.

PNM filed its 2014 renewable energy procurement plan on July 1, 2013. The plan meets the RPS quantity and diversity requirements within the RCT in 2014 and 2015. PNM's proposed procurements include 50,000 MWh of wind generated RECs in 2014, the construction by December 31, 2014 of 23 MW of PNM-owned solar PV facilities at a cost of $46.7 million, a 20-year PPA for the output of an existing 100 MW wind energy center beginning January 1, 2015 at a first year cost of $5.8 million, and the purchase of 120,000 MWh of wind RECs in 2015. PNM's plan also requests approval to increase its renewable energy rider

rate to $0.0044391 per kWh effective January 1, 2014. The NMPRC is required to approve or modify the plan within 180 days of the filing date. PNM cannot predict the outcome of this proceeding.

PNM is recovering certain renewable procurement costs from customers through a rate rider. See Renewable Energy Rider below.

Renewable Energy Rider

On August 14, 2012, the NMPRC authorized PNM to recover certain renewable procurement costs through a rate rider on a per KWh basis. The approved rates are $0.0022335 per KWh in 2012 and $0.0028371 per KWh in 2013. The order disapproved the recovery of the cost of a supplemental REC procurement ordered by the NMPRC in the 2012 procurement plan case because the NMPRC had not yet acted on the specific $0.9 million procurement proposed by PNM, which is discussed under Renewable Portfolio Standard above. The NMPRC subsequently approved the supplemental REC procurement, but ordered that a hearing be held on its inclusion in the rider. Upon NMPRC approval, PNM implemented the rider on August 20, 2012. The rider will terminate upon a final order in PNM's next general rate case unless the NMPRC authorizes PNM to continue it. Amounts collected under the rider are capped at $18.0 million in 2012 and $24.6 million in 2013. Any amounts above the caps are deferred for future recovery without carrying costs. As a separate component of the rider, if PNM's earned return on jurisdictional equity in 2013, adjusted for weather and other items not representative of normal operations, exceeds 10.5%, PNM must refund to customers during May through December 2014 the amount over 10.5%.

In compliance with the NMPRC's rate rider order, PNM filed a notice to implement an increase in the current rider rate effective with May 2013 bills. The NMPRC suspended the effective date of the new rate for a period of nine months from April 1, 2013 and appointed a Hearing Examiner to conduct a hearing on the proposed change. On May 15, 2013, the NMPRC approved the requested increase. PNM implemented the new rate of $0.030468 per KWh on May 28, 2013.

Energy Efficiency and Load Management

Program Costs

Public utilities are required by the Efficient Use of Energy Act to achieve specified levels of energy savings and to obtain NMPRC approval to implement energy efficiency and load management programs. Costs to implement approved programs are recovered through a rate rider. In 2013, this act was amended to set an annual program budget equal to 3% of a utility's annual revenue.

In October 2012, PNM filed an energy efficiency program application for programs to be offered beginning in May 2013. The filing included proposed program costs of $22.5 million plus a proposed profit incentive of $4.2 million and requested that the NMPRC issue an order by April 1, 2013. Portions of the program plan and proposed profit incentive are opposed by other parties to the case. PNM subsequently revised its proposed profit incentive to $2.9 million. After a hearing held in February 2013, the Hearing Examiner recommended approval of the programs as proposed and recommended an annual incentive of $1.7 million. The NMPRC has not yet acted on the Hearing Examiner's recommendations. PNM is not able to predict the outcome of this matter.

Disincentives/Incentives Adder

The Efficient Use of Energy Act requires the NMPRC to remove utility disincentives to implementing energy efficiency and load management programs and to provide incentives for such programs. A rule approved by the NMPRC authorized electric utilities to collect rate adders of $0.01 per KWh for lifetime energy savings and $10 per KW for demand savings related to energy efficiency and demand response programs beginning in 2010. The NMAG and NMIEC appealed the NMPRC order adopting this rule to the New Mexico Supreme Court. PNM began implementing a rate rider under the rule to collect adders related to its 2010 program savings in December 2010 while the appeal of the rule was pending. In July 2011, the Supreme Court annulled and vacated the order adopting the rule and remanded the matter to the NMPRC. As a result of the Supreme Court decision, PNM filed revised tariffs and ceased collecting this adder for 2010 program savings on August 21, 2011. Of the $4.2 million authorized for recovery, $2.6 million was collected through August 20, 2011.

In June 2011, prior to the Supreme Court decision, the NMPRC approved PNM-specific adders of $0.002 per KWh and $4 per KW for savings due to programs implemented in 2011. PNM is presently collecting $1.3 million in adder revenues consistent with this order. After the Supreme Court decision vacating the rule, the NMPRC initiated a proceeding to determine whether PNM should be required to cease collecting the adders and to refund all adder revenues collected since December 2010. In November 2011, the NMPRC issued orders that PNM is not required to refund any adder revenues and is authorized to continue collecting the adders. However, in an order on rehearing, which it subsequently rescinded, the NMPRC further reduced the amount of the authorized adders. Prior to the rescission, PNM appealed the rehearing order to the Supreme Court. In March 2012, the Supreme Court granted PNM's motion to vacate the rehearing order and dismiss PNM's appeal. In a separate appeal and writ proceeding in the Supreme Court, NMIEC and the NMAG seek to overturn the NMPRC order allowing PNM to continue to collect adders in light of the 2011 Supreme Court decision. On May 21, 2012 the Supreme Court dismissed the writ proceeding. Oral argument in the appeal was held in December 2012, and a decision in the appeal is expected in 2013. PNM is unable to predict the outcome of the appeal.

On March 27, 2013, PNM filed its reconciliation for actual energy efficiency program costs, associated incentives, and actual collections for calendar year 2012. The reconciliation filing showed a net over-recovery of $0.2 million, composed of an over-recovery of $1.0 million of program costs and an under-recovery of incentives of $0.8 million. PNM subsequently revised the estimated incentive under-recovery to $0.5 million. PNM and the NMPRC staff filed a motion seeking to substitute the new reconciliation filing with a proposed effective date of May 28, 2013. On April 24, 2013, the NMPRC issued an order granting the motion. PNM implemented the new rate on May 28, 2013.

Decoupling Rulemaking

On May 15, 2012, the NMPRC issued a NOPR that would have amended the NMPRC's energy efficiency rule to authorize use of a decoupling mechanism to recover certain fixed costs of providing retail electric service from the rates charged on a per KWh of consumption, as the mechanism for removal of disincentives associated with the implementation of energy efficiency programs. The proposed rule also addressed incentives associated with energy efficiency. On July 26, 2012, the NMPRC closed the proposed rulemaking and opened a new energy efficiency rulemaking docket that may address decoupling and incentives. Workshops to develop a proposed rule have been held, but no order proposing a rule has been issued. PNM is unable to predict the outcome of this matter.

2010 Electric Rate Case and FPPAC

An order of the NMPRC approving an amended stipulation in PNM's 2010 Electric Rate Case limits the amount that can be recovered on an annual basis for fuel costs, renewable energy costs, and energy efficiency costs during certain years. Costs in excess of the limits are deferred, without carrying costs, for recovery in future periods. The fuel cost caps are $38.8 million for the FPPAC year beginning July 1, 2012, which PNM began collecting at that time, and $36.2 million for the FPPAC year beginning July 1, 2013. PNM estimates that the caps will result in approximately $49.6 million of FPPAC costs being deferred for future collection at June 30, 2014. Costs attributed to the mine fire incident discussed in Note 9 are included in the FPPAC amounts. Possible recovery of costs through SJCC's insurance, also discussed in Note 9, is not reflected in the FPPAC amounts.

Pursuant to the rules of the NMPRC, public utilities are required to file an application to continue using their FPPAC every four years. On May 28, 2013, PNM filed the required continuation application and requested that its current FPPAC be modified to increase the reset frequency of the fuel factor from annually to quarterly, to allow PNM to retain 10% of its off-system sales margin, and to apply the same carrying charge rate to either over or under-collections in the balancing account. A hearing has been scheduled to begin on December 10, 2013. PNM is unable to predict the outcome of this proceeding.

2011 Integrated Resource Plan

NMPRC rules require that investor owned utilities file an IRP every three years. The IRP is required to cover a 20-year planning period and contain an action plan covering the first four years of that period. In its most recent IRP, which was filed in July 2011, PNM indicated that it planned to meet its anticipated load growth through a combination of new natural gas-fired generating plants, renewable energy resources, load management, and energy efficiency programs. As required by NMPRC rules, PNM utilized a public advisory group process during the development of the 2011 IRP. Two protests were filed to the IRP requesting rejection of the plan. The NMPRC assigned the case to a Hearing Examiner and designated a mediator to facilitate negotiations.

The NMPRC staff filed a motion in December 2011 to dismiss the protests and terminate the proceeding on the ground that PNM's IRP fully complies with NMPRC rules. PNM is unable to predict the outcome of this matter.

Emergency FPPAC

In 2008, the NMPRC authorized PNM to implement an Emergency FPPAC from June 2, 2008 through June 30, 2009. The NMPRC order approving the Emergency FPPAC also provided that if PNM's base load generating units did not operate at or above a specified capacity factor and PNM was required to obtain replacement power to serve jurisdictional customers, PNM would be required to make a filing with the NMPRC seeking approval of the replacement power costs. In its required filing, PNM stated that the costs of the replacement power amounting to $8.0 million were prudently incurred and made a motion that they be approved. The NMPRC staff opposed PNM's motion and recommended that PNM be required to refund the amount collected. Auditors selected by the NMPRC found that PNM was prudent in operating its base load units and in securing replacement power but had not obtained prior NMPRC approval in the manner required by the NMPRC order. PNM continues to assert that its recovery of replacement power costs was proper and did not violate the NMPRC's order. The NMPRC has not ruled on this matter. Under the terms of the approved stipulation in the 2010 Electric Rate Case, the parties to the stipulation, including the NMPRC staff, jointly requested that the NMPRC take no further action in this matter and close the docket. No party has opposed that request. Although the NMPRC has not acted on the joint request, the NMPRC electronic docket shows the docket closed. PNM is unable to predict the outcome of this matter.

Applications for Approvals to Purchase Delta

As discussed in Note 9 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K, PNM has entered in to an agreement to purchase Delta, a 132 MW natural gas peaking unit from which PNM currently acquires energy and capacity under a PPA. The agreement to purchase Delta is subject to approvals by the NMPRC and FERC. On January 3, 2013, PNM filed an application with the NMPRC for a CCN to own and operate Delta and for a determination of related ratemaking principles and treatment. On June 26, 2013, the NMPRC granted PNM's CCN application and approved PNM's proposed ratemaking treatment. PNM filed an application for approval of the Delta acquisition at FERC on January 24, 2013. FERC approved the purchase on February 26, 2013. Closing on the purchase is anticipated before the end of 2013.

Application for Approval of La Luz Generating Station

On May 17, 2013, PNM filed an application with the NMPRC for a CCN to construct, own, and operate a 40 MW gas-fired generating facility near Belen, New Mexico. The application also requests a determination of related ratemaking principles and treatment. The facility is expected to cost approximately $63.2 million and go into service in the first quarter of 2016. PNM has entered into a contract for the turbine to be used for this project. PNM also has entered into a turn-key contract with an outside contractor for the construction of the generating facility. Both of these contracts allow PNM to cancel the project if NMPRC approval is not obtained. A hearing on PNM's application is scheduled to begin on April 8, 2014. PNM is unable to predict the outcome of this matter.

Transmission Rate Case

In October 2010, PNM filed a notice with FERC to increase its wholesale electric transmission revenues by $11.1 million annually, based on a return on equity of 12.25%. The filing also sought to revise certain Open Access Transmission Tariff provisions and bi-lateral contractual terms. In December 2010, FERC issued an order accepting PNM's filing and suspending the proposed tariff revisions for five months. The proposed rates were implemented on June 1, 2011, subject to refund. The rate increase applied to all of PNM's wholesale electric transmission service customers, which include other utilities, electric cooperatives, and entities that use PNM's transmission system to transmit power at the wholesale level. The rate increase did not impact PNM's retail customers. On January 2, 2013, FERC approved an unopposed settlement agreement, which increases transmission service revenues by $2.9 million annually. In addition, the parties agreed that if PNM files for a formula based rate change within one year from FERC's approval of the settlement agreement, no party will oppose the general principle of a formula rate, although the parties may still object to particular aspects of the formula. PNM refunded amounts collected in excess of the settled rates in January 2013 concluding this matter.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Formula Transmission Rate Case

On December 31, 2012, PNM filed an application with FERC for authorization to move from charging stated rates for wholesale electric transmission service to a formula rate mechanism pursuant to which rates for wholesale transmission service are calculated annually in accordance with an approved formula. The proposed formula includes updating cost of service components, including investment in plant and operating expenses, based on information contained in PNM's annual financial report filed with FERC, as well as including projected large transmission capital projects to be placed into service in the following year. The projections included are subject to true-up in the following year formula rate. Certain items, including changes to return on equity and depreciation rates, require a separate filing to be made with FERC before being included in the formula rate. The rates resulting from PNM's application are intended to replace the rates approved by the FERC on January 2, 2013 in the transmission rate case discussed above. As filed, PNM's request would result in a $3.2 million wholesale electric transmission rate increase, based on PNM's 2011 data and a 10.81% return on equity, and authority to adjust transmission rates annually based on an approved formula. The proposed $3.2 million rate increase would be in addition to the $2.9 million rate increase approved by the FERC on January 2, 2013.

On March 1, 2013, FERC issued an order (1) accepting PNM's revisions to its rates for filing and suspending the proposed revisions to become effective August 2, 2013, subject to refund; (2) directing PNM to submit a compliance filing to establish its return-on-equity ("ROE") using the median, rather than the mid-point, of the ROEs from a proxy group of companies; (3) directing PNM to submit a compliance filing to remove from its rate proposal the acquisition adjustment related to PNM's 60% ownership of the EIP transmission line, which was acquired in 2003 ; and (4) setting the proceeding for hearing and settlement judge procedures. PNM would be allowed to make a separate filing related to recovery of the EIP acquisition adjustment. On April 1, 2013, PNM made the required compliance filing. In addition, PNM filed for rehearing of FERC's order regarding the ROE. On June 3, 2013, PNM made additional filings incorporating final 2012 data into the formula rate request. The updated formula rate would result in a $1.3 million rate increase over the rates approved by FERC on January 2, 2013. The new rates will apply to all of PNM's wholesale electric transmission service customers. The new rates will not apply to PNM's retail customers. On June 10, 2013, FERC denied PNM's motion for rehearing regarding FERC's order requiring PNM to use the median, instead of the midpoint, to calculate its ROE for the formula rate case. Settlement negotiations are ongoing concerning issues in this proceeding. PNM is unable to predict the outcome of this proceeding.

Tri-State Complaint

On March 13, 2013, Tri-State filed a complaint with FERC alleging that PNM's existing transmission rates approved by FERC on January 2, 2013 in the transmission rate case discussed above are unjust and unreasonable under the Federal Power Act. Tri-State's allegations were premised upon FERC's March 1, 2013 order and certain data provided by PNM in PNM's Formula Transmission Rate Case discussed above. Tri-State sought a reduction in PNM's annual transmission revenue requirement for the period between March 13, 2013 and the implementation of PNM's proposed rates under the Formula Transmission Rate Case. Tri-State also requested that FERC consolidate the complaint proceeding with the Formula Transmission Rate Case. On April 2, 2013, PNM answered Tri-State's complaint, asking FERC to dismiss the complaint and deny Tri-State's request to consolidate the complaint proceeding with the Formula Transmission Rate Case. On June 10, 2013, FERC dismissed Tri-State's complaint and denied Tri-State's request to consolidate the complaint proceeding with the PNM FERC Transmission Formula Rate Case. This matter is now concluded.

Firm-Requirements Wholesale Customers

Navopache Electric Cooperative, Inc. Rate Case

In September 2011, PNM filed an unexecuted amended sales agreement between PNM and NEC with FERC. The agreement proposed a cost of service based rate for the electric service and ancillary services PNM provides to NEC, which would result in an annual increase of $8.7 million or a 39.8% increase over existing rates. PNM also requested a FPPAC and full recovery of certain third-party transmission charges PNM incurs to serve NEC. NEC filed a protest to PNM's filing with FERC. In November 2011, FERC issued an order accepting the filing, suspending the effective date to be effective April 14, 2012, subject to refund, and set the proceeding for settlement. The parties finalized a settlement agreement and PNM filed for the necessary FERC approval on December 6, 2012. The settlement agreement would result in an annual increase of $5.3 million, an extension of the contract for 10 years, and an agreement that PNM will be able to file an application for formula based rates to be effective in 2015. On

April 5, 2013, FERC approved the settlement agreement. PNM has refunded the amounts collected in excess of the settled rates concluding this matter.

City of Gallup, New Mexico Contract Approval Case

PNM provides both energy and power services to Gallup, PNM's second largest firm-requirements wholesale customer, under an electric service agreement that was to expire on June 30, 2013. On May 1, 2013, PNM and Gallup agreed to extend the term of the agreement to June 30, 2014 and to increase the demand and energy rates under the agreement. On May 1, 2013, PNM requested FERC approval of the amended agreement to be effective July 1, 2013. On June 21, 2013, FERC approved the amended agreement. Revenue from Gallup will increase by $3.1 million during the term of the amended agreement. PNM is unable to predict if services provided to Gallup will continue upon expiration of the amended agreement.

TNMP

Advanced Meter System Deployment and Surcharge Request

In July 2011, the PUCT approved a settlement and authorized an AMS deployment plan that permits TNMP to collect $113.3 million in deployment costs through a surcharge over a 12-year period. TNMP began collecting the surcharge on August 11, 2011. Deployment of advanced meters began in September 2011 and is scheduled to be completed over a 5-year period. In February 2012, the PUCT opened a proceeding to consider the feasibility of an "opt-out" program for retail consumers that wish to decline receipt of an advanced meter. The PUCT has requested comments and convened a public meeting to hear various issues. However, various individuals filed a petition with the PUCT seeking a moratorium on any advanced meter deployment. The PUCT denied the petition and an appeal was filed with the Texas District Court on September 28, 2012. On February 21, 2013, the PUCT filed a proposed rule to permit customers to opt-out of the AMS deployment. A hearing to receive additional comment on the proposed rulemaking was held on April 19, 2013. Any opt-out program would apply to all transmission and distribution utilities in ERCOT. TNMP cannot predict the outcome or effect of this proceeding.

Energy Efficiency

TNMP recovers the costs of its energy efficiency programs through an energy efficiency cost recovery factor. On August 28, 2012, the PUCT approved a settlement that permits TNMP to collect estimated 2013 program costs of $4.8 million, plus recovery of an aggregate of $0.4 million in under-collected costs from prior years, case expenses, and a performance bonus for 2011. TNMP's new rates were effective January 1, 2013. On May 15, 2013, TNMP filed its 2014 energy efficiency cost recovery factor application with the PUCT. The application seeks approval to collect $5.6 million, which includes $4.7 million in estimated program expenses for 2014, a $0.7 million performance bonus for 2012, a refund of $0.1 million over collection of energy savings expenses for the 2012 program year, and case expenses. In July 2013, the parties filed a settlement to resolve this proceeding, which would permit TNMP to collect the substantially all of the requested $5.6 million. The settlement is subject to the PUCT's review and approval. TNMP cannot predict the outcome of this matter.

Transmission Cost of Service Rates

TNMP can update its transmission rates twice per year to reflect changes in its invested capital. Updated rates reflect the addition and retirement of transmission facilities, including appropriate depreciation, federal income tax and other associated taxes, and the approved rate of return on such facilities.

On January 31, 2013, TNMP filed an application to update its transmission rates to reflect changes in its invested capital. The requested increase in total rate base was $21.9 million, which would increase revenues $2.9 million annually. On March 19, 2013, the PUCT ALJ approved TNMP's interim transmission cost of service filing and rates went into effect with bills rendered March 20, 2013. On August 1, 2013, TNMP filed an application to further update its transmission rates to reflect changes in its invested capital. The requested increase in total rate base is $18.1 million, which would increase revenues by $2.8 million annually, is subject to PUCT approval and TNMP cannot predict the outcome of this matter.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Consolidated Tax Savings Adjustment

On June 14, 2013, the Governor of Texas signed into law a bill eliminating the consolidated tax savings adjustment ("CTSA") from electric utility ratemaking in Texas. Previously, the CTSA required electric utilities to artificially reduce their respective tax expenses due to the losses incurred by their affiliates. The bill is effective as of September 1, 2013.

(11) Accumulated Other Comprehensive Income (Loss)

Information regarding accumulated other comprehensive income (loss) for the six months ended June 30, 2013 is as follows:

	Accumulated Other Comprehensive Income (Loss)			
	Unrealized Gain on Investment Securities	Pension Liability Adjustment	Fair Value Adjustment for Cash Flow Hedges	Total
	(In thousands)			
PNMR				
Balance at December 31, 2012	$ 16,406	$ (97,820)	$ (216)	$ (81,630)
Amounts reclassified from AOCI (pre-tax)	(6,854)	3,182	99	(3,573)
Income tax impact of amounts reclassified	2,714	(1,262)	(35)	1,417
Other OCI changes (pre-tax)	8,591	—	3	8,594
Income tax impact of other OCI changes	(3,401)	—	(1)	(3,402)
Net change after income taxes	1,050	1,920	66	3,036
Balance at June 30, 2013	$ 17,456	$ (95,900)	$ (150)	$ (78,594)
PNM				
Balance at December 31, 2012	$ 16,406	$ (97,820)	$ —	$ (81,414)
Amounts reclassified from AOCI (pre-tax)	(6,854)	3,182	—	(3,672)
Income tax impact of amounts reclassified	2,714	(1,262)	—	1,452
Other OCI changes (pre-tax)	8,591	—	—	8,591
Income tax impact of other OCI changes	(3,401)	—	—	(3,401)
Net change after income taxes	1,050	1,920	—	2,970
Balance at June 30, 2013	$ 17,456	$ (95,900)	$ —	$ (78,444)
TNMP				
Balance at December 31, 2012	$ —	$ —	$ (216)	$ (216)
Amounts reclassified from AOCI (pre-tax)	—	—	99	99
Income tax impact of amounts reclassified	—	—	(35)	(35)
Other OCI changes (pre-tax)	—	—	3	3
Income tax impact of other OCI changes	—	—	(1)	(1)
Net change after income taxes	—	—	66	66
Balance at June 30, 2013	$ —	$ —	$ (150)	$ (150)

Pre-tax amounts reclassified from AOCI related to "Unrealized Gain on Investment Securities" are included in "Gains on investments held by NDT" in the Condensed Consolidated Statements of Earnings. Pre-tax amounts reclassified from AOCI related to "Pension Liability Adjustment " are reclassified to "Operating Expenses - Administrative and general" in the Condensed

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Consolidated Statements of Earnings. Approximately 16.4% of the amount reclassified is then capitalized into construction work in process and approximately 2.5% is capitalized into other accounts. Pre-tax amounts reclassified from AOCI related to "Fair Value Adjustment for Cash Flow Hedges" are reclassified to "Interest Charges" in the Condensed Consolidated Statements of Earnings. An insignificant amount is then capitalized as AFUDC. The income tax impacts of all amounts reclassified from AOCI are included in "Income Taxes" in the Condensed Consolidated Statements of Earnings.

(12) Related Party Transactions

PNMR, PNM, and TNMP are considered related parties as defined under GAAP. PNMR Services Company provides corporate services to PNMR and its subsidiaries in accordance with shared services agreements. The table below summarizes the nature and amount of related party transactions of PNMR, PNM, and TNMP:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Services billings:				
PNMR to PNM	$ 20,837	$ 23,832	43,489	45,887
PNMR to TNMP	6,856	6,816	14,217	13,767
PNM to TNMP	133	168	241	289
TNMP to PNMR	2	4	4	8
Interest billings:				
PNMR to TNMP	119	32	215	50
PNMR to PNM	—	1	1	1
PNM to PNMR	37	44	78	89
Income tax sharing payments:				
PNMR to PNM	45,000	—	45,000	63,114
PNMR to TNMP	—	—	—	1,952

(13) Income Taxes

As required under GAAP, the Company makes an estimate of its anticipated effective tax rate for the year as of the end of each quarterly period within its fiscal year. Year-to-date income tax expense is then calculated by applying the anticipated annual effective tax rate to year-to-date earnings before taxes, which includes the earnings attributable to the Valencia non-controlling interest. GAAP also provides that certain unusual or infrequently occurring items, as well as adjustments due to enactment of new tax laws, be excluded from the estimated annual effective tax rate calculation.

On January 3, 2013, the American Taxpayer Relief Act of 2012, which extended fifty percent bonus depreciation, was signed into law. Due to provisions in the act, taxes payable to the State of New Mexico for 2013 were reduced, which resulted in an impairment of New Mexico wind energy production tax credits. In accordance with GAAP, PNMR was required to record this impairment, which after federal income tax benefit, amounted to $1.5 million as additional income tax expense during the three months ended March 31, 2013. This impairment is reflected in PNMR's Corporate and Other segment.

On April 4, 2013, New Mexico House Bill 641 was signed into law. One of the provisions of the bill was to reduce the New Mexico corporate income tax rate from 7.6% to 5.9%. The rate reduction will be phased in from 2014 to 2018. In accordance with GAAP, PNMR and PNM adjusted accumulated deferred income taxes to reflect the tax rate at which the balances are expected to reverse. The portion of the adjustment related to PNM's regulated activities was recorded as a reduction in deferred tax liabilities, which was offset by an increase in a regulatory liability, on the assumption that PNM will be required to return the benefit to customers over time. The increase in the regulatory liability was $23.9 million. The portion of the adjustment that is not related to PNM's regulated activities was recorded as a reduction in deferred tax assets and an increase in income tax expense of $1.2 million during the three months ended June 30, 2013. This additional income tax expense is reflected in PNMR's Corporate and Other segment.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The future reduction in taxes payable to the State of New Mexico resulting from the rate reduction in House Bill 641 and revisions in estimates of future taxable income resulted in a further impairment of New Mexico wind energy production tax credits. In accordance with GAAP, PNMR was required to record this impairment, which after federal income tax benefit, amounted to $2.4 million as additional income tax expense during the three months ended June 30, 2013. This impairment is reflected in PNMR's Corporate and Other segment.

On April 30, 2013, the IRS issued Revenue Procedure 2013-24, which provides a safe harbor method of accounting that taxpayers may use to determine repair costs for electric generation property. Adoption of the safe harbor method is elective for years ending on or after December 31, 2012. On July 11, 2013, the IRS issued a directive that suspends most current examination activity related to generation repairs methodology for any company that is eligible for the safe harbor. PNM is evaluating the possible effects of adopting the safe harbor method and the ultimate outcome cannot be determined at this time.

In May 2013, PNMR received a refund of federal income taxes paid in prior years, which primarily was due to bonus tax depreciation and changes in the Company's method of accounting for repairs expense for income tax purposes. The total refund was $96.2 million of which $77.4 million was attributable to PNM. As of June 30, 2013 $45.0 million had been transferred to PNM.

(14) Goodwill

The excess purchase price over the fair value of the assets acquired and the liabilities assumed by PNMR for its June 6, 2005 acquisition of TNP was recorded as goodwill and was pushed down to the businesses acquired. In 2007, the TNMP assets that were included in its New Mexico operations, including goodwill, were transferred to PNM.

GAAP requires the Company to evaluate its goodwill for impairment annually at the reporting unit level or more frequently if circumstances indicate that the goodwill may be impaired. PNMR's reporting units that have goodwill are PNM and TNMP. Application of the impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, and determination of the fair value of each reporting unit.

GAAP provides that in certain circumstances an entity may perform a qualitative analysis to conclude that the goodwill of a reporting unit is not impaired. Under a qualitative assessment an entity would consider macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, other relevant entity-specific events affecting a reporting unit, as well as whether a sustained decrease (both absolute and relative to its peers) in share price had occurred. An entity would consider the extent to which each of the adverse events and circumstances identified could affect the comparison of a reporting unit's fair value with its carrying amount. An entity should place more weight on the events and circumstances that most affect a reporting unit's fair value or the carrying amount of its net assets. An entity also should consider positive and mitigating events and circumstances that may affect its determination of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. An entity would evaluate, on the basis of the weight of evidence, the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative analysis in not required.

In other circumstances, an entity may perform a quantitative analysis to reach the conclusion regarding impairment with respect to a reporting unit. The first step of the quantitative impairment test requires an entity to compare the fair value of the reporting unit with its carrying value, including goodwill. If as a result of this analysis, the entity concludes there is an indication of impairment in a reporting unit having goodwill, the entity is required to perform the second step of the impairment analysis, determining the amount of goodwill impairment to be recorded. The amount is calculated by comparing the implied fair value of the goodwill to its carrying amount. This exercise would require the entity to allocate the fair value determined in step one to the individual assets and liabilities of the reporting unit. Any remaining fair value would be the implied fair value of goodwill on the testing date. To the extent the recorded amount of goodwill of a reporting unit exceeds the implied fair value determined in step two, an impairment loss would be reflected in results of operations.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

An entity may choose to perform a quantitative analysis without performing a qualitative analysis and may perform a qualitative analysis for certain reporting units but a quantitative analysis for others. For the annual evaluation performed as of April 1, 2013, PNMR utilized a qualitative analysis for the TNMP reporting unit and a quantitative analysis for the PNM reporting unit. For the PNM reporting unit, a discounted cash flow methodology was primarily used to estimate the fair value of the reporting unit. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of long-term growth rates for the business, and determination of appropriate weighted average cost of capital for each reporting unit. Changes in these estimates and assumptions could materially affect the determination of fair value and the conclusion of impairment.

The annual evaluations performed as of April 1, 2013 and 2012 did not indicate impairments of the goodwill of any of PNMR's reporting units. The April 1, 2013 and 2012 quantitative evaluations indicated the fair value of the PNM reporting unit, which has goodwill of $51.6 million, exceeded its carrying value by more than 10%. The April 1, 2012 quantitative evaluation indicated the fair value of the TNMP reporting unit, which has goodwill of $226.7 million, exceeded its carrying value by more than 10%. Since the April 1, 2013 annual evaluation, there have been no indications that the fair values of the reporting units with recorded goodwill have decreased below the carrying values. Additional information concerning the Company's goodwill is contained in Note 22 of Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations for PNMR is presented on a combined basis, including certain information applicable to PNM and TNMP. The MD&A for PNM and TNMP is presented as permitted by Form 10-Q General Instruction H(2). This report uses the term "Company" when discussing matters of common applicability to PNMR, PNM, and TNMP. A reference to a "Note" in this Item 2 refers to the accompanying Notes to Condensed Consolidated Financial Statements (Unaudited) included in Item 1, unless otherwise specified. Certain of the tables below may not appear visually accurate due to rounding.

MD&A FOR PNMR

EXECUTIVE SUMMARY

Overview and Strategy

PNMR is a holding company with two regulated utilities serving approximately 742,000 residential, commercial, and industrial customers and end-users of electricity in New Mexico and Texas.

Strategic Goals

PNMR is focused on achieving the following strategic goals:

- Earning authorized returns on its regulated businesses
- Continuing to improve credit ratings
- Providing a top-quartile total return to investors

In conjunction with these goals, PNM and TNMP are dedicated to:

- Achieving industry-leading safety performance and customer satisfaction
- Maintaining strong plant performance and reliability

Earning Authorized Returns on Regulated Businesses

PNMR's success in accomplishing its strategic goals is highly dependent on continued favorable regulatory treatment for its utilities. The Company has multiple strategies to achieve favorable regulatory treatment, all of which have as their foundation a focus on the basics: managing the Company's business and serving customers well, while engaging stakeholders to build productive relationships.

Both PNM and TNMP seek cost recovery for their investments through general rate cases and various rate riders. The PUCT has approved mechanisms that allow for recovery of capital invested in transmission and distribution projects without having to file a general rate case and allow for more timely recovery of amounts invested in TNMP's systems. In 2011 and 2012, PNM made significant progress toward the goal of achieving authorized returns for its retail customers. In 2012, PNM saw additional progress toward achieving authorized returns for its transmission and generation customers regulated by FERC. PNM and TNMP completed several rate proceedings before their state regulators in 2011, 2012, and early 2013. Additional information about rate filings is provided in Note 17 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K and in Note 10.

Fair and timely rate treatment from regulators is crucial to achieving PNMR's strategic goals because it leads to PNM and TNMP earning their allowed returns. PNMR believes that if the utilities earn their allowed returns, it would be viewed positively by rating agencies and would further improve credit ratings, which could lower costs to customers. Also, earning allowed returns should result in increased earnings for PNMR, which should lead to increased total returns to investors.

PNM's interest in PVNGS Unit 3 is excluded from NMPRC jurisdictional rates. While PVNGS Unit 3's financial contribution is not calculated in the authorized returns on its regulated business, it impacts PNM's earnings and has demonstrated to be a valuable asset. Power generated from PNM's 134 MW interest in PVNGS Unit 3 is currently sold into the wholesale market and any earnings or losses are attributable to shareholders.

Continuing to Improve Credit Ratings

PNM is committed to maintaining investment grade credit ratings. The credit ratings for PNMR, PNM, and TNMP were set forth under the heading Liquidity in the MD&A contained in the 2012 Annual Reports on Form 10-K. As discussed under the subheading Liquidity in MD&A below, S&P raised the corporate credit ratings and senior debt ratings for PNMR, PNM, and TNMP, as well as the preferred stock rating for PNM, on April 5, 2013. S&P retained the outlook as stable for all entities. On June 21, 2013, Moody's changed the ratings outlook for PNMR, PNM, and TNMP to positive from stable.

Providing Top-Quartile Total Returns to Investors

PNMR's strategic goal to provide top quartile total return to investors over the 2012 to 2016 period is based on five-year ongoing EPS growth along with five-year average dividend yield from a group of regulated electric utility companies with similar market capitalization. Top quartile total return currently is equal to an average annual rate of 10 percent to 13 percent. PNMR's long-term target is a dividend payout ratio of 50 percent to 60 percent of its ongoing earnings. Ongoing earnings, which is a non-GAAP financial measure, excludes certain non-recurring, infrequent, and other items from earnings determined in accordance with GAAP. The annual common stock dividend was raised by 16 percent in February 2012 and 14 percent in February 2013. PNMR expects to provide above-average dividend growth in the near-term and to manage the payout ratio to meet its long-term target. The PNMR board will continue to evaluate the dividend on an annual basis, considering sustainability and growth, capital planning, and industry standards.

Business Focus

In addition to its strategic goals, PNMR's strategy and decision-making are focused on safely providing reliable, affordable, and environmentally responsible power to create enduring value for customers and communities. To accomplish this, PNMR works closely with customers, stakeholders, legislators, and regulators to ensure that our resource plans and infrastructure investments benefit from robust public dialogue and balance the diverse needs of our communities.

Reliable and Affordable Power

PNMR and its utilities are keenly aware of the roles they play in enhancing economic vitality in their New Mexico and Texas service territories. We believe there is a direct connection between electric infrastructure to ensure reliability and economic growth. When considering expanding or relocating to other communities, businesses consider energy affordability and energy reliability to be important factors. PNM and TNMP strive to balance service affordability with infrastructure investment to maintain a high level of electric reliability. The utilities also work to ensure that rates reflect actual costs of providing service.

Investing in PNM's and TNMP's infrastructure is critical to ensure reliability and meet future energy needs. Both utilities have long-established records of providing customers with top-tier electric reliability. In September 2011, TNMP began its deployment of smart meters in homes and businesses across its Texas service area. Through June 30, 2013, TNMP had completed installation of more than 100,000 smart meters. TNMP's deployment is expected to be completed in 2016.

As part of the State of Texas' long-term initiative to create a smart electric grid, the smart meter rollout will ultimately give consumers more energy consumption data and help them make more informed decisions. In 2014, TNMP will install a new outage management system that will leverage capabilities of the smart meters to enhance the company's responsiveness to outages.

During the 2010 to 2012 period, PNM and TNMP together invested $803.7 million in substations, power plants, and transmission and distribution systems in New Mexico and Texas. In 2012, PNM announced its planned 40 MW natural gas-fired La Luz peaking generating station to be located near Belen, New Mexico. PNM filed a request in May 2013 with the NMPRC for approval for construction of the La Luz project, which is expected to begin in 2014, with the facility going into service in 2016. PNM also announced an agreement to purchase Delta, a 132 MW gas-fired peaking facility, which has served PNM jurisdictional needs under a 20-year PPA since 2000. The purchase has been approved by the NMPRC and FERC. Closing on the purchase is anticipated before the end of 2013.

Environmentally Responsible Power

PNMR has a long-standing record of environmental stewardship. In 2012 and 2013, its environmental focus has been in three key areas:

- Preparing to meet New Mexico's increasing renewable energy requirements as cost-effectively as possible
- Developing strategies to meet regional haze rules at the coal-fired SJGS as cost effectively as possible while providing broad environmental benefits
- Increasing energy efficiency participation

Another area of emphasis is the reduction of the amount of fresh water used during the generation of power at PNM's power plants. The fresh water used per MWh generated has dropped by 22.3% since 2002, primarily due to the growth of renewable energy sources, the expansion of Afton to a combined-cycle plant that has both air and water cooling systems, and the use of gray water for cooling at Luna. In addition to the above areas of focus, in 2013, the Company also will be working to reduce the amount of solid waste going to landfills through increased recycling and reduction of waste. The Company has performed well in this area in the past and has set goals for even further reductions.

Renewable Energy

In 2012, PNM filed and the NMPRC approved PNM's 2013 renewable procurement strategy. The approved strategy will almost double PNM's existing solar capacity with the addition of 21.5 MW of utility-owned solar capacity having an estimated cost of almost $50 million. In addition to the solar expansion, the 2013 proposal includes a 20-year agreement to purchase energy from a geothermal facility to be built near Lordsburg, New Mexico. The 10 MW facility will be the first geothermal project for the PNM system. On July 1, 2013, PNM filed its 2014 renewable procurement strategy with the NMPRC. The 2014 plan calls for the construction of an additional 23 MW of utility-owned solar capacity having an estimated cost of $46.7 million, a 20 year PPA for the output of an existing 100 MW wind energy center, and the purchase of RECs in 2014 and 2015 to meet the RPS.

In addition to the 22 MW of solar currently available through five facilities constructed in 2011, PNM also owns a sixth facility, the 500-KW PNM Prosperity Energy Storage Project, which uses advanced batteries to store solar power and dispatch the energy either during high-use periods or when solar production is limited. The project features one of the largest combinations of battery storage and PV energy in the nation and involves extensive research and development of smart grid concepts with the Electric Power Research Institute, East Penn Manufacturing Co., Northern New Mexico College, Sandia National Laboratories, and the University of New Mexico. When the facility went online in September 2011, it was the nation's first solar storage facility fully integrated into a utility's power grid.

PNM's existing resource portfolio includes the purchase of 204 MW of wind power. PNM also purchases power from a customer-owned distributed solar generation program having an installed capacity of 19.8 MW at the end of 2012. Distributed generation, wind, and solar power are key means for PNM to meet the RPS established by the REA and related regulations issued by the NMPRC. These rules require a utility to achieve prescribed levels of energy sales from renewable sources within its generation mix, if that can be accomplished without exceeding the RCT cost limit set by the NMPRC, which aims to moderate the cost to consumers when utilities use more renewable resources.

PNM sought and received a waiver from the NMPRC excusing it from meeting the RPS in 2012 because the cost to achieve the full RPS would exceed the RCT. The 2013 plan will enable PNM to comply with the statutory RPS amount in 2013, but required a variance from the NMPRC's diversity requirements in 2013 while the proposed geothermal facilities are being constructed. Although this plan had been expected to enable PNM to achieve full RPS quantity and diversity compliance by 2014 without exceeding the RCT, delays in the permitting process for the geothermal facility have delayed its anticipated in-service date to later in 2014. PNM does not believe this delay will affect its ability to comply with the diversity requirements as amended in December 2012. PNM will continue to procure renewable resources while balancing the bill impact to customers in order to meet New Mexico's escalating RPS requirements.

SJGS

PNM continues its efforts to comply with the EPA regional haze rule in a manner that minimizes the cost impact to customers while still achieving broad environmental benefits. EPA's FIP for regional haze currently in effect requires the installation of SCRs on all four units at SJGS by September 2016.

On February 15, 2013, PNM, NMED, and EPA agreed to pursue a revised plan that could provide a new BART path to

comply with federal visibility rules at SJGS. The terms of the non-binding agreement would result in the retirement of SJGS Units 2 and 3 by the end of 2017 and the installation of SNCRs on Units 1 and 4 by the later of January 31, 2016 or 15 months after EPA approval of a revised SIP from the State of New Mexico. PNM would also build a natural gas-fired peaking generating plant to be sited at SJGS to partially replace the capacity from the retired coal units. Additional base load generating capacity may also be required, which could come from PVNGS Unit 3 or additional gas-fired generation. Implementing this plan includes:

- PNM submitting a new BART analysis to NMED, which occurred in April 2013
- NMED submitting a revised SIP to EIB, which occurred in May 2013
- Approval of the revised SIP by EIB
- EPA approval of the revised SIP
- NMPRC approval of the retirement of Units 2 and 3, as well as recovery of the unrecovered investment and costs to retire those units, and plans to acquire replacement power

The term sheet setting forth the non-binding agreement projects EIB approval in the fourth quarter of 2013, with EPA final action in late 2014. Contemporaneously with the signing of the non-binding agreement, EPA indicated in writing that if the above plan does not move forward due to circumstances outside of the control of PNM and NMED, EPA will work with the State of New Mexico and PNM to create a reasonable FIP compliance schedule to reflect the time used to develop the new state plan. PNM is also exploring potential additional areas of relief, including relief from the Tenth Circuit.

In connection with the implementation of the plan, retirement of SJGS Units 2 and 3 could result in shifts in ownership among SJGS owners as may be agreed upon by the owners, including PNM acquiring additional ownership in SJGS Unit 4. Owners of the affected units also may seek approvals of their utility commissions or governing boards.

On February 25, 2013, the parties filed their status reports with the Tenth Circuit. To demonstrate that progress has been made toward settling the Tenth Circuit litigation, information, including the non-binding agreement and its accompanying timeline, was submitted to the court. Following the parties' submission of their status reports, on February 28, 2013, the Tenth Circuit referred the litigation to the Tenth Circuit Mediation Office, which has authority to require the parties to attend mediation conferences to informally resolve issues in the pending appeals.

This revised BART plan would achieve similar visibility improvements as the installation of SCRs on all four units at SJGS. It has the added advantage of reducing other emissions beyond NOx, including SO_2, particulate matter, CO_2, and mercury, as well as reducing water usage. Detailed replacement power strategies also would be finalized. PNM believes adequate replacement power alternatives will be available to meet its generation needs and ensure reliability. PNM can provide no assurance that the requirements of this plan will be accomplished at all or within the required timeframes.

Additional information about BART at SJGS is contained in Note 16 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K and in Note 9.

In addition to the regional haze rule, SJGS is required to comply with other rules currently being developed or implemented that affect coal-fired generating units. Because of environmental upgrades completed in 2009, SJGS is well positioned to outperform the mercury limit imposed by EPA in the 2011 Mercury and Air Toxics Standards. The major environmental upgrades on each of the four units at SJGS have significantly reduced emissions of NOx, SO_2, particulate matter, and mercury. Since 2006, SJGS has reduced NOx emissions by 43 percent, SO_2 by 69 percent, particulate matter by 63 percent, and mercury by 99 percent.

Energy Efficiency

Energy efficiency also plays a significant role in helping to keep customers' electricity costs low while continuing to meet their energy needs. PNM's and TNMP's energy efficiency and load management portfolios continue to achieve robust results. In 2012, annual energy saved as a result of PNM's portfolio of energy efficiency programs was approximately 79 GWh. This is equivalent to the consumption of approximately 10,700 homes in PNM's service territory. PNM's load management and energy efficiency programs also help lower peak demand requirements. TNMP's energy efficiency programs in 2012 resulted in energy savings totaling an estimated 12.8 GWh.

Creating Value for Customers and Communities

Through outreach, collaboration, and various community-oriented programs, PNMR has a demonstrated commitment to build productive relationships with stakeholders, including customers, regulators, legislators, and intervenors.

Building off work that began in 2008, PNM has continued outreach efforts to connect low-income customers with nonprofit community service providers offering support and help with such needs as utility bills, food, clothing, medical programs, services for seniors, and weatherization. In 2012, PNM hosted 23 community events throughout its service territory to assist low-income customers. Furthermore, the PNM Good Neighbor Fund provided $1.0 million of assistance with utility bills to 10,216 families in 2012.

The PNM Resources Foundation helps nonprofits become more energy efficient through Reduce Your Use grants. For 2012, the foundation awarded $0.3 million to support 55 projects in New Mexico to provide shade structure installations, window replacements, and efficient appliance purchases. Since the program's inception in 2008, Reduce Your Use grants have provided nonprofit agencies in New Mexico with a total of $1.1 million of support. In May 2013, in connection with the PNM Resources Foundation's 30th anniversary, the foundation announced that 30 $10,000 environmental grants will be awarded in 2013.

PNM also expanded its environmental stakeholder outreach in 2012, piloting small environmental stakeholder dialogue groups on key issues such as renewable energy and energy efficiency planning. PNM also employed proactive stakeholder outreach in two key projects - the development of the PNM's renewable energy procurement plans that involved distributed solar energy developers early in the conversation and the siting of the planned gas-fired peaking generation facility near Belen, New Mexico, which featured in-depth community involvement and education early in the planning stages of the project. In both cases highly favorable outcomes were achieved, and controversial negative media coverage was virtually eliminated.

Economic Factors

In the three and six months ended June 30, 2013, PNM experienced decreases in weather and leap-year normalized, retail load of 0.6% and 1.2% compared to 2012. However, PNM set a new all-time record for peak use on June 27, 2013 when usage reached 2,008 MW. This compares to the previous peak of 1,973 MW. New Mexico businesses are taking a longer time to recover from the economic downturn. In particular, the Albuquerque metropolitan area continues to lag the nation in economic recovery. Based on the current trends, load could be down 1% for the full year 2013 compared to 2012. TNMP's weather normalized and leap-year adjusted load was basically flat for the three months ended June 30, 2013 compared to the three months ended June 30, 2012. In the six months ended June 30, 2013, TNMP experienced a 0.9% increase in weather and leap-year normalized, retail load compared to the six months ended June 30, 2012. In recent years, New Mexico and Texas have fared better than the national average in unemployment. However, New Mexico's figures may be misleading due to people dropping out of the workforce. Employment growth is a better indicator, as Texas growth rates are well above the national rate while New Mexico's employment is relatively flat.

Results of Operations

A summary of net earnings attributable to PNMR is as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
	(In millions, except per share amounts)					
Net earnings attributable to PNMR	$ 27.7	$ 21.5	$ 6.2	$ 38.3	$ 38.6	$ (0.3)
Average diluted common and common equivalent shares	80.5	80.4	0.1	80.5	80.4	0.1
Net earnings attributable to PNMR per diluted share	$ 0.34	$ 0.27	$ 0.07	$ 0.48	$ 0.48	$ —

The components of the change in earnings attributable to PNMR are:

	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
	(In millions)	
PNM	$ 9.2	$ 3.0
TNMP	0.3	1.1
Corporate and Other	(3.4)	(4.3)
Net change	$ 6.2	$ (0.3)

PNMR's operational results were affected by the following:

- Rate increases for PNM and TNMP - Additional information about these rate increases is provided in Note 17 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K and Note 10
- Net unrealized gains and losses on mark-to-market economic hedges for sales and fuel costs not recoverable under PNM's FPPAC
- Higher prices for sales of power from PVNGS Unit 3
- Lower retail load at PNM partially offset by higher retail load in the first quarter at TNMP
- Increased income tax expense due to impairments of state tax credits and a change in state tax rate (Note 13)
- Other factors impacting results of operation for each segment are discussed under Results of Operations below

Liquidity and Capital Resources

The Company has revolving credit facilities that provide capacities for short-term borrowing and letters of credit of $300.0 million for PNMR and $400.0 million for PNM, both of which expire in October 2017. In addition, TNMP has a $75.0 million revolving credit facility, which expires in December 2015. Total availability for PNMR on a consolidated basis was $710.9 million at July 26, 2013. The Company utilizes these credit facilities and cash flows from operations to provide funds for both construction and operational expenditures. PNMR also has intercompany loan agreements with each of its subsidiaries.

The Company projects that its total capital requirements, consisting of construction expenditures and dividends, will total $2,054.1 million for 2013-2017, including amounts expended through June 30, 2013. The construction expenditures include additional renewable resources anticipated to be required to meet the RPS, additional peaking resources needed to meet needs outlined in PNM's current IRP, and environmental upgrades at Four Corners. This estimate does not include any amounts related to environmental upgrades at SJGS that ultimately may be required by EPA to address regional haze or expenditures that could be required to replace capacity should environmental control at SJGS involve shutdown of one or more SJGS units (Note 9). In addition to internal cash generation, the Company anticipates that it will be necessary to obtain additional long-term financing in the form of debt refinancing, new debt issuances, and/or new equity in order to fund its capital requirements through 2017. The Company currently believes that its internal cash generation, existing credit arrangements, and access to public and private capital markets will provide sufficient resources to meet the Company's capital requirements.

RESULTS OF OPERATIONS

Segment Information

The following discussion is based on the segment methodology that PNMR's management uses for making operating decisions and assessing performance of its various business activities. See Note 2 for more information on PNMR's operating segments.

The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto. Trends and contingencies of a material nature are discussed to the extent known. Refer also to Disclosure Regarding Forward Looking Statements and to Part II, Item 1A. Risk Factors.

PNM

The following table summarizes the operating results for PNM:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
	(In millions)					
Electric operating revenues	$ 279.7	$ 260.1	$ 19.6	$ 537.6	$ 510.5	$ 27.1
Cost of energy	91.9	83.2	8.7	183.5	163.8	19.7
Margin	187.8	176.9	10.9	354.1	346.7	7.4
Operating expenses	103.5	106.2	(2.7)	206.6	210.4	(3.8)
Depreciation and amortization	26.1	23.9	2.1	51.9	47.6	4.3
Operating income	58.3	46.7	11.6	95.5	88.8	6.7
Other income (deductions)	6.2	2.4	3.8	10.3	10.8	(0.5)
Net interest charges	(19.9)	(18.9)	(1.0)	(39.8)	(37.4)	(2.4)
Segment earnings before income taxes	44.6	30.2	14.4	66.0	62.1	3.9
Income (taxes)	(14.9)	(9.8)	(5.1)	(21.5)	(20.7)	(0.8)
Valencia non-controlling interest	(3.6)	(3.5)	(0.1)	(6.8)	(6.7)	(0.1)
Preferred stock dividend requirements	(0.1)	(0.1)	—	(0.3)	(0.3)	—
Segment earnings	$ 26.0	$ 16.8	$ 9.2	$ 37.4	$ 34.4	$ 3.0

The following table summarizes the significant changes to electric operating revenues, cost of energy, and margin:

	2012/2013 Change					
	Three Months Ended June 30,			Six Months Ended June 30,		
	Electric Operating Revenues	Cost of Energy	Margin	Electric Operating Revenues	Cost of Energy	Margin
	(In millions)					
Customer usage/load	$ (2.8)	$ —	$ (2.8)	$ (5.1)	$ —	$ (5.1)
Weather	(0.8)	—	(0.8)	0.1	—	0.1
Transmission and other	7.7	7.1	0.6	17.4	17.8	(0.4)
Wholesale rate increases	—	—	—	2.0	—	2.0
Energy efficiency rider	(0.8)	—	(0.8)	(0.2)	—	(0.2)
Renewable energy rider	6.4	3.2	3.2	11.2	4.6	6.6
Unregulated margin	0.7	(2.2)	2.9	2.2	(2.1)	4.3
Net unrealized economic hedges	9.2	0.6	8.6	(0.5)	(0.6)	0.1
Net change	$ 19.6	$ 8.7	$ 10.9	$ 27.1	$ 19.7	$ 7.4

The following table shows electric operating revenues by customer class and average number of customers:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
	(In millions, except customers)					
Residential	$ 92.6	$ 93.0	$ (0.4)	$ 196.9	$ 192.7	$ 4.2
Commercial	112.1	109.3	2.8	200.3	196.6	3.7
Industrial	19.2	19.2	—	36.6	37.2	(0.6)
Public authority	6.5	6.0	0.5	11.8	11.3	0.5
Economy service	8.2	5.5	2.7	16.1	11.0	5.1
Other retail	2.4	2.6	(0.2)	5.8	7.2	(1.4)
Transmission	9.3	9.6	(0.3)	18.0	18.5	(0.5)
Firm-requirements wholesale	9.4	9.2	0.2	20.9	18.3	2.6
Other sales for resale	16.6	11.6	5.0	33.7	19.8	13.9
Mark-to-market activity	3.4	(5.9)	9.3	(2.5)	(2.1)	(0.4)
	$ 279.7	$ 260.1	$ 19.6	$ 537.6	$ 510.5	$ 27.1
Average retail customers (thousands)	507.8	505.3	2.5	507.6	505.2	2.4

The following table shows GWh sales by customer class:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
	(Gigawatt hours)					
Residential	735.9	760.4	(24.5)	1,587.2	1,597.5	(10.3)
Commercial	1,073.5	1,061.1	12.4	1,952.0	1,960.6	(8.6)
Industrial	274.2	285.8	(11.6)	526.8	558.1	(31.3)
Public authority	71.6	71.0	0.6	126.6	127.1	(0.5)
Economy service	176.9	141.8	35.1	353.6	283.3	70.3
Firm-requirements wholesale	150.1	151.0	(0.9)	327.3	323.8	3.5
Other sales for resale	495.4	445.4	50.0	1,028.1	726.5	301.6
	2,977.6	2,916.5	61.1	5,901.6	5,576.9	324.7

For the three and six months ended June 30, 2013, retail sales were lower compared to 2012 reflecting a continued sluggish economy in New Mexico. In particular, the Albuquerque metropolitan area continues to lag the nation in economic recovery. In spite of the economic pressures, PNM experienced average year to date customer growth of 0.5%. Weather negatively impacted revenues and margin during the second quarter of 2013, but was a positive driver for the first three months of 2013. Cooling degree days were 9.2% lower for the three months ended June 30, 2013 compared to the same period a year ago. Heating degree days were 12.4% higher in the first three months of 2013 compared to the same period in 2012. For the three and six months ended June 30, 2013, PNM's weather normalized and leap-year adjusted retail sales were 0.6% and 1.2% lower than 2012 resulting in lower retail revenues and margin. In addition, as a result of lower residential KWh sales, fewer sales were made at the higher tier rates in PNM's rate structure, further reducing revenues and margin. Based on the current trends, KWh sales could be down 1% for the full year 2013 compared to 2012 on a weather normalized basis.

PNM provides economy energy services to a major customer. In spite of the increase in KWh sales for the three and six months ended June 30, 2013 compared to 2012, there is only a minor impact in margin for this customer from ancillary services. Other changes in revenues and cost of energy are a pass through with no impact to margin. Other sales for resale revenues and volumes increased for the three months and six months ended June 30, 2013, primarily due to reduced off-system sales at SJGS in 2012 resulting from the fire incident at the mine providing coal to SJGS. Increased off-system sales from SJGS are included in PNM's FPPAC and do not impact margin. See Note 9 for more discussion on the SJGS mine fire incident.

Increases in deferred energy settlements, partially offset by lower transmission margin, resulted in a combined increase in margin of $0.6 million in the three months ended June 30, 2013 compared to 2012. Lower transmission revenues, combined with an increase in transmission expenses, reduced margin $0.4 million for the six months ended June 30, 2013 compared to 2012.

PNM offers several energy efficiency programs and initiatives to its retail customers regulated by the NMPRC. In addition, PNM is allowed to earn incentives on these programs, based on energy savings of the programs. PNM recovers these energy efficiency program costs and incentives via a rate rider. For the three months and six months ended June 30, 2013, revenues and margin from the energy efficiency rider were lower by $0.8 million and $0.2 million, primarily driven by lower energy efficiency billings, which were partly offset by additional incentives earned in 2013 compared to those earned in 2012. Other changes in energy efficiency revenues are offset by changes in operating expenses.

In August 2012, PNM implemented its renewable energy rider, a mechanism approved by the NMPRC, which recovers renewable energy procurement costs, including the investment in and an allowed return on the 22 MW of PNM-owned solar PV facilities constructed to meet the RPS. See Note 10. For the three months and six months ended June 30, 2013, this rider increased revenues by $6.4 million and $11.2 million and cost of energy, reflecting the purchase of RECs, by $3.2 million and $4.6 million. These revenues include a return on investment of $0.9 million and $1.9 million for the three and six months ended June 30, 2013. The remaining revenues recover renewable energy operating, depreciation, and interest expenses.

For the three months and six months ended June 30, 2013, higher unregulated revenues of $0.7 million and $2.2 million and margin of $0.9 million and $2.3 million, associated with PNM's share of PVNGS Unit 3, were due to favorable market power prices on sales compared to 2012. In addition, PNM incurred an expense of $2.0 million for gas imbalance settlements in the three months ended June 30, 2012 that did not recur in 2013.

Changes in unrealized mark-to-market gains and losses are based on economic hedges in place for sales and fuel costs not covered under the FPPAC, primarily associated with PVNGS Unit 3. Unrealized gains of $3.1 million for the three months ended June 30, 2013 compared to unrealized losses of $5.5 million for the three months ended June 30, 2012, increased margin by $8.6 million. Unrealized losses of $1.9 million for the six months ended June 30, 2013 compared to unrealized losses of $2.0 million for the six months ended June 30, 2012, increased margin by $0.1 million.

For the three and six months ended June 30, 2013, operating expenses decreased by $2.7 million and $3.8 million compared to 2012. In the three months ended June 30, 2013, higher costs due to timing of planned outages at SJGS of $1.9 million and higher outage expenses at Four Corners of $0.6 million were partly offset by lower outage costs at PVNGS of $0.2 million and timing of the outage costs for natural gas plants of $1.3 million. In the six months ended June 30, 2013, lower outage costs at PVNGS, SJGS, and gas plants of $1.0 million, $0.2 million, and $1.3 million were partially offset by increased outage costs at Four Corners of $0.9 million. Lower labor, health care, pension, and retiree medical expenses reduced operating expense by $1.4 million and $1.8 million for the three and six months ended June 30, 2013. Higher capitalized administrative and general expenses of $1.0 million for both the three and six months ended June 30, 2013 and a lower allocation of corporate expenses of $0.9 million and $1.2 million for the same periods due to business restructuring in 2012 further reduced operating expenses. Bad debt expense decreased by $0.7 million for the six months ended June 30, 2013 due to improved collection experience. These decreases were partially offset by higher incentive compensation expense of $1.2 million and higher property, regulatory and payroll taxes of $1.0 million.

For the three and six months ended June 30, 2013, depreciation expense increased by $2.1 million and $4.3 million compared to 2012, primarily due to amortization of previously deferred costs related to the 22 MW of PNM-owned solar PV facilities, which are being recovered through a rate rider beginning in August 2012, as well as higher depreciation due to an increase in utility plant in service.

Other income (deductions) increased $3.8 million for the three months June 30, 2013 and decreased $0.5 million for the six months ended June 30, 2013 compared to 2012. Higher income from investments held by the NDT increased other income by $4.3 million and $1.6 million in the three and six months ended June 30, 2013 compared to 2012. Lower interest income on PVNGS lessor notes of $0.6 million and $1.1 million reduced other income due to lower outstanding balances. Higher equity AFUDC of $0.3 million for the three months ended June 30, 2013 offset lower equity AFUDC in the first quarter of 2013 resulting in lower other income of $0.4 million for the six months ended June 30, 2013.

For the three and six months ended June 30, 2013, interest expense increased $1.0 million and $2.4 million compared to 2012, primarily due to the deferral of interest costs associated with the 22 MW of PNM-owned solar PV facilities during 2012, which are now being recovered through a rate rider.

TNMP

The following table summarizes the operating results for TNMP:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
	(In millions)					
Electric operating revenues	$ 67.9	$ 63.8	$ 4.1	$ 127.7	$ 118.7	$ 9.0
Cost of energy	13.8	11.5	2.3	26.9	22.8	4.1
Margin	54.1	52.3	1.8	100.8	96.0	4.9
Operating expenses	22.2	21.3	0.8	44.1	41.9	2.2
Depreciation and amortization	12.3	12.1	0.2	24.0	23.4	0.6
Operating income	19.7	18.9	0.8	32.7	30.7	2.0
Other income (deductions)	0.5	0.8	(0.3)	0.7	0.9	(0.2)
Net interest charges	(6.8)	(7.1)	0.3	(14.0)	(14.2)	0.2
Segment earnings before income taxes	13.4	12.6	0.8	19.4	17.4	2.0
Income (taxes)	(5.1)	(4.6)	(0.5)	(7.3)	(6.4)	(1.0)
Segment earnings	$ 8.3	$ 8.0	$ 0.3	$ 12.1	$ 11.0	$ 1.1

The following table summarizes the significant changes to total electric operating revenues, cost of energy, and margin:

	2012/2013 Change					
	Three Months Ended June 30,			Six Months Ended June 30,		
	Electric Operating Revenues	Cost of Energy	Margin	Electric Operating Revenues	Cost of Energy	Margin
	(In millions)					
Rate increases	$ 1.3	$ —	$ 1.3	$ 2.0	$ —	$ 2.0
Customer usage/load	—	—	—	0.7	—	0.7
Customer growth	0.4	—	0.4	0.8	—	0.8
Demand based customers	1.4	—	1.4	1.6	—	1.6
Weather	(1.5)	—	(1.5)	(1.3)	—	(1.3)
Transmission cost recovery	2.3	2.3	—	4.5	4.1	0.4
AMS surcharge	1.1	—	1.1	2.1	—	2.1
CTC surcharge	(1.1)	—	(1.1)	(1.8)	—	(1.8)
Other	0.2	—	0.2	0.4	—	0.4
Net change	$ 4.1	$ 2.3	$ 1.8	$ 9.0	$ 4.1	$ 4.9

The following table shows total electric operating revenues by retail tariff consumer class, including intersegment revenues, and average number of consumers:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
	(In millions, except consumers)					
Residential	$ 24.8	$ 25.8	$ (1.0)	$ 47.7	$ 46.6	$ 1.1
Commercial	24.9	22.3	2.6	45.8	42.4	3.4
Industrial	3.4	3.5	(0.1)	6.4	6.9	(0.5)
Other	14.8	12.2	2.6	27.8	22.8	5.0
	$ 67.9	$ 63.8	$ 4.1	$ 127.7	$ 118.7	$ 9.0
Average consumers (thousands) [1]	234.7	232.9	1.8	234.4	232.4	2.0

[1] TNMP provides transmission and distribution services to REPs that provide electric service to consumers in TNMP's service territories. The number of consumers above represents the customers of these REPs. Under TECA, consumers in Texas have the ability to choose any REP to provide energy.

The following table shows GWh sales by retail tariff consumer class:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
	(Gigawatt hours)					
Residential	651.2	726.3	(75.1)	1,212.6	1,243.0	(30.4)
Commercial	661.2	616.2	45.0	1,139.5	1,104.2	35.3
Industrial	681.7	703.6	(21.9)	1,234.2	1,330.2	(96.0)
Other	28.3	27.7	0.6	49.7	51.6	(1.9)
	2,022.4	2,073.8	(51.4)	3,636.0	3,729.0	(93.0)

For the three and six months ended June 30, 2013, revenues and margin increased by $1.3 million and $2.0 million compared to 2012 due to transmission rate increases in September 2012 and March 2013. See Note 10. TNMP experienced positive year to date average customer growth of 0.9%. Weather negatively impacted revenues and margin during the second quarter of 2013, but was a slightly positive driver for the first three months of 2013. Cooling degree days were 18.7% lower for the three months ended June 30, 2013 compared to the same period a year ago. For the three months ended June 30, 2013, TNMP's weather normalized and leap-year adjusted retail KWh sales were basically flat compared to 2012. For the six months ended June 30, 2013, retail KWh sales were up 0.9% compared to June 30, 2012.

Demand based revenues and margin for the three and six months ended June 30, 2013 increased by $1.4 million and $1.6 million compared to 2012. This primarily results from TNMP, under a PUCT approved tariff, lowering the power factor billing threshold from 700 KW to 300 KW.

For the three and six months ended June 30, 2013, the AMS surcharge improved revenues and margin by $1.1 million and $2.1 million, which offset increases in operating expenses and depreciation. A decrease in the CTC surcharge rate decreased revenues and margin by $1.1 million and $1.8 million for the three and six months ended June 30, 2013 compared to 2012, which offset decreases in depreciation and amortization expense.

Customer related expense and administrative and general expense associated with the installation of additional meters under the AMS deployment increased operating expense $0.5 million and $1.1 million for the three and six months ended June 30, 2013 compared to 2012. Higher vegetation management expense of $0.1 million and $0.4 million and higher energy efficiency program expense of $0.4 million and $0.8 million also increased operating expense for the three and six months ended June 30, 2013 compared to 2012.

Depreciation expense associated with the AMS deployment, which is recovered through the AMS surcharge, increased $0.4 million and $0.8 million for the three and six months ended June 30, 2013 compared to 2012. In addition, an increase in utility plant in service increased depreciation by $0.4 million and $0.7 million for the three and six months ended June 30, 2013 compared

to 2012. These increases are partially offset by lower amortization of the CTC regulatory asset of $0.7 million and $1.1 million for the three and six months ended June 30, 2013 compared to 2012.

In April 2013, TNMP exchanged $93.2 million of its 9.5% First Mortgage Bonds for an equal amount of a new series of 6.95% First Mortgage Bonds. This resulted in a decrease in interest expense of $0.5 million during the three months ended June 30, 2013, which more than offset other increases in interest expense. See Note 7.

Corporate and Other

The table below summarizes the operating results for Corporate and Other:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
			(In millions)			
Total revenues	$ —	$ —	$ —	$ —	$ —	$ —
Cost of energy	—	—	—	—	—	—
Margin	—	—	—	—	—	—
Operating expenses	(3.2)	(4.6)	1.4	(6.9)	(7.9)	1.0
Depreciation and amortization	3.3	5.0	(1.7)	6.6	8.5	(1.9)
Operating income (loss)	(0.1)	(0.5)	0.4	0.3	(0.6)	0.9
Other income (deductions)	(2.2)	(1.5)	(0.7)	(4.0)	(4.1)	0.1
Net interest charges	(4.0)	(4.2)	0.2	(8.1)	(8.2)	0.1
Segment earnings (loss) before income taxes	(6.3)	(6.1)	(0.2)	(11.8)	(12.9)	1.1
Income (taxes) benefit	(0.3)	2.9	(3.2)	0.6	6.0	(5.4)
Segment earnings (loss)	$ (6.7)	$ (3.3)	$ (3.4)	$ (11.2)	$ (6.9)	(4.3)

Operating expenses for Corporate and Other are net of amounts allocated to PNM and TNMP under shared service agreements. Changes in depreciation and amortization are offset in operating expenses as a result of allocation of these costs to other business segments.

For the three and six months ended June 30, 2013, operating expenses increased and depreciation and amortization decreased compared to 2012, primarily due to an expense of $1.6 million recorded in the second quarter of 2012 related to accelerated amortization of leasehold improvements for part of the Company's headquarters building that was abandoned and fully amortized during 2012. PNM and TNMP deferred their allocations of the accelerated amortization of leasehold improvements as regulatory assets to be recovered through rates. These increases were offset by decreases in legal and consulting expenses incurred in 2012 related to the Company's union negotiations and the restructuring of outsourcing arrangements for information technology, which did not recur in 2013.

The change in other income and deductions during the three months ended June 30, 2013 is primarily due to premiums of $1.2 million paid in 2013 for the repurchase of $8.3 million of PNMR 9.25% senior unsecured notes. These premiums are partially offset by lower performance on other investments during 2012 compared to 2013.

During the three months and six months ended June 30, 2013, income (taxes) benefit includes the impairment of New Mexico wind energy production tax credits of $2.4 million and $3.9 million, after federal income tax benefit. No such impairments occurred in 2012. In addition, the three months ended June 30, 2013 includes an expense of $1.2 million due to reductions in Corporate and Other's deferred tax assets resulting from newly-enacted legislation reducing future New Mexico corporate income tax rates. See Note 13.

LIQUIDITY AND CAPITAL RESOURCES

Statements of Cash Flows

The changes in PNMR's cash flows for the six months ended June 30, 2013 compared to June 30, 2012 are summarized as follows:

	Six Months Ended June 30,		
	2013	2012	Change
	(In millions)		
Net cash flows from:			
Operating activities	$ 159.9	$ 41.3	$ 118.6
Investing activities	(143.1)	(142.0)	(1.1)
Financing activities	9.0	88.8	(79.8)
Net change in cash and cash equivalents	$ 25.8	$ (11.9)	$ 37.7

The changes in PNMR's cash flows from operating activities relate primarily to net income tax refunds of $95.5 million in 2013 compared to net income taxes paid of $5.3 million in 2012 as well as contributions to the PNM and TNMP pension and other postretirement benefit plans of $63.8 million in 2013 compared to $85.6 million in 2012. In addition, PNM received governmental grants of $21.6 million in 2012 that did not recur in 2013 and made refunds of $15.2 million to its transmission customers related to the settlement of PNM's transmission rate case in 2013, which were offset by other changes in assets and liabilities resulting from normal operations.

PNMR's cash flows from investing activities are primarily driven by additions to utility plant, which decreased by $3.3 million in the six months ended June 30, 2013 compared to 2012. Utility plant additions at PNM were $12.7 million lower in the six months ended June 30, 2013 than 2012, including $8.6 million lower nuclear fuel purchases, due to the acceleration of fuel deliveries in 2012 related to the financial difficulties of a supplier, and a reduction of $4.4 million in renewable energy additions. TNMP utility plant additions increased $7.8 million in the six months ended June 30, 2013 compared to 2012, primarily due to increases in AMS additions of $0.9 million and other transmission and distribution additions of $7.7 million. Corporate plant additions increased $1.5 in the six months ended June 30, 2013 compared to 2012, primarily related to payments in 2013 for renovations of the corporate headquarters building completed in late 2012. Cash flows from investing activities also reflect activity in the NDT, the overall effect of which were relatively constant between 2013 and 2012, and return of principal on the PVNGS lessor notes, which decreased $1.7 million in 2013 compared to 2012.

The changes in cash flows from financing activities primarily relate to a $123.0 million reduction in net short-term borrowings in the six months ended June 30, 2013 compared to 2012, partially offset by long-term borrowings of $75.0 million by PNM in 2013. Cash flows from financing activities also include $13.0 million paid in connection with TNMP's debt exchange and $9.4 million paid by PNMR to repurchase $8.3 million of its outstanding 9.25% senior unsecured notes. The decrease in short-term borrowings in 2013 reflects the utilization of the tax refunds received in 2013.

Financing Activities

See Note 6 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K, for additional information concerning the Company's financing activities.

In December 2012, PNMR entered into the PNMR Term Loan Agreement, which must be repaid on or before December 27, 2013, borrowed $100.0 million under that agreement, and used the funds to repay $100.0 million in borrowings made under the PNMR Revolving Credit Facility. On April 22, 2013, PNM entered into the PNM Term Loan Agreement, which must be repaid on or before October 21, 2014, borrowed $75.0 million under that agreement, and used the funds to repay $75.0 million in borrowings made under the PNM Revolving Credit Facility. At June 30, 2013, average interest rates were 1.33% for the PNMR Term Loan Agreement and 1.45% for the PNM Term Loan Agreement.

Each of the term loans, as well as the PNMR Revolving Credit Facility, the PNM Revolving Credit Facility, and the TNMP Revolving Credit Facility, contain one financial covenant, which requires the maintenance of debt-to-capital ratios of less than or equal to 65%. These ratios for PNMR and PNM reflect the present value of payments under the PVNGS and EIP leases as debt.

On March 6, 2013, TNMP commenced an offer to exchange any and all of TNMP's $265.5 million aggregate principal amount outstanding 9.50% First Mortgage Bonds, due 2019, Series 2009A, for a new series of 6.95% First Mortgage Bonds due 2043, Series 2013A, and up to $140 in cash for each $1,000 of bonds exchanged. Settlement of the exchange offer occurred on April 3, 2013. Upon settlement, TNMP issued $93.2 million of 6.95% First Mortgage Bonds and paid an aggregate of $13.0 million in cash in exchange for $93.2 million of 9.50% First Mortgage Bonds, in addition to payment of accrued and unpaid interest on the exchanged bonds.

In April 2013, PNMR purchased $8.3 million aggregate principal amount of its outstanding 9.25% Senior Unsecured Notes, Series A, due 2015, for $9.4 million plus accrued and unpaid interest.

Capital Requirements

Total capital requirements consist of construction expenditures and cash dividend requirements for PNMR common stock and PNM preferred stock. Key activities in PNMR's current construction program include:

- Upgrading generation resources and additional renewable energy projects
- Expanding the electric transmission and distribution systems
- Purchasing nuclear fuel

Projected capital requirements, including amounts expended through June 30, 2013, are:

	2013	2014-2017	Total
		(In millions)	
Construction expenditures	$ 389.8	$ 1,400.4	$ 1,790.2
Dividends on PNMR common stock	51.0	210.3	261.3
Dividends on PNM preferred stock	0.5	2.1	2.6
Total capital requirements	$ 441.3	$ 1,612.8	$ 2,054.1

The construction expenditure estimates are under continuing review and subject to ongoing adjustment, as well as to Board review and approval. The construction expenditures above include additional renewable resources anticipated to be required to meet the RPS, additional peaking resources needed to meet needs outlined in PNM's current IRP, and environmental upgrades at Four Corners of $71.9 million estimated to be expended through 2017. The construction expenditures above do not include any amounts related to environmental upgrades at SJGS that ultimately may be required by EPA to address regional haze or expenditures that could be required to replace capacity should environmental control at SJGS involve shutdown of one or more SJGS units. See Note 9 and Commitments and Contractual Obligations below. The ability of PNMR to pay dividends on its common stock is dependent upon the ability of PNM and TNMP to be able to pay dividends to PNMR. Note 5 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K describes regulatory and contractual restrictions on the payment of dividends by PNM and TNMP.

During the six months ended June 30, 2013, PNMR met its capital requirements and construction expenditures through cash generated from operations, as well as its liquidity arrangements.

In addition to the capital requirements for construction expenditures and dividends, the Company has long-term debt that must be paid or refinanced at maturity. Note 6 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K contains information about the maturities of long-term debt. The Company has from time to time refinanced or repurchased portions of its outstanding debt before scheduled maturity. Depending on market conditions, the Company may refinance other debt issuances or make additional debt repurchases or enter into other liquidity arrangements in the future.

Liquidity

PNMR's liquidity arrangements include the PNMR Revolving Credit Facility and the PNM Revolving Credit Facility that both expire in October 2017 and the TNMP Revolving Credit Facility that expires in December 2015. The PNMR Revolving Credit Facility has a financing capacity of $300.0 million, the PNM Revolving Credit Facility has a financing capacity of $400.0 million, and the TNMP Revolving Credit Facility has a financing capacity of $75.0 million. The Company believes the terms and conditions of its facilities are consistent with those of other investment grade revolving credit facilities in the utility industry.

The revolving credit facilities provide short-term borrowing capacity and also allow letters of credit to be issued. Letters of credit reduce the available capacity under the facilities. The Company utilizes these credit facilities and cash flows from operations to provide funds for both construction and operational expenditures. The Company's business is seasonal with more revenues and cash flows from operations being generated in the summer months. In general, the Company relies on the credit facilities to be the initial funding source for construction expenditures. Accordingly, borrowings under the facilities may increase over time. Depending on market and other conditions, the Company will periodically sell long-term debt and use the proceeds to reduce the borrowings under the credit facilities. Borrowings under the PNMR Revolving Credit Facility ranged from $27.1 million to $84.0 million during the three months ended June 30, 2013 and from $21.5 million to $84.0 million during the six months ended June 30, 2013. Borrowings under the PNM Revolving Credit Facility ranged from zero to $105.5 million during the three months ended June 30, 2013 and from zero to $130.8 million during the six months ended June 30, 2013. Borrowings under the TNMP Revolving Credit Facility ranged from $25.0 million to $40.0 million during the three months ended June 30, 2013 and from zero to $40.0 million during the six months ended June 30, 2013. At June 30, 2013, average interest rates were 1.70% for the PNMR Revolving Credit Facility and 1.82% for the TNMP Revolving Credit Facility.

The Company currently believes that its capital requirements can be met through internal cash generation, existing or new credit arrangements, and access to public and private capital markets. To cover the difference in the amounts and timing of internal cash generation and cash requirements, the Company intends to use short-term borrowings under its current and future liquidity arrangements. However, if difficult market conditions experienced during 2008 and 2009 return or worsen, the Company may not be able to access the capital markets or renew credit facilities when they expire. Should that occur, the Company would seek to improve cash flows by reducing capital expenditures and exploring other available alternatives. Also, PNM may consider seeking authorization for the issuance of first mortgage bonds to improve access to the capital markets.

In addition to its internal cash generation, the Company anticipates that it will be necessary to obtain additional long-term financing to fund its capital requirements through 2017. This could include debt refinancing, new debt issuances, and/or new equity.

The Company's ability to access the credit and capital markets at a reasonable cost is largely dependent upon its:

- Ability to earn a fair return on its investments
- Results of operations
- Ability to obtain required regulatory approvals
- Conditions in the financial markets
- Credit ratings

The credit ratings for PNMR, PNM, and TNMP were set forth under the heading Liquidity in the MD&A contained in the 2012 Annual Reports on Form 10-K. On April 5, 2013, S&P raised the corporate credit ratings and the senior debt ratings for PNMR, PNM, and TNMP, as well as the preferred stock rating for PNM. S&P retained the outlook as stable for all entities. On June 21, 2013, Moody's changed the ratings outlook for PNMR, PNM, and TNMP to positive from stable. As of July 26, 2013, ratings on the Company's securities were as follows:

	PNMR	PNM	TNMP
S&P			
Senior secured debt	*	*	A-
Senior unsecured debt	BBB-	BBB	*
Preferred stock	*	BB+	*
Moody's			
Senior secured debt	*	*	A3
Senior unsecured debt	Ba1	Baa3	*
Preferred stock	*	Ba2	*

* Not applicable

Investors are cautioned that a security rating is not a recommendation to buy, sell, or hold securities, that it is subject to revision or withdrawal at any time by the assigning rating organization, and that each rating should be evaluated independently of any other rating.

A summary of liquidity arrangements, which do not include the PNMR Term Loan Agreement or the PNM Term Loan Agreement, as of July 26, 2013 is as follows:

	PNMR Separate	PNM Separate	TNMP Separate	PNMR Consolidated
		(In millions)		
Financing capacity - revolving credit facility	$ 300.0	$ 400.0	$ 75.0	$ 775.0
Amounts outstanding as of July 26, 2013:				
Revolving credit facility	30.0	—	22.0	52.0
Letters of credit	8.6	3.2	0.3	12.1
Total short–term debt and letters of credit	38.6	3.2	22.3	64.1
Remaining availability as of July 26, 2013	$ 261.4	$ 396.8	$ 52.7	$ 710.9
Invested cash as of July 26, 2013	$ 3.1	$ 6.7	$ —	$ 9.8

The above table excludes intercompany debt. The remaining availability under the revolving credit facilities at any point in time varies based on a number of factors, including the timing of collections of accounts receivables and payments for construction and operating expenditures.

For offerings of securities registered with the SEC, PNMR has a shelf registration statement expiring in March 2014. This shelf registration statement has unlimited availability and can be amended to include additional securities, subject to certain restrictions and limitations. PNMR can also offer new shares of common stock through the PNM Resources Direct Plan under a separate SEC shelf registration statement that expires in August 2015. PNM has a shelf registration statement for up to $440.0 million of senior unsecured notes that will expire in May 2014.

Off-Balance Sheet Arrangements

PNMR's off-balance sheet arrangements include PNM's operating lease obligations for PVNGS Units 1 and 2, the EIP transmission line, and Delta. These arrangements help ensure PNM the availability of lower-cost generation needed to serve customers. See MD&A - Off-Balance Sheet Arrangements and Notes 7, 9, and 16 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K. See Note 3 for additional information concerning the PVNGS Leases and Delta. See Note 9 for additional information concerning the EIP transmission line.

Commitments and Contractual Obligations

PNMR, PNM, and TNMP have contractual obligations for long-term debt, operating leases, construction expenditures, purchase obligations, and certain other long-term obligations. See MD&A - Commitments and Contractual Obligations in the 2012 Annual Reports on Form 10-K.

Contingent Provisions of Certain Obligations

As discussed in the 2012 Annual Reports on Form 10-K, PNMR, PNM, and TNMP have a number of debt obligations and other contractual commitments that contain contingent provisions. Some of these, if triggered, could affect the liquidity of the Company. In the unlikely event that the contingent requirements were to be triggered, PNMR, PNM, or TNMP could be required to provide security, immediately pay outstanding obligations, or be prevented from drawing on unused capacity under certain credit agreements. The contingent provisions also include contractual increases in the interest rate charged on certain of the Company's short-term debt obligations in the event of a downgrade in credit ratings. The Company believes its financing arrangements are sufficient to meet the requirements of the contingent provisions. No conditions have occurred that would result in any of the above contingent provisions being implemented.

Capital Structure

The capitalization tables below include the current maturities of long-term debt, but do not include short-term debt and do not include operating lease obligations as debt.

	June 30, 2013	December 31, 2012
PNMR		
PNMR common equity	47.9%	48.9%
Preferred stock of subsidiary	0.3%	0.3%
Long-term debt	51.8%	50.8%
Total capitalization	100.0%	100.0%
PNM		
PNM common equity	49.9%	50.5%
Preferred stock	0.4%	0.5%
Long-term debt	49.7%	49.0%
Total capitalization	100.0%	100.0%
TNMP		
Common equity	58.4%	59.8%
Long-term debt	41.6%	40.2%
Total capitalization	100.0%	100.0%

OTHER ISSUES FACING THE COMPANY

Climate Change Issues

Background

In 2012, GHG associated with PNM's interests in generating plants were approximately 6.7 million metric tons of CO_2, which comprises the vast majority of PNM's GHG. By comparison, the total GHG in the United States in 2011, the latest year for which EPA has published this data, were approximately 6.7 billion metric tons, of which approximately 5.6 billion metric tons were CO_2.

PNM has several programs underway to reduce or offset its GHG from its resource portfolio, thereby reducing its exposure to climate change regulation. See Note 10. In 2011, PNM completed construction of 22 MW of utility-scale solar generation located at five sites on PNM's system throughout New Mexico. In 2013, PNM is expanding its renewable energy portfolio by constructing 21.5 MW of utility-scale solar generation that will be on-line by the end of the year. On July 1, 2013, PNM filed its 2014 renewable energy procurement plan with the NMPRC that requests approval for construction of an additional 23 MW of utility-scale solar generation. If the plan is approved, the proposed generation will be on line by the end of 2014. Since 2003 PNM has purchased the entire output of the 204 MW New Mexico Wind Energy Center and also included in the 2014 plan is a request for approval of the purchase of the full output of the 102 MW Red Mesa Wind Center beginning in January 2015. PNM has signed a 20-year PPA for the output of a 10 MW geothermal facility to be in service in 2014. Additionally, PNM has a customer distributed solar generation program that represented almost 20 MW at the end of 2012. PNM offers its customers a comprehensive portfolio of energy efficiency and load management programs, with a 2012 budget of over $17 million, that PNM estimates saved approximately 79 GWh of electricity in 2012. Over the next 18 years, PNM projects the expanded energy efficiency and load management programs will provide the equivalent of approximately 12,185 GWh of electricity, which will avoid at least 6.1 million metric tons of CO_2 based upon projected emissions from PNM's system-wide resources. These estimates are subject to change based upon the difficulty in accurately estimating avoidance because of the high uncertainty of many of the underlying variables and complex interrelationships between those variables, including changes in demand for electricity.

Management periodically updates the Board on implementation of the corporate environmental policy and the Company's environmental management systems, promotion of energy efficiency, and use of renewable resources. The Board is also advised of the Company's practices and procedures to assess the sustainability impacts of operations on the environment. The Board

considers associated issues around climate change, the Company's GHG exposures, and potential financial consequences that might result from potential federal and/or state regulation of GHG.

As of December 31, 2012, approximately 81.8% of PNM's owned and leased generating capacity, all of which is located within the United States, consisted of coal or gas-fired generation that produces GHG. Based on current forecasts, the Company does not expect its output of GHG from existing sources to increase significantly in the near-term. Many factors affect the amount of GHG emitted. For example, if new natural gas-fired generation resources are added to meet increased load as anticipated in PNM's current IRP, GHG would be incrementally increased. In addition, plant performance could impact the amount of GHG emitted. If PVNGS experienced prolonged outages, PNM might be required to utilize other power supply resources such as gas-fired generation, which could increase GHG. As described in Note 9, on February 15, 2013, PNM, NMED, and EPA agreed to pursue a strategy to address the regional haze requirements of the CAA at the coal-fired SJGS, which would include the shutdown of SJGS Units 2 and 3. The shutdown of Units 2 and 3 will result in a reduction of GHG of approximately 50 percent at SJGS. That agreement also contemplates that gas-fired generation would be built to partially replace the retired capacity. Although replacement power strategies have not been finalized, the reduction in GHG from the retirement of the coal-fired generation would be far greater than the increase in GHG from replacement with gas-fired generation.

Because of PNM's dependence on fossil-fueled generation, any legislation or regulation that imposes a limit or cost on GHG could impact the cost at which electricity is produced. While PNM expects to recover that cost through rates, the timing and outcome of proceedings for cost recovery are uncertain. In addition, to the extent that any additional costs are recovered through rates, customers may reduce their demand, relocate facilities to other areas with lower energy costs, or take other actions that ultimately will adversely impact PNM.

Given the geographic location of its facilities and customers, PNM generally has not been exposed to the extreme weather events and other physical impacts commonly attributed to climate change, with the exception of periodic drought conditions. Climate changes are generally not expected to have material consequences in the near-term. Drought conditions in northwestern New Mexico could impact the availability of water for cooling coal-fired generating plants. Water shortage sharing agreements have been in place since 2004, although no shortage has been declared due to sufficient precipitation in the San Juan River basin. PNM also has a supplemental water contract in place with the Jicarilla Tribe to help address any water shortages from primary sources. The contract expires on December 31, 2016. TNMP has operations in the Gulf Coast area of Texas, which experiences periodic hurricanes and drought conditions. In addition to potentially causing physical damage to TNMP-owned facilities, which disrupt the ability to transmit and/or distribute energy, hurricanes can temporarily reduce customers' usage and demand for energy.

EPA Regulation

In April 2007, the United States Supreme Court held that EPA has the authority to regulate GHG under the CAA. This decision heightened the importance of this issue for the energy industry. In December 2009, EPA released its endangerment finding stating that the atmospheric concentrations of six key greenhouse gases (CO_2, methane, nitrous oxides, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride) endanger the public health and welfare of current and future generations. In May 2010, EPA released the final PSD and Title V Greenhouse Gas Tailoring Rule (the "Tailoring Rule") to address GHG from stationary sources under the CAA permitting programs. The purpose of the rule is to "tailor" the applicability of two programs, PSD and Title V operating permit programs, to avoid impacting millions of small GHG emitters. The rule focuses on the largest sources of GHG, including fossil-fueled electric generating units. This program currently covers new construction projects that emit GHG of at least 100,000 tons per year (even if PSD is not triggered for other pollutants). In addition, modifications at existing facilities that increase GHG by at least 75,000 tons per year will be subject to PSD permitting requirements, even if they do not significantly increase emissions of any other pollutant. All of PNM's fossil-fueled generating plants are potentially subject to the Tailoring Rule because of the magnitude of non-GHG, but the existing plants do not have any currently planned projects that would trigger PSD permitting for GHG. Any newly constructed fossil-fired power plant would likely be subject to the Tailoring Rule.

On June 26, 2012, the D.C. Circuit rejected challenges to EPA's 2009 GHG endangerment finding, GHG standards for light-duty vehicles, PSD Interpretive Memorandum (EPA's so-called GHG "Timing Rule"), and Tailoring Rule. The Court found that EPA's endangerment finding and its light-duty vehicle rule "are neither arbitrary nor capricious," that "EPA's interpretation of the governing CAA provisions is unambiguously correct," and that "no petitioner has standing to challenge the Timing and Tailoring Rules."

On March 27, 2012, EPA issued its proposed carbon pollution standards for GHG from new fossil-fueled electric generating units ("EGUs"). The proposed NSPS sets a limit of 1,000 lb CO_2/MWh and would cover newly constructed fossil-fueled EGUs that are larger than 25 MW. The proposed limit is based on the performance of natural gas combined cycle technology. Therefore,

coal-fired power plants would only be able to comply with the standard by using carbon capture and sequestration technology. The proposed rule includes an exemption for simple cycle EGUs. However, during the comment period, EPA solicited comments on whether to drop the exemption and instead exempt fossil-fueled EGUs that limits electric generation to one-third of its annual generating capacity. Dropping the simple cycle exemption could impact the construction of peaking units. The proposed rule, as written, does not include limits that apply to existing power plants, or proposed plants that already have a complete preconstruction permit and commence construction within 12 months of the issuance of the proposed rule. Under proposed regulation, existing sources that are modified or reconstructed would not be subject to the new rule because, as noted in the EGUs GHG NSPS preamble, "EPA does not have a sufficient base of information to develop a proposal" for modified sources. However, section 111(b) of the CAA, which establishes the requirement for NSPS, defines "new source" as any stationary source that is constructed or modified (including reconstructed sources) so until the rule is finalized, there is uncertainty regarding whether modified sources will be included. The proposal would be the first NSPS issued for CO_2, and, it has potential far-reaching implications for the utility industry. When finalized, the standard could serve as the floor for BACT analysis for PSD permitting for new GHG sources under the Tailoring Rule. The proposed rule was published in the Federal Register on April 13, 2012. EPA accepted comment on the proposed rule through June 25, 2012 during which EPA received over two million comments on the proposed rule.

On June 25, 2013, President Obama announced the President's Climate Action Plan which outlines how his administration plans to cut GHG in the U.S., prepare the country for the impacts of climate change, and lead international efforts to combat and prepare for global warming. The plan proposes actions that would lead to the reduction of GHG by 17% below 2005 levels by 2020. The President also issued a Presidential Memorandum to EPA to continue development of the GHG NSPS regulations for electric generators. The Presidential Memorandum establishes a timeline for the reproposal and issuance of an EGU NSPS for new sources and a timeline for the proposal and final rule for developing carbon pollution standards, regulations or guidelines for GHG reductions from existing sources. Thus, EPA is directed to repropose its NSPS for new sources by September 20, 2013 and issue a final rule in "a timely fashion thereafter." EPA is also directed to issue the proposed GHG NSPS for modified and existing EGUs by June 1, 2014 and issue the final rule by June 1, 2015. Each state then must submit a SIP that addresses how the state will comply with the new regulation no later than June 30, 2016.

The Presidential Memorandum further directs EPA to allow the use of "market-based instruments" and "other regulatory flexibilities" to ensure standards will allow for continued reliance on a range of energy sources and technologies and that they are developed and implemented in a manner that provides for reliable and affordable energy and to undertake the rulemaking through direct engagement with States, "as they will play a central role in establishing and implementing standards for existing power plants," and with utility leaders, labor leaders, NGOs, tribal officials and other stakeholders.

In setting existing source standards, EPA has historically used technology-based performance standards on emission rates. The only end-of-pipe emission control technology for coal and gas fired power plants available for GHG reduction is carbon capture and sequestration, which is not yet a commercially demonstrated technology. There are limited efficiency enhancement measures that may be available to a subset of the existing EGUs; however, such measures would provide only marginal GHG improvements.

EPA regulation of GHG from large stationary sources will impact PNM's fossil-fueled EGUs. Impacts could involve investments in efficiency improvements and/or control technologies at the fossil-fueled EGUs. Although, currently there are no commercially viable end-of-pipe GHG control technologies for existing EGUs, such technologies may become viable in the future. It is also possible that the costs of such improvements or technologies could impact the economic viability of some plants.

The ultimate impact of EPA's regulation of GHG to PNM is unknown because the regulatory requirements, including BACT implications and NSPS requirements, are still developing. PNM estimates that implementation of an alternative SIP for BART at SJGS, which requires the installation of SNCRs on Units 1 and 4 by January 2016 or 15 months after EPA approval of a revised SIP and the retirement of SJGS Units 2 and 3 by the end of 2017, will allow PNM on a system-wide basis to meet or exceed the President's GHG reduction goal of 17% below 2005 levels by 2020 if the goal is applied on a utility-by-utility basis. The reduction in CO_2 emissions that will result from implementation of the BART state alternative may allow PNM to meet future GHG regulations; however, until such regulations are finalized, PNM is uncertain of the requirements for compliance.

Federal Legislation

Prospects for enactment of legislation imposing a new or enhanced regulatory program to address climate change in Congress are unlikely in 2013, although there is growing interest among some policymakers in addressing climate change and there may be legislation in the future. Instead, EPA is the primary venue for GHG regulation in the near future, especially for coal-fired units. PNM has assessed, and continues to assess, the impacts of potential climate change legislation or regulation on its business.

This assessment is preliminary, and future changes arising out of the legislative or regulatory process could impact the assessment significantly. PNM's assessment includes assumptions regarding the specific GHG limits, the timing of implementation of these limits, the possibility of a cap and trade program including the associated costs and the availability of offsets, the development of technologies for renewable energy and to reduce emissions, and provisions for cost containment. Moreover, the assessment assumes various market reactions such as the price of coal and gas and regional plant economics. These assumptions, at best, are preliminary and speculative. However, based upon these assumptions, the enactment of climate change legislation could, among other things, result in significant compliance costs, including large capital expenditures by PNM, and could jeopardize the economic viability of certain generating facilities. See Note 9. In turn, these consequences could lead to increased costs to customers and affect results of operations, cash flows, and financial condition if the incurred costs are not fully recovered through regulated rates. Higher rates could also contribute to reduced demand for electricity. PNM's assessment process is ongoing, but too preliminary and speculative at this time for the meaningful prediction of financial impact.

State and Regional Activity

Pursuant to New Mexico law, each utility must submit an IRP to the NMPRC every three years to evaluate renewable energy, energy efficiency, load management, distributed generation, and conventional supply-side resources on a consistent and comparable basis. The IRP is required to take into consideration risk and uncertainty of fuel supply, price volatility, and costs of anticipated environmental regulations when evaluating resource options to meet supply needs of the utility's customers. The NMPRC issued an order in June 2007, requiring that New Mexico utilities factor a standardized cost of carbon emissions into their IRPs using prices ranging between $8 and $40 per metric ton of CO_2 emitted and escalating these costs by 2.5% per year. Under the NMPRC order, each utility must analyze these standardized prices as projected operating costs. Reflecting the developing nature of this issue, the NMPRC order states that these prices may be changed in the future to account for additional information or changed circumstances. However, PNM is required to use these prices for purposes of its IRP, and the prices may not reflect the costs that it ultimately will incur. PNM's IRP filed with the NMPRC on July 18, 2011 (Note 10) showed that while consideration of the NMPRC required carbon emissions costs did not significantly change the resource decisions regarding future facilities over the next 20 years, it did slightly impact the projected in-service dates of some of the identified resources. Much higher GHG costs than assumed in the NMPRC analysis are necessary to impact future resource decisions. The primary consequence of the standardized cost of carbon emissions was an increase to generation portfolio costs.

In recent years, New Mexico also adopted regulations, which have since been repealed, to directly limit GHG from larger sources, including EGUs. In November 2010, the EIB adopted a regional GHG cap and trade program proposed by the NMED. The NMED GHG regulation would have capped GHG based on a 2011 baseline. In a separate rulemaking proceeding filed in December 2008, New Energy Economy ("NEE") petitioned the EIB for the adoption of a regulation that would cap GHG from larger sources such as electric generation units. The EIB adopted the NEE GHG regulation, in a modified form, in December 2010, as a "backstop" to the NMED GHG cap and trade regulation. Under the NEE GHG regulation, covered sources would have been required to reduce GHG by 3% per year, subject to a specified cost cap.

PNM and other public utilities and industry groups challenged both the NMED GHG cap and trade program and the NEE GHG regulations in the New Mexico Court of Appeals. During the pendency of these appeals, the EIB agreed to consider petitions for the repeal of these regulations. The EIB voted unanimously to repeal both the GHG cap and trade regulation and the NEE GHG regulations in early 2012. The repeal of the regulations was challenged by two environmental advocacy organizations. The Court of Appeals has dismissed the challenges to the repeal of the NMED GHG cap and trade and NEE GHG regulations, thereby resolving the judicial challenges to these regulations. PNM cannot rule out future state legislative or regulatory initiatives to regulate GHG.

On August 2, 2012, thirty-three New Mexico organizations representing public health, business, environmental, consumers, Native American and other interested parties filed a petition for rulemaking with the NMPRC. The petition asks the NMPRC to issue a NOPR regarding the implementation of an Optional Clean Energy Standard for electric utilities located in New Mexico. The proposed standard would have utilities that elect to participate reduce their CO_2 emissions by 3% per year. Utilities that opt into the program would be assured recovery of their reasonable compliance costs. On October 4, 2012, the NMPRC held a workshop to discuss the proposed standard and whether it has authority to proceed with the NOPR. There has been no further action on this matter at the NMPRC.

International Accords

The Company monitors international treaties and accords such as the Kyoto Protocol and the EU Emissions Trading System to determine potential impacts to their business activities. The Company does not anticipate any direct impact near-term from international accords.

Transmission Issues

At any given time, FERC has various notices of inquiry and rulemaking dockets related to transmission issues pending. Such actions may lead to changes in FERC administrative rules or ratemaking policy, but have no time frame in which action must be taken or a docket closed with no further action. Further, such notices and rulemaking dockets do not apply strictly to PNM, but will have industry-wide effects in that they will apply to all FERC-regulated entities. PNM monitors and often submits comments taking a position in such notices and rulemaking dockets or may join in larger group responses. PNM often cannot determine the full impact of a proposed rule and policy change until the final determination is made by FERC and PNM is unable to predict the outcome of these matters.

On November 24, 2009, FERC issued Order 729 approving two Modeling, Data, and Analysis Reliability Standards ("Reliability Standards") submitted by NERC – MOD-001-1 (Available Transmission System Capability) and MOD-029-1 (Rated System Path Methodology). Both MOD-001-1 and MOD-029-1 require a consistent approach, provided for in the Reliability Standards, to measuring the total transmission capability ("TTC") of a transmission path. The TTC level established using the two Reliability Standards could result in a reduction in the available transmission capacity currently used by PNM to deliver generation resources necessary for its jurisdictional load and for fulfilling its obligations to third-party users of the PNM transmission system.

During the first quarter of 2011, at the request of PNM and other southwestern utilities, NERC advised all transmission owners and transmission service providers that the implementation of portions of the MOD-029 methodology for "Flow Limited" paths has been delayed until such time as a modification to the standard can be developed that will mitigate the technical concerns identified by the transmission owners and transmission service providers. PNM and other western utilities filed a Standards Action Request with NERC in the second quarter of 2012 and are waiting for the request to be processed through NERC's standards development.

In July 2011, FERC issued Order 1000 adopting new requirements for transmission planning, cost allocation, and development. Order 1000 calls for significant changes to the transmission process of WestConnect, an organization of utility companies providing transmission of electricity in the western region that includes PNM. On October 11, 2012, PNM and other WestConnect participants filed modified versions of Attachment K to their transmission tariffs to meet Order 1000 regional compliance requirements. Thirteen intervention motions were filed, with several objecting to and/or protesting various provisions of the filings submitted by the WestConnect participants. On December 17, 2012, the WestConnect participants filed responses to the issues raised by the intervenors. On March 21, 2013, FERC issued its order regarding PNM's and six other WestConnect FERC jurisdictional utilities compliance filings. FERC partially accepted many aspects of the filings including the governance structure that gives the transmission owners a veto authority over the regional plan and cost allocations. A major change directed by FERC is the requirement that the cost allocations be binding on identified beneficiaries and that a process be created that will result in a qualified developer being selected. WestConnect members are evaluating the order and will be required to submit revised filings. The WestConnect participants requested an extension of time to file updated compliance filings reflecting the March 21, 2013 order. The FERC granted an extension of the filing date to September 20, 2013. On July 11, 2013 the WestConnect participants submitted an additional compliance filing to address the planning and cost allocation between WestConnect and other regions.

Financial Reform Legislation

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Reform Act"), enacted in July 2010, includes provisions that will require certain over-the-counter derivatives, or swaps, to be centrally cleared and executed through an exchange or other approved trading facility. It also includes provisions related to swap transaction reporting and recordkeeping and may impose margin requirements on swaps that are not centrally cleared. The United States Commodity Futures Trading Commission ("CFTC") has published final rules defining several key terms related to the act and has set compliance dates for various types of market participants. The Dodd-Frank Reform Act provides exemptions from certain requirements, including an exception to the mandatory clearing and swap facility execution requirements for commercial end-users that use swaps to hedge or mitigate commercial risk. PNM expects to qualify for this exception. PNM also expects to be able to comply with its requirements under the Dodd-Frank Reform Act and related rules within the time frames required by the CFTC. However, as a result of the Dodd-Frank Reform Act and related rules, PNM's swap activities could be subject to increased costs, including from higher margin requirements. In addition, implementation of, and compliance with, the swaps provisions of the Dodd-Frank Reform Act and related rules by PNM's swap counterparties could result in increased costs. At this time, PNM cannot predict the ultimate impact the Dodd-Frank Reform Act may have on PNM's financial condition, results of operations, cash flows, or liquidity.

Other Matters

On March 25, 2013, a petition was filed by IBEW Local 66 with the National Labor Relations Board seeking to certify a union at TNMP for utility workers. On April 12, 2013, a second petition was filed by IBEW Local 66 with the National Labor Relations Board seeking to certify a union at TNMP of meter technicians, who were not included in the original petition. Approximately 200 employees are covered by the petitions. Elections to determine whether the IBEW will represent the employees were held in May 2013. The employees voted to unionize through both petitions and contract negotiations have begun. Subsequently, on June 25, 2013, a third petition was filed by IBEW Local 66 with the National Labor Relations Board seeking to certify a union at TNMP of three relay technicians, who were not included in the original petition. Elections to determine whether the IBEW will represent these employees will occur in August 2013.

See Notes 9 and 10 herein and Notes 16 and 17 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K for a discussion of commitments and contingencies and rate and regulatory matters.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires Company management to select and apply accounting policies that best provide the framework to report the results of operations and financial position for PNMR, PNM, and TNMP. The selection and application of those policies requires management to make difficult, subjective, and/or complex judgments concerning reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. As a result, there exists the likelihood that materially different amounts would be reported under different conditions or using different assumptions.

As of June 30, 2013, there have been no significant changes with regard to the critical accounting policies disclosed in PNMR's, PNM's, and TNMP's 2012 Annual Reports on Forms 10-K. The policies disclosed included unbilled revenues, regulatory accounting, impairments, decommissioning costs, derivatives, pension and other postretirement benefits, accounting for contingencies, income taxes, and market risk.

MD&A FOR PNM

RESULTS OF OPERATIONS

PNM operates in only one reportable segment, as presented above in Results of Operations for PNMR.

MD&A FOR TNMP

RESULTS OF OPERATIONS

TNMP operates in only one reportable segment, as presented above in Results of Operations for PNMR.

DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

Statements made in this filing that relate to future events or PNMR's, PNM's, or TNMP's 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 flows, 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 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 risk that reliability standards regarding available transmission capacity and other FERC 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
- 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, including the ability of the mines supplying coal to PNM's coal-fired generating units and the companies involved in supplying nuclear fuel to provide adequate quantities of fuel
- Uncertainty surrounding the status of PNM's participation in jointly-owned generation projects resulting from the scheduled expiration of the operational and fuel supply agreements 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 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 decommissioning, reclamation, pension benefits, 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
- Changes in applicable accounting principles

Any material changes to risk factors occurring after the filing of PNMR's, PNM's, and TNMP's 2012 Annual Reports on Form 10-K are disclosed in Item 1A, Risk Factors, in Part II of this Form 10-Q.

For information about the risks associated with the use of derivative financial instruments, see Item 3. "Quantitative and Qualitative Disclosures About Market Risk."

SECURITIES ACT DISCLAIMER

Certain securities described or cross-referenced in this report have not been registered under the Securities Act of 1933, as amended, or any state securities laws and may not be reoffered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. This Form 10-Q does not constitute an offer to sell or the solicitation of an offer to buy any securities.

WEBSITES

The PNMR website, www.pnmresources.com, is an important source of Company information. New or updated information for public access is routinely posted. PNMR encourages analysts, investors, and other interested parties to register on the website to automatically receive Company information by e-mail. This information includes news releases, notices of webcasts, and filings with the SEC. Participants can unsubscribe at any time and will not receive information that was not requested.

Our Internet addresses are:

- PNMR: www.pnmresources.com
- PNM: www.pnm.com
- TNMP: www.tnmp.com

The contents of these websites are not a part of this Form 10-Q. The SEC filings of PNMR, PNM, and TNMP, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed

or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are accessible free of charge on the PNMR website as soon as reasonably practicable after they are filed with, or furnished to, the SEC. These reports are also available in print upon request from PNMR free of charge.

Also available on the Company's website at www.pnmresources.com/investors/governance.cfm and in print upon request from any shareholder are our:

- Corporate Governance Principles
- Code of Ethics (*Do the Right Thing-Principles of Business Conduct*)
- Charters of the Audit and Ethics Committee, Nominating and Governance Committee, Compensation and Human Resources Committee, and Finance Committee

The Company will post amendments to or waivers from its code of ethics (to the extent applicable to the Company's executive officers and directors) on its website.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company manages the scope of its various forms of risk through a comprehensive set of policies and procedures with oversight by senior level management through the RMC. The Board's Finance Committee sets the risk limit parameters. The RMC has oversight over the risk control organization. The RMC is assigned responsibility for establishing and enforcing the policies, procedures and limits and evaluating the risks inherent in proposed transactions on an enterprise-wide basis. The RMC's responsibilities include:

- Establishment of policies regarding risk exposure levels and activities in each of the business segments
- Approval of the types of derivatives entered into for hedging
- Review and approval of hedging risk activities
- Establishment of policies regarding counterparty exposure and limits
- Authorization and delegation of transaction limits
- Review and approval of controls and procedures for derivative activities
- Review and approval of models and assumptions used to calculate mark-to-market and market risk exposure
- Proposing risk limits to the Board's Finance Committee for its approval
- Quarterly reporting to the Board's Audit and Finance Committees on these activities.

To the extent an open position exists, fluctuating commodity prices, interest rates, equity prices, and economic conditions can impact financial results and financial position, either favorably or unfavorably. As a result, the Company cannot predict with certainty the impact that its risk management decisions may have on its businesses, operating results, or financial position.

Commodity Risk

Information concerning accounting for derivatives and the risks associated with commodity contracts is set forth in Note 4, including a summary of the fair values of mark-to-market energy related derivative contracts included in the Condensed Consolidated Balance Sheets. During the six months ended June 30, 2013 and the year ended December 31, 2012, PNMR and PNM had no commodity derivative instruments designated as cash flow hedging instruments.

Commodity contracts that meet the definition of a derivative under GAAP, other than those derivatives designated as normal purchases and normal sales, are recorded at fair value on the Condensed Consolidated Balance Sheets. The following table details the changes in PNMR's net asset or liability balance sheet position for mark-to-market energy transactions:

Economic Hedges	Six Months Ended June 30, 2013	2012
	(In thousands)	
Sources of fair value gain (loss):		
Net fair value at beginning of period	$ 1,204	$ (356)
Amount realized on contracts delivered during period	(964)	(3,074)
Changes in fair value	(841)	1,096
Net mark-to-market change recorded in earnings	(1,805)	(1,978)
Net change recorded as regulatory assets and liabilities	512	95
Net fair value at end of period	$ (89)	$ (2,239)

The following table provides the maturity of PNMR's net assets (liabilities) other than cash flow hedges, giving an indication of the calendar year in which these mark-to-market amounts will settle and generate (use) cash.

Fair Value of Mark-to-Market Instruments at June 30, 2013

	Settlement Dates			
	2013	2014	2015	2016
	(In thousands)			
Economic hedges				
Prices actively quoted	$ —	$ —	$ —	$ —
Prices provided by other external sources	381	579	(706)	(343)
Prices based on models and other valuations	—	—	—	—
Total	$ 381	$ 579	$ (706)	$ (343)

PNM measures the market risk of its long-term contracts and wholesale activities using a Monte Carlo VaR simulation model to report the possible loss in value from price movements and is not a measure of the potential accounting mark-to-market loss. The quantitative risk information is limited by the parameters established in creating the model. The Monte Carlo VaR methodology employs the following critical parameters: historical volatility estimates, market values of all contractual commitments, a three-day holding period, seasonally adjusted and cross-commodity correlation estimates, and a 95% confidence level. The instruments being evaluated may trigger a potential loss in excess of calculated amounts if changes in commodity prices exceed the confidence level of the model used.

PNM measures VaR for the positions in its wholesale portfolio that are not covered by a FPPAC. For the six months ended June 30, 2013, the high, low, and average VaR amounts were $1.4 million, $0.6 million, and $1.0 million. For the year ended December 31, 2012, the high, low, and average VaR amounts were $1.4 million, $0.3 million, and $0.6 million. At June 30, 2013 and December 31, 2012, the VaR amounts for the PNM wholesale portfolio were $0.9 million and $0.5 million.

The VaR limits, which were not exceeded during the six months ended June 30, 2013 or the year ended December 31, 2012, represent an estimate of the potential gains or losses that could be recognized on the Company's portfolios, subject to market risk, given current volatility in the market, and are not necessarily indicative of actual results that may occur, since actual future gains and losses will differ from those estimated. Actual gains and losses may differ due to actual fluctuations in market prices, operating exposures, and the timing thereof, as well as changes to the underlying portfolios during the year.

Credit Risk

The Company is exposed to credit risk from its retail and wholesale customers, as well as counterparties to derivative instruments. The Company conducts counterparty risk analysis across business segments and uses a credit management process to assess the financial conditions of counterparties.

The following table provides information related to PNMR's credit exposure by the credit worthiness (credit rating) and concentration of credit risk for counterparties to derivative transactions. All credit exposures at June 30, 2013 will mature in less than two years.

Schedule of Credit Risk Exposure
June 30, 2013

Rating [1]	Credit Risk Exposure[2]	Number of Counter-parties >10%	Net Exposure of Counter-parties >10%
	(Dollars in thousands)		
External ratings:			
Investment grade	$ 5,699	2	$ 5,350
Non-investment grade	—	—	—
Split ratings	—		
Internal ratings:			
Investment grade	487	—	—
Non-investment grade	159	—	—
Total	$ 6,345		$ 5,350

(1) The rating "Investment Grade" is for counterparties, or a guarantor, with a minimum S&P rating of BBB- or Moody's rating of Baa3. The category "Internal Ratings - Investment Grade" includes those counterparties that are internally rated as investment grade in accordance with the guidelines established in the Company's credit policy.

(2) The Credit Risk Exposure is the gross credit exposure, including long-term contracts (other than firm-requirements wholesale customers), forward sales, and short-term sales. The exposure captures the amounts from receivables/ payables for realized transactions, delivered and unbilled revenues, and mark-to-market gains/losses. Gross exposures can be offset according to legally enforceable netting arrangements but are not reduced by posted credit collateral. At June 30, 2013, PNMR held no credit collateral to offset its credit exposure.

The Company provides for losses due to market and credit risk. Net credit risk for the Company's largest counterparty as of June 30, 2013 was $4.9 million, which is due from a firm-requirements wholesale customer.

The PVNGS lessor notes are not exposed to credit risk, since the notes are repaid as PNM makes payments on the underlying leases. Other investments have no significant counterparty credit risk.

Interest Rate Risk

The majority of the Company's long-term debt is fixed-rate debt and does not expose earnings to a major risk of loss due to adverse changes in market interest rates. However, the fair value of PNMR's consolidated long-term debt instruments would increase by 4.1%, or $80.5 million, if interest rates were to decline by 50 basis points from their levels at June 30, 2013. In general, an increase in fair value would impact earnings and cash flows to the extent not recoverable in rates if all or a portion of debt instruments were acquired in the open market prior to their maturity. TNMP has long-term debt of $50.0 million that bears interest at a variable rate. However, TNMP has also entered into a hedging arrangement that effectively results in this debt bearing interest at a fixed rate, thereby eliminating interest rate risk. At July 26, 2013, PNMR, PNM, and TNMP had $30.0 million, none, and $22.0 million of short term debt outstanding under their revolving credit facilities, which allow for a maximum aggregate borrowing capacity of $300.0 million for PNMR, $400.0 million for PNM, and $75.0 million for TNMP. These facilities bear interest at variable rates, which averaged 1.70% for PNMR and 1.82% for TNMP on July 26, 2013 borrowings. At July 26, 2013, PNMR had outstanding borrowings of $100.0 million under the PNMR Term Loan Agreement and PNM had outstanding borrowings of $75.0 million under the PNM Term Loan Agreement. The term loans bear interest at variable rates, which were 1.33% for PNMR and 1.44% for PNM at July 26, 2013. The Company is exposed to interest rate risk to the extent of future increases in variable interest rates.

The investments held by PNM in the NDT and trust for post-term reclamation of the coal mines serving SJGS had an estimated fair value of $200.8 million at June 30, 2013, of which 32.9% were fixed-rate debt securities that subject PNM to risk of loss of fair value with movements in market interest rates. If interest rates were to increase by 50 basis points from their levels at June 30, 2013, the decrease in the fair value of the fixed-rate securities would be 2.5%, or $1.6 million.

PNM does not directly recover or return through rates any losses or gains on the securities, including equity investments discussed below, in the trusts for nuclear decommissioning and reclamation. However, the overall performance of these trusts does enter into the periodic determinations of expense and funding levels, which are factored into the ratemaking process to the extent applicable to regulated operations. PNM is at risk for shortfalls in funding of obligations due to investment losses, including those from the equity market risks discussed below to the extent not ultimately recovered through rates charged to customers.

Equity Market Risk

The NDT and the trust for post-term reclamation of the coal mines serving SJGS hold certain equity securities at June 30, 2013. These equity securities expose PNM to losses in fair value should the market values of the underlying securities decline. At June 30, 2013, these equity securities were valued at $108.1 million. A hypothetical 10% decrease in equity prices would reduce the fair values of these funds by $10.8 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As of the end of the period covered by this quarterly report, each of PNMR, PNM, and TNMP conducted an evaluation under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer of each of PNMR, PNM, and TNMP concluded that the disclosure controls and procedures are effective.

Changes in internal controls

There have been no changes in each of PNMR's, PNM's, and TNMP's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, each of PNMR's, PNM's, and TNMP's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Notes 9 and 10 for information related to the following matters, for PNMR, PNM, and TNMP, incorporated in this item by reference.

Note 9

- The Clean Air Act - Regional Haze - SJGS
- The Clean Air Act - Regional Haze - Four Corners
- The Clean Air Act - Four Corners BART FIP Challenge
- The Clean Air Act - Regional Haze Challenges
- The Clean Air Act - SJGS Operating Permit Challenge
- The Clean Air Act - WEG v. OSM NEPA Lawsuit
- The Clean Air Act - Citizen Suit Under the Clean Air Act
- The Clean Air Act - Four Corners Clean Air Act Lawsuit
- Navajo Nation Environmental Issues
- Endangered Species Act
- Santa Fe Generating Station
- PVNGS Water Supply Litigation
- San Juan River Adjudication
- Complaint Against Southwestern Public Service Company
- Navajo Nation Allottee Matters
- TGP Complaint

Note 10

- PNM - Renewable Portfolio Standard
- PNM - Renewable Energy Rider
- PNM - Energy Efficiency and Load Management
- PNM - 2010 Electric Rate Case and FPPAC
- PNM - 2011 Integrated Resource Plan
- PNM - Emergency FFPAC
- PNM - Applications for Approvals to Purchase Delta
- PNM - Application for Approval of La Luz Generating Station
- PNM - Transmission Rate Case
- PNM - Formula Transmission Rate Case
- PNM - Tri-State Complaint
- PNM - Firm-Requirements Wholesale Customers
- TNMP - Advanced Meter System Deployment and Surcharge Request
- TNMP - Energy Efficiency
- TNMP - Transmission Cost of Service Rates

See also Climate Change Issues under Other Issues Facing the Company in MD&A. The second, third, and fourth paragraphs under State and Regional Activity are incorporated in this item by reference.

ITEM 1A. RISK FACTORS

As of the date of this report, there have been no material changes with regard to the Risk Factors disclosed in PNMR's, PNM's, and TNMP's Annual Reports on Form 10-K for the year ended December 31, 2012.

ITEM 6. EXHIBITS

3.1	PNMR	Articles of Incorporation of PNMR, as amended to date (incorporated by reference to Exhibit 3.1 to PNMR's Current Report on Form 8-K filed November 21, 2008)
3.2	PNM	Restated Articles of Incorporation of PNM, as amended through May 31, 2002 (incorporated by reference to Exhibit 3.1.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002)
3.3	TNMP	Articles of Incorporation of TNMP, as amended through July 7, 2005 (incorporated by reference to Exhibit 3.1.2 to TNMP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005)
3.4	PNMR	Bylaws of PNMR, with all amendments to and including December 8, 2009 (incorporated by reference to Exhibit 3.1 to PNMR's Current Report on Form 8-K filed December 11, 2009)
3.5	PNM	Bylaws of PNM, with all amendments to and including May 31, 2002 (incorporated by reference to Exhibit 3.1.2 to PNM's Report on Form 10-Q for the fiscal quarter ended June 30, 2002)
3.6	TNMP	Bylaws of TNMP, with all amendments to and including June 18, 2013 (incorporated by reference to Exhibit 3.6 to TNMP's Current Report on Form 8-K filed June 20, 2013)
12.1	PNMR	Ratio of Earnings to Fixed Charges
12.2	PNM	Ratio of Earnings to Fixed Charges
12.3	TNMP	Ratio of Earnings to Fixed Charges
31.1	PNMR	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	PNMR	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	PNM	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4	PNM	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.5	TNMP	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.6	TNMP	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	PNMR	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	PNM	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.3	TNMP	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	PNMR, PNM, and TNMP	XBRL Instance Document
101.SCH	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Schema Document
101.CAL	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

PNM RESOURCES, INC.
PUBLIC SERVICE COMPANY OF NEW MEXICO
TEXAS-NEW MEXICO POWER COMPANY

(Registrants)

Date: August 2, 2013

/s/ Thomas G. Sategna

Thomas G. Sategna
Vice President and Corporate Controller
(Officer duly authorized to sign this report)

530 Schedule Q04 – Reports to Securities and Exchange Commission

March 31, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

Commission File Number	Name of Registrants, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
001-32462	PNM Resources, Inc. (A New Mexico Corporation) 414 Silver Ave. SW Albuquerque, New Mexico 87102-3289 (505) 241-2700	85-0468296
001-06986	Public Service Company of New Mexico (A New Mexico Corporation) 414 Silver Ave. SW Albuquerque, New Mexico 87102-3289 (505) 241-2700	85-0019030
002-97230	Texas-New Mexico Power Company (A Texas Corporation) 577 N. Garden Ridge Blvd. Lewisville, Texas 75067 (972) 420-4189	75-0204070

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

PNM Resources, Inc. ("PNMR")	YES ✓	NO ___
Public Service Company of New Mexico ("PNM")	YES ✓	NO ___
Texas-New Mexico Power Company ("TNMP")	YES ___	NO ✓

(NOTE: As a voluntary filer, not subject to the filing requirements, TNMP filed all reports under Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months.)

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

PNMR	YES ✓	NO ___
PNM	YES ✓	NO ___
TNMP	YES ✓	NO ___

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller Reporting Company
PNMR	✓	—	—	—
PNM	—	—	✓	—
TNMP	—	—	✓	—

Indicate by check mark whether any of the registrants is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES __ NO ✓

As of May 1, 2013, 79,653,624 shares of common stock, no par value per share, of PNMR were outstanding.

The total number of shares of common stock of PNM outstanding as of May 1, 2013 was 39,117,799 all held by PNMR (and none held by non-affiliates).

The total number of shares of common stock of TNMP outstanding as of May 1, 2013 was 6,358 all held indirectly by PNMR (and none held by non-affiliates).

PNM AND TNMP MEET THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS (H) (1) (a) AND (b) OF FORM 10-Q AND ARE THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION (H) (2).

This combined Form 10-Q is separately filed by PNMR, PNM, and TNMP. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants. When this Form 10-Q is incorporated by reference into any filing with the SEC made by PNMR, PNM, or TNMP, as a registrant, the portions of this Form 10-Q that relate to each other registrant are not incorporated by reference therein.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

INDEX

	Page No.
GLOSSARY	4
PART I. FINANCIAL INFORMATION	
ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)	
PNM RESOURCES, INC. AND SUBSIDIARIES	
Condensed Consolidated Statements of Earnings	7
Condensed Consolidated Statements of Comprehensive Income	8
Condensed Consolidated Statements of Cash Flows	9
Condensed Consolidated Balance Sheets	11
Condensed Consolidated Statement of Changes in Equity	13
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES	
Condensed Consolidated Statements of Earnings	14
Condensed Consolidated Statements of Comprehensive Income	15
Condensed Consolidated Statements of Cash Flows	16
Condensed Consolidated Balance Sheets	18
Condensed Consolidated Statement of Changes in Equity	20
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES	
Condensed Consolidated Statements of Earnings	21
Condensed Consolidated Statements of Comprehensive Income	22
Condensed Consolidated Statements of Cash Flows	23
Condensed Consolidated Balance Sheets	24
Condensed Consolidated Statement of Changes in Common Stockholder's Equity	26
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	27
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	63
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	84
ITEM 4. CONTROLS AND PROCEDURES	87
PART II. OTHER INFORMATION	
ITEM 1. LEGAL PROCEEDINGS	88
ITEM 1A. RISK FACTORS	88
ITEM 6. EXHIBITS	89
SIGNATURE	90

GLOSSARY

Definitions:

Afton	Afton Generating Station
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
AMS	Advanced Meter System
AOCI	Accumulated Other Comprehensive Income
APS	Arizona Public Service Company, which is the operator and a co-owner of PVNGS and Four Corners
BACT	Best Available Control Technology
BART	Best Available Retrofit Technology
BHP	BHP Billiton, Ltd, the parent of SJCC
Board	Board of Directors of PNMR
BTU	British Thermal Unit
CAA	Clean Air Act
CCB	Coal Combustion Byproducts
CO_2	Carbon Dioxide
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
Delta	Delta-Person Generating Station
DOE	United States Department of Energy
DOI	United States Department of Interior
EIB	New Mexico Environmental Improvement Board
EIP	Eastern Interconnection Project
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
ESA	Endangered Species Act
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIP	Federal Implementation Plan
Four Corners	Four Corners Power Plant
FPPAC	Fuel and Purchased Power Adjustment Clause
GAAP	Generally Accepted Accounting Principles in the United States of America
Gallup	City of Gallup, New Mexico
GHG	Greenhouse Gas Emissions
GWh	Gigawatt hours
IBEW	International Brotherhood of Electrical Workers, Local 611
IRP	Integrated Resource Plan
KW	Kilowatt
KWh	Kilowatt Hour
Lordsburg	Lordsburg Generating Station
Luna	Luna Energy Facility
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MMBTU	Million BTUs
Moody's	Moody's Investor Services, Inc.
MW	Megawatt
MWh	Megawatt Hour
NAAQS	National Ambient Air Quality Standards

Navajo Acts	Navajo Nation Air Pollution Prevention and Control Act, Navajo Nation Safe Drinking Water Act, and Navajo Nation Pesticide Act
NDT	Nuclear Decommissioning Trusts for PVNGS
NEC	Navopache Electric Cooperative, Inc.
NERC	North American Electric Reliability Council
Ninth Circuit	United States Court of Appeals for the Ninth Circuit
NMAG	New Mexico Attorney General
NMED	New Mexico Environment Department
NMIEC	New Mexico Industrial Energy Consumers Inc.
NMPRC	New Mexico Public Regulation Commission
NOx	Nitrogen Oxides
NOPR	Notice of Proposed Rulemaking
NRC	United States Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NSR	New Source Review
OCI	Other Comprehensive Income
OPEB	Other Post Employment Benefits
OSM	United States Office of Surface Mining Reclamation and Enforcement
PNM	Public Service Company of New Mexico and Subsidiaries
PNM Revolving Credit Facility	PNM's $400.0 Million Unsecured Revolving Credit Facility
PNM Term Loan Agreement	PNM's $75 Million Unsecured Term Loan Facility
PNMR	PNM Resources, Inc. and Subsidiaries
PNMR Revolving Credit Facility	PNMR's $300.0 Million Unsecured Revolving Credit Facility
PNMR Term Loan Agreement	PNMR's $100 Million Unsecured Term Loan Facility
PPA	Power Purchase Agreement
PSD	Prevention of Significant Deterioration
PUCT	Public Utility Commission of Texas
PV	Photovoltaic
PVNGS	Palo Verde Nuclear Generating Station
RCRA	Resource Conservation and Recovery Act
RCT	Reasonable Cost Threshold
REA	New Mexico's Renewable Energy Act of 2004
REC	Renewable Energy Certificates
REP	Retail Electricity Provider
RMC	Risk Management Committee
RPS	Renewable Energy Portfolio Standard
SCE	Southern California Edison Company
SCR	Selective Catalytic Reduction
SEC	United States Securities and Exchange Commission
SIP	State Implementation Plan
SJCC	San Juan Coal Company
SJGS	San Juan Generating Station
SNCR	Selective Non-Catalytic Reduction
SO_2	Sulfur Dioxide
SPS	Southwestern Public Service Company
S&P	Standard and Poor's Ratings Services
TECA	Texas Electric Choice Act

Tenth Circuit	United States Court of Appeals for the Tenth Circuit
TNMP	Texas-New Mexico Power Company and Subsidiaries
TNMP 2011 Term Loan Agreement	TNMP's $50 Million Secured Term Loan
TNMP Revolving Credit Facility	TNMP's $75 Million Revolving Credit Facility
Tri-State	Tri-State Generation and Transmission Association, Inc.
Valencia	Valencia Energy Facility
VaR	Value at Risk
WEG	WildEarth Guardians

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
	(In thousands, except per share amounts)	
Electric Operating Revenues	$ 317,665	$ 305,374
Operating Expenses:		
Cost of energy	104,706	91,847
Administrative and general	44,691	44,800
Energy production costs	43,573	45,128
Depreciation and amortization	40,807	38,414
Transmission and distribution costs	16,295	16,248
Taxes other than income taxes	16,889	15,208
Total operating expenses	266,961	251,645
Operating income	50,704	53,729
Other Income and Deductions:		
Interest income	2,634	3,292
Gains on investments held by NDT	1,533	4,454
Other income	1,707	2,645
Other deductions	(3,350)	(4,551)
Net other income	2,524	5,840
Interest Charges	31,297	29,566
Earnings before Income Taxes	21,931	30,003
Income Taxes	7,969	9,526
Net Earnings	13,962	20,477
(Earnings) Attributable to Valencia Non-controlling Interest	(3,204)	(3,265)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)
Net Earnings Attributable to PNMR	$ 10,626	$ 17,080
Net Earnings Attributable to PNMR per Common Share:		
Basic	$ 0.13	$ 0.21
Diluted	$ 0.13	$ 0.21
Dividends Declared per Common Share	$ 0.165	$ 0.145

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Net Earnings	$ 13,962	$ 20,477
Other Comprehensive Income:		
Unrealized Gain on Investment Securities:		
Unrealized holding gains arising during the period, net of income tax (expense) of $(3,111) and $(7,415)	4,747	11,314
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $529 and $3,546	(807)	(5,411)
Pension Liability Adjustment:		
Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of $(631) and $(476)	960	727
Fair Value Adjustment for Cash Flow Hedges:		
Change in fair market value, net of income tax (expense) benefit of $(4) and $59	8	(106)
Reclassification adjustment for losses included in net earnings, net of income tax expense (benefit) of $(17) and $(15)	31	27
Total Other Comprehensive Income	4,939	6,551
Comprehensive Income	18,901	27,028
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,204)	(3,265)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)
Comprehensive Income Attributable to PNMR	$ 15,565	$ 23,631

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 13,962	$ 20,477
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	51,818	48,777
Deferred income tax expense	7,795	9,601
Net unrealized (gains) losses on derivatives	4,902	(3,502)
Realized (gains) on investments held by NDT	(1,533)	(4,454)
Stock based compensation expense	1,903	1,236
Other, net	(348)	(471)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	4,062	13,671
Materials, supplies, and fuel stock	944	(3,058)
Other current assets	2,335	1,854
Other assets	8,774	(270)
Accounts payable	(17,895)	737
Interest and taxes	25,430	20,749
Other current liabilities	(38,761)	(29,474)
Proceeds from governmental grants	—	20,859
Other liabilities	(64,763)	(83,129)
Net cash flows from operating activities	(1,375)	13,603
Cash Flows From Investing Activities:		
Additions to utility and non-utility plant	(73,584)	(84,018)
Proceeds from sales of investments held by NDT	14,284	26,760
Purchases of investments held by NDT	(15,122)	(27,395)
Return of principal on PVNGS lessor notes	10,965	12,632
Other, net	1,241	2,431
Net cash flows from investing activities	(62,216)	(69,590)

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2013	**2012**
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	84,600	67,100
Proceeds from stock option exercise	2,293	5,005
Awards of common stock	(9,651)	(11,088)
Dividends paid	(11,683)	(10,089)
Valencia's transactions with its owner	(5,260)	(4,009)
Other, net	(584)	953
Net cash flows from financing activities	59,715	47,872
Change in Cash and Cash Equivalents	(3,876)	(8,115)
Cash and Cash Equivalents at Beginning of Period	8,985	15,091
Cash and Cash Equivalents at End of Period	$ 5,109	$ 6,976
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	$ 4,817	$ 4,312
Income taxes paid (refunded), net	$ (603)	$ 1,500

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 5,109	$ 8,985
Accounts receivable, net of allowance for uncollectible accounts of $1,339 and $1,751	89,634	87,093
Unbilled revenues	50,410	57,266
Other receivables	43,517	53,332
Materials, supplies, and fuel stock	58,699	59,643
Regulatory assets	41,478	39,120
Commodity derivative instruments	2,114	3,785
Income taxes receivable	100,699	101,477
Other current assets	40,414	31,490
Total current assets	432,074	442,191
Other Property and Investments:		
Investment in PVNGS lessor notes	43,752	54,325
Investments held by NDT	197,691	188,971
Other investments	8,363	9,139
Non-utility property, net of accumulated depreciation of $135 and $131	4,483	4,487
Total other property and investments	254,289	256,922
Utility Plant:		
Plant in service and plant held for future use	5,332,025	5,313,796
Less accumulated depreciation and amortization	1,789,039	1,774,223
	3,542,986	3,539,573
Construction work in progress	140,147	125,287
Nuclear fuel, net of accumulated amortization of $49,605 and $42,644	81,376	81,627
Net utility plant	3,764,509	3,746,487
Deferred Charges and Other Assets:		
Regulatory assets	543,074	555,577
Goodwill	278,297	278,297
Commodity derivative instruments	—	352
Other deferred charges	98,517	92,757
Total deferred charges and other assets	919,888	926,983
	$ 5,370,760	$ 5,372,583

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2013	December 31, 2012
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 243,300	$ 158,700
Current installments of long-term debt	2,530	2,530
Accounts payable	77,435	99,177
Customer deposits	16,040	18,176
Accrued interest and taxes	77,000	52,003
Regulatory liabilities	—	15,173
Commodity derivative instruments	4,132	1,000
Dividends declared	13,271	11,679
Current portion of accumulated deferred income taxes	258	258
Other current liabilities	60,111	75,407
Total current liabilities	494,077	434,103
Long-term Debt	1,669,926	1,669,760
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	713,483	701,545
Accumulated deferred investment tax credits	13,694	14,242
Regulatory liabilities	426,208	423,460
Asset retirement obligations	87,651	85,893
Accrued pension liability and postretirement benefit cost	157,711	224,565
Commodity derivative instruments	1,785	1,933
Other deferred credits	111,206	116,523
Total deferred credits and other liabilities	1,511,738	1,568,161
Total liabilities	3,675,741	3,672,024
Commitments and Contingencies (See Note 9)		
Cumulative Preferred Stock of Subsidiary		
without mandatory redemption requirements ($100 stated value; 10,000,000 shares authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNMR common stockholders' equity:		
Common stock outstanding (no par value; 120,000,000 shares authorized; issued and outstanding 79,653,624 shares)	1,176,912	1,182,819
Accumulated other comprehensive income (loss), net of income taxes	(76,691)	(81,630)
Retained earnings	504,482	506,998
Total PNMR common stockholders' equity	1,604,703	1,608,187
Non-controlling interest in Valencia	78,787	80,843
Total equity	1,683,490	1,689,030
	$ 5,370,760	$ 5,372,583

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

	Attributable to PNMR				Non-controlling Interest in Valencia	Total Equity
	Common Stock	AOCI	Retained Earnings	Total PNMR Common Stockholder's Equity		
	(In thousands)					
Balance at December 31, 2012	$ 1,182,819	$ (81,630)	$ 506,998	$ 1,608,187	$ 80,843	$ 1,689,030
Proceeds from stock option exercise	2,293	—	—	2,293	—	2,293
Awards of common stock	(9,651)	—	—	(9,651)	—	(9,651)
Excess tax (shortfall) from stock-based payment arrangements	(452)	—	—	(452)	—	(452)
Stock based compensation expense	1,903	—	—	1,903	—	1,903
Valencia's transactions with its owner	—	—	—	—	(5,260)	(5,260)
Net earnings before subsidiary preferred stock dividends	—	—	10,758	10,758	3,204	13,962
Subsidiary preferred stock dividends	—	—	(132)	(132)	—	(132)
Total other comprehensive income	—	4,939	—	4,939	—	4,939
Dividends declared on common stock	—	—	(13,142)	(13,142)	—	(13,142)
Balance at March 31, 2013	$ 1,176,912	$ (76,691)	$ 504,482	$ 1,604,703	$ 78,787	$ 1,683,490

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Electric Operating Revenues	$ 257,894	$ 250,416
Operating Expenses:		
Cost of energy	91,660	80,557
Administrative and general	38,758	39,050
Energy production costs	43,566	45,128
Depreciation and amortization	25,834	23,634
Transmission and distribution costs	10,603	10,843
Taxes other than income taxes	10,234	9,099
Total operating expenses	220,655	208,311
Operating income	37,239	42,105
Other Income and Deductions:		
Interest income	2,673	3,335
Gains on investments held by NDT	1,533	4,454
Other income	1,311	1,834
Other deductions	(1,437)	(1,306)
Net other income	4,080	8,317
Interest Charges	19,957	18,493
Earnings before Income Taxes	21,362	31,929
Income Taxes	6,589	10,852
Net Earnings	14,773	21,077
(Earnings) Attributable to Valencia Non-controlling Interest	(3,204)	(3,265)
Net Earnings Attributable to PNM	11,569	17,812
Preferred Stock Dividends Requirements	(132)	(132)
Net Earnings Available for PNM Common Stock	$ 11,437	$ 17,680

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Net Earnings	$ 14,773	$ 21,077
Other Comprehensive Income:		
Unrealized Gain on Investment Securities:		
Unrealized holding gains arising during the period, net of income tax (expense) of $(3,111) and $(7,415)	4,747	11,314
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $529 and $3,546	(807)	(5,411)
Pension Liability Adjustment:		
Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of $(631) and $(476)	960	727
Total Other Comprehensive Income	4,900	6,630
Comprehensive Income	19,673	27,707
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,204)	(3,265)
Comprehensive Income Attributable to PNM	$ 16,469	$ 24,442

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 14,773	$ 21,077
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	34,655	31,498
Deferred income tax expense	6,685	10,852
Net unrealized (gains) losses on derivatives	4,902	(3,502)
Realized (gains) on investments held by NDT	(1,533)	(4,454)
Other, net	(343)	(195)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	5,467	9,920
Materials, supplies, and fuel stock	879	(3,117)
Other current assets	(84)	402
Other assets	8,772	(1,533)
Accounts payable	(18,857)	1,014
Interest and taxes	20,932	81,263
Other current liabilities	(44,068)	(18,379)
Proceeds from governmental grants	—	20,859
Other liabilities	(64,893)	(78,133)
Net cash flows from operating activities	(32,713)	67,572
Cash Flows From Investing Activities:		
Utility plant additions	(44,389)	(66,668)
Proceeds from sales of NDT investments	14,284	26,760
Purchases of NDT investments	(15,122)	(27,395)
Return of principal on PVNGS lessor notes	10,965	12,632
Other, net	1,214	180
Net cash flows from investing activities	(33,048)	(54,491)

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	67,800	(21,900)
Valencia's transactions with its owner	(5,260)	(4,009)
Dividends paid	(132)	(132)
Other, net	(584)	953
Net cash flows from financing activities	61,824	(25,088)
Change in Cash and Cash Equivalents	(3,937)	(12,007)
Cash and Cash Equivalents at Beginning of Period	3,958	12,307
Cash and Cash Equivalents at End of Period	$ 21	$ 300
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	$ 4,304	$ 4,141
Income taxes paid (refunded), net	$ —	$ (63,114)

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 21	$ 3,958
Accounts receivable, net of allowance for uncollectible accounts of $1,339 and $1,751	69,684	69,876
Unbilled revenues	43,557	49,085
Other receivables	42,905	50,975
Affiliate receivables	9,790	9,050
Materials, supplies, and fuel stock	55,911	56,790
Regulatory assets	37,273	36,490
Commodity derivative instruments	2,114	3,785
Income taxes receivable	80,320	80,223
Other current assets	37,052	27,457
Total current assets	378,627	387,689
Other Property and Investments:		
Investment in PVNGS lessor notes	43,752	54,325
Investments held by NDT	197,691	188,971
Other investments	4,196	4,034
Non-utility property	976	976
Total other property and investments	246,615	248,306
Utility Plant:		
Plant in service and plant held for future use	4,139,281	4,133,532
Less accumulated depreciation and amortization	1,361,199	1,355,240
	2,778,082	2,778,292
Construction work in progress	108,556	102,329
Nuclear fuel, net of accumulated amortization of $49,605 and $42,644	81,376	81,627
Net utility plant	2,968,014	2,962,248
Deferred Charges and Other Assets:		
Regulatory assets	423,208	431,956
Goodwill	51,632	51,632
Commodity derivative instruments	—	352
Other deferred charges	87,161	81,724
Total deferred charges and other assets	562,001	565,664
	$ 4,155,257	$ 4,163,907

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2013	December 31, 2012
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	$ 88,900	$ 21,100
Accounts payable	56,186	73,914
Affiliate payables	15,432	25,340
Customer deposits	16,040	18,176
Accrued interest and taxes	51,424	30,320
Regulatory liabilities	—	15,172
Commodity derivative instruments	4,132	1,000
Dividends declared	132	132
Current portion of accumulated deferred income taxes	3,447	3,447
Other current liabilities	40,667	54,150
Total current liabilities	276,360	242,751
Long-term Debt	1,215,589	1,215,579
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	584,511	573,881
Accumulated deferred investment tax credits	13,694	14,242
Regulatory liabilities	380,887	379,841
Asset retirement obligations	86,782	85,042
Accrued pension liability and postretirement benefit cost	143,307	208,618
Commodity derivative instruments	1,785	1,933
Other deferred credits	91,626	95,585
Total deferred credits and liabilities	1,302,592	1,359,142
Total liabilities	2,794,541	2,817,472
Commitments and Contingencies (See Note 9)		
Cumulative Preferred Stock		
without mandatory redemption requirements ($100 stated value; 10,000,000 authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNM common stockholder's equity:		
Common stock outstanding (no par value; 40,000,000 shares authorized; issued and outstanding 39,117,799 shares)	1,061,776	1,061,776
Accumulated other comprehensive income (loss), net of income taxes	(76,514)	(81,414)
Retained earnings	285,138	273,701
Total PNM common stockholder's equity	1,270,400	1,254,063
Non-controlling interest in Valencia	78,787	80,843
Total equity	1,349,187	1,334,906
	$ 4,155,257	$ 4,163,907

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

	Attributable to PNM					
	Common Stock	AOCI	Retained Earnings	Total PNM Common Stockholder's Equity	Non-controlling Interest in Valencia	Total Equity
	(In thousands)					
Balance at December 31, 2012	$ 1,061,776	$ (81,414)	$ 273,701	$ 1,254,063	$ 80,843	$ 1,334,906
Valencia's transactions with its owner	—	—	—	—	(5,260)	(5,260)
Net earnings	—	—	11,569	11,569	3,204	14,773
Total other comprehensive income	—	4,900	—	4,900	—	4,900
Dividends declared on preferred stock	—	—	(132)	(132)	—	(132)
Balance at March 31, 2013	$ 1,061,776	$ (76,514)	$ 285,138	$ 1,270,400	$ 78,787	$ 1,349,187

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Electric Operating Revenues	$ 59,771	$ 54,958
Operating Expenses:		
Cost of energy	13,046	11,290
Administrative and general	11,119	10,468
Depreciation and amortization	11,681	11,287
Transmission and distribution costs	5,692	5,405
Taxes other than income taxes	5,179	4,717
Total operating expenses	46,717	43,167
Operating income	13,054	11,791
Other Income and Deductions:		
Other income	337	490
Other deductions	(129)	(385)
Net other income	208	105
Interest Charges	7,246	7,097
Earnings before Income Taxes	6,016	4,799
Income Taxes	2,290	1,788
Net Earnings	$ 3,726	$ 3,011

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Net Earnings	$ 3,726	$ 3,011
Other Comprehensive Income (Loss):		
Fair Value Adjustment for Cash Flow Hedges:		
Change in fair market value, net of income tax (expense) benefit of $(4) and $59	8	(106)
Reclassification adjustment for losses included in net earnings, net of income tax expense (benefit) of $(17) and $(15)	31	27
Total Other Comprehensive Income (Loss)	39	(79)
Comprehensive Income	$ 3,765	$ 2,932

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 3,726	$ 3,011
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	12,686	12,604
Deferred income tax expense	2,448	1,720
Other, net	—	(276)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(1,405)	3,751
Materials and supplies	65	60
Other current assets	218	(721)
Other assets	(58)	(50)
Accounts payable	4,130	(1,966)
Accrued interest and taxes	686	2,451
Other current liabilities	(1,278)	2,393
Other liabilities	1,076	(4,496)
Net cash flows from operating activities	22,294	18,481
Cash Flows From Investing Activities:		
Utility plant additions	(24,594)	(13,082)
Net cash flows from investing activities	(24,594)	(13,082)
Cash Flow From Financing Activities:		
Short-term borrowings (repayments), net	25,000	—
Short-term borrowings (repayments) – affiliate, net	(22,700)	(700)
Net cash flows from financing activities	2,300	(700)
Change in Cash and Cash Equivalents	—	4,699
Cash and Cash Equivalents at Beginning of Period	1	1
Cash and Cash Equivalents at End of Period	$ 1	$ 4,700
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	$ 171	$ 104
Income taxes paid (refunded), net	$ (604)	$ (1,952)

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1	$ 1
Accounts receivable	19,950	17,217
Unbilled revenues	6,853	8,181
Other receivables	762	2,359
Materials and supplies	2,788	2,853
Regulatory assets	4,205	2,630
Current portion of accumulated deferred income taxes	1,131	1,131
Other current assets	841	1,107
Total current assets	36,531	35,479
Other Property and Investments:		
Other investments	281	281
Non-utility property	2,240	2,240
Total other property and investments	2,521	2,521
Utility Plant:		
Plant in service and plant held for future use	1,022,770	1,009,108
Less accumulated depreciation and amortization	346,365	339,315
	676,405	669,793
Construction work in progress	28,207	19,801
Net utility plant	704,612	689,594
Deferred Charges and Other Assets:		
Regulatory assets	119,866	123,621
Goodwill	226,665	226,665
Other deferred charges	8,747	8,349
Total deferred charges and other assets	355,278	358,635
	$ 1,098,942	$ 1,086,229

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2013	December 31, 2012
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	$ 25,000	$ —
Short-term debt – affiliate	5,600	28,300
Accounts payable	12,045	8,848
Affiliate payables	2,597	4,381
Accrued interest and taxes	31,177	30,491
Other current liabilities	10,251	8,854
Total current liabilities	86,670	80,874
Long-term Debt	311,745	311,589
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	166,302	163,710
Regulatory liabilities	45,321	43,619
Asset retirement obligations	747	732
Accrued pension liability and postretirement benefit cost	14,404	15,947
Other deferred credits	6,174	5,944
Total deferred credits and other liabilities	232,948	229,952
Total liabilities	631,363	622,415
Commitments and Contingencies (See Note 9)		
Common Stockholder's Equity:		
Common stock outstanding ($10 par value; 12,000,000 shares authorized; issued and outstanding 6,358 shares)	64	64
Paid-in-capital	390,366	390,366
Accumulated other comprehensive income (loss), net of income taxes	(177)	(216)
Retained earnings	77,326	73,600
Total common stockholder's equity	467,579	463,814
	$ 1,098,942	$ 1,086,229

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN COMMON STOCKHOLDER'S EQUITY
(Unaudited)

	Common Stock	Paid-in Capital	AOCI	Retained Earnings	Total Common Stockholder's Equity
			(In thousands)		
Balance at December 31, 2012	$ 64	$ 390,366	$ (216)	$ 73,600	$ 463,814
Net earnings	—	—	—	3,726	3,726
Total other comprehensive income	—	—	39	—	39
Balance at March 31, 2013	$ 64	$ 390,366	$ (177)	$ 77,326	$ 467,579

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Significant Accounting Policies and Responsibility for Financial Statements

Financial Statement Preparation

In the opinion of management, the accompanying unaudited interim Condensed Consolidated Financial Statements reflect all normal and recurring accruals and adjustments that are necessary to present fairly the consolidated financial position at March 31, 2013 and December 31, 2012, and the consolidated results of operations, comprehensive income, and consolidated cash flows for the three months ended March 31, 2013 and 2012. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could ultimately differ from those estimated. The Notes to Condensed Consolidated Financial Statements include disclosures for PNMR, PNM, and TNMP. This report uses the term "Company" when discussing matters of common applicability to PNMR, PNM, and TNMP. Discussions regarding only PNMR, PNM, or TNMP are so indicated. Certain amounts in the 2012 Condensed Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2013 financial statement presentation.

These Condensed Consolidated Financial Statements are unaudited. Certain information and note disclosures normally included in the annual Consolidated Financial Statements have been condensed or omitted, as permitted under the applicable rules and regulations. Readers of these financial statements should refer to PNMR's, PNM's, and TNMP's audited Consolidated Financial Statements and Notes thereto that are included in their respective 2012 Annual Reports on Form 10-K. Weather causes the Company's results of operations to be seasonal in nature and the results of operations presented in the accompanying Condensed Consolidated Financial Statements are not necessarily representative of operations for an entire year.

GAAP defines subsequent events as events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. Based on their nature, magnitude, and timing, certain subsequent events may be required to be reflected at the balance sheet date and/or required to be disclosed in the financial statements. The Company has evaluated subsequent events as required by GAAP.

Principles of Consolidation

The Condensed Consolidated Financial Statements of each of PNMR, PNM, and TNMP include their accounts and those of subsidiaries in which that entity owns a majority voting interest. PNM also consolidates the PVNGS Capital Trust and Valencia. PNM owns undivided interests in several jointly-owned power plants and records its pro-rata share of the assets, liabilities, and expenses for those plants.

PNMR shared services' administrative and general expenses, which represent costs that are primarily driven by corporate level activities, are charged to the business segments at cost. Other significant intercompany transactions between PNMR, PNM, and TNMP include interest and income tax sharing payments, as well as dividends paid on common stock. All intercompany transactions and balances have been eliminated. See Note 11.

(2) Segment Information

The following segment presentation is based on the methodology that management uses for making operating decisions and assessing performance of its various business activities. A reconciliation of the segment presentation to the GAAP financial statements is provided.

PNM

PNM includes the retail electric utility operations of PNM that are subject to traditional rate regulation by the NMPRC. PNM provides integrated electricity services that include the generation, transmission, and distribution of electricity for retail electric customers in New Mexico. PNM also provides generation service to firm-requirements wholesale customers and sells electricity into the general wholesale market, as well as providing transmission services to third parties. The sale of electricity

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

into the wholesale market includes the optimization of PNM's jurisdictional capacity, as well as the capacity excluded from retail rates. FERC has jurisdiction over wholesale and transmission rates.

TNMP

TNMP is an electric utility providing regulated transmission and distribution services in Texas under the TECA. TNMP's operations are subject to traditional rate regulation by the PUCT.

Corporate and Other

The Corporate and Other segment includes PNMR holding company activities, primarily related to corporate level debt and PNMR Services Company.

The following tables present summarized financial information for PNMR by segment. PNM and TNMP each operate in only one segment. Therefore, tabular segment information is not presented for PNM and TNMP.

PNMR SEGMENT INFORMATION

Three Months Ended March 31, 2013	PNM Electric	TNMP Electric	Corporate and Other	Consolidated
	(In thousands)			
Electric operating revenues	$ 257,894	$ 59,771	$ —	$ 317,665
Cost of energy	91,660	13,046	—	104,706
Margin	166,234	46,725	—	212,959
Other operating expenses	103,161	21,990	(3,703)	121,448
Depreciation and amortization	25,834	11,681	3,292	40,807
Operating income	37,239	13,054	411	50,704
Interest income	2,673	—	(39)	2,634
Other income (deductions)	1,407	208	(1,725)	(110)
Net interest charges	(19,957)	(7,246)	(4,094)	(31,297)
Segment earnings (loss) before income taxes	21,362	6,016	(5,447)	21,931
Income taxes (benefit)	6,589	2,290	(910)	7,969
Segment earnings (loss)	14,773	3,726	(4,537)	13,962
Valencia non-controlling interest	(3,204)	—	—	(3,204)
Subsidiary preferred stock dividends	(132)	—	—	(132)
Segment earnings (loss) attributable to PNMR	$ 11,437	$ 3,726	$ (4,537)	$ 10,626
At March 31, 2013:				
Total Assets	$ 4,155,257	$ 1,098,942	$ 116,561	$ 5,370,760
Goodwill	$ 51,632	$ 226,665	$ —	$ 278,297
Additions to utility and non-utility plant included in accounts payable	$ 8,211	$ 1,055	$ 12	$ 9,278

Three Months Ended March 31, 2012	PNM Electric	TNMP Electric	Corporate and Other	Consolidated
	(In thousands)			
Electric operating revenues	$ 250,416	$ 54,958	$ —	$ 305,374
Cost of energy	80,557	11,290	—	91,847
Margin	169,859	43,668	—	213,527
Other operating expenses	104,120	20,590	(3,326)	121,384
Depreciation and amortization	23,634	11,287	3,493	38,414
Operating income (loss)	42,105	11,791	(167)	53,729
Interest income	3,335	—	(43)	3,292
Other income (deductions)	4,982	105	(2,539)	2,548
Net interest charges	(18,493)	(7,097)	(3,976)	(29,566)
Segment earnings (loss) before income taxes	31,929	4,799	(6,725)	30,003
Income taxes (benefit)	10,852	1,788	(3,114)	9,526
Segment earnings (loss)	21,077	3,011	(3,611)	20,477
Valencia non-controlling interest	(3,265)	—	—	(3,265)
Subsidiary preferred stock dividends	(132)	—	—	(132)
Segment earnings (loss) attributable to PNMR	$ 17,680	$ 3,011	$ (3,611)	$ 17,080
At March 31, 2012:				
Total Assets	$ 4,031,859	$ 1,037,616	$ 128,421	$ 5,197,896
Goodwill	$ 51,632	$ 226,665	$ —	$ 278,297
Additions to utility and non-utility plant included in accounts payable	$ 18,296	$ 801	$ 673	$ 19,770

(3) Variable Interest Entities

GAAP determines how an enterprise evaluates and accounts for its involvement with variable interest entities, including determining the primary beneficiary of a variable interest entity, by focusing primarily on whether the enterprise has the power to direct the activities that most significantly impact the economic performance of a variable interest entity. GAAP also requires continual reassessment of the primary beneficiary of a variable interest entity. Additional information concerning PNM's variable interest entities is contained in Note 9 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Valencia

PNM has a PPA to purchase all of the electric capacity and energy from Valencia, a 145 MW natural gas-fired power plant near Belen, New Mexico, through May 2028. A third-party built, owns, and operates the facility while PNM is the sole purchaser of the electricity generated. PNM is obligated to pay fixed operations and maintenance and capacity charges in addition to variable operations and maintenance charges under this PPA. For the three months ended March 31, 2013 and 2012, PNM paid $4.7 million and $4.6 million for fixed charges and $0.1 million and $0.1 million for variable charges. PNM does not have any other financial obligations related to Valencia. The assets of Valencia can only be used to satisfy obligations of Valencia and creditors of Valencia do not have any recourse against PNM's assets. PNM has concluded that the third party entity that owns Valencia is a variable interest entity and that PNM is the primary beneficiary of the entity under GAAP. As the primary beneficiary, PNM consolidates the entity in its financial statements. The assets and liabilities of Valencia set forth below are immaterial to PNM and, therefore, not shown separately on the Condensed Consolidated Balance Sheets. The owner's equity and net income of Valencia are considered attributable to non-controlling interest.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Summarized financial information for Valencia is as follows:

Results of Operations

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Operating revenues	$ 4,775	$ 4,670
Operating expenses	(1,571)	(1,405)
Earnings attributable to non-controlling interest	$ 3,204	$ 3,265

Financial Position

	March 31, 2013	December 31, 2012
	(In thousands)	
Current assets	$ 2,691	$ 3,655
Net property, plant, and equipment	77,245	77,953
Total assets	79,936	81,608
Current liabilities	1,149	765
Owners' equity – non-controlling interest	$ 78,787	$ 80,843

PVNGS Leases

PNM leases interests in Units 1 and 2 of PVNGS under arrangements, which were entered into in 1985 and 1986, that are accounted for as operating leases. PNM is not the legal or tax owner of the leased assets. PNM has an option to purchase the leased assets at appraised value at the end of the leases, but does not have a fixed price purchase option and does not provide residual value guarantees. As set forth in the leases, PNM has options to renew the leases at fixed rates, which represent 50% of the amounts during the original terms of the leases, for two years beyond the termination of the original lease terms. The option periods on all of the Unit 1 leases and one of the Unit 2 leases, amounting to 14% of the Unit 2 capacity under lease, may be further extended for up to an additional six years (the "Maximum Option Period") if the appraised remaining useful lives and fair value of the leased assets are greater than parameters set forth in the leases. As discussed in Note 9 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K, PNM notified each of the lessors of the Unit 1 leases that it will extend each Unit 1 lease for the Maximum Option Period upon the expiration of the basic lease term on January 15, 2015. In addition, PNM notified each of the lessors in the Unit 2 leases that PNM will "retain" the assets leased under that lease upon the expiration of the basic lease term on January 15, 2016. PNM will be required to specify by notice to each of the lessors by January 15, 2014, whether on January 15, 2016 it will extend the Unit 2 leases or purchase the leased assets.

PNM is only obligated to make payments to the trusts for the scheduled semi-annual lease payments, which, net of amounts that will be returned to PNM through its ownership in related lessor notes, aggregate $65.9 million as of March 31, 2013 over the remaining original terms of the leases. Under certain circumstances (for example, final shutdown of the plant, the NRC issuing specified violation orders with respect to PVNGS, or the occurrence of specified nuclear events), PNM would be required to make specified payments to the beneficial owners and take title to the leased interests. If such an event had occurred as of March 31, 2013, PNM could have been required to pay the beneficial owners up to $160.4 million, which would result in PNM taking ownership of the leased assets and termination of the leases. PNM has no other financial obligations or commitments to the trusts or the beneficial owners. Creditors of the trusts have no recourse to PNM's assets other than with respect to the contractual lease payments. PNM has no additional rights to the assets of the trusts other than the use of the leased assets.

PNM has evaluated the PVNGS lease arrangements, including the notices discussed above, and concluded that it does not have the power to direct the activities that most significantly impact the economic performance of the trusts and, therefore, is not the primary beneficiary of the trusts under GAAP. PNM has recorded no assets or liabilities related to the trusts other than the accrual of lease payments between the scheduled payment dates, which were $11.8 million at March 31, 2013 and $26.0 million at December 31, 2012 and are included in other current liabilities on the Condensed Consolidated Balance Sheets. For additional information regarding these leases, see Risk Factors, MD&A – Off Balance Sheet Arrangements and Note 7 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Delta

PNM has a PPA covering the entire output of Delta, which is a variable interest under GAAP. PNM makes fixed and variable payments to Delta under the PPA. PNM also controls the dispatch of the generating plant, which impacts the variable payments made under the PPA and impacts the economic performance of the entity that owns Delta. PNM makes fixed and variable payments to Delta under the PPA. For the three months ended March 31, 2013 and 2012, PNM incurred fixed capacity charges of $1.6 million and $1.5 million and variable energy charges of $0.2 million and $0.1 million under the PPA. PNM's only quantifiable obligation under the PPA is to make the fixed payments, which as of March 31, 2013, aggregated $43.7 million through the end of the PPA in 2020. PNM will also pay variable costs, which cannot be quantified since the amounts are based on how much the generating plant is in operation.

This arrangement was entered into prior to December 31, 2003 and PNM was unsuccessful in obtaining the information necessary to determine if it is the primary beneficiary of the entity that owns Delta, or to consolidate that entity if it were determined that PNM is the primary beneficiary. Accordingly, PNM was unable to make those determinations and, as provided in GAAP, accounted for this PPA as an operating lease.

In December 2012, PNM entered into an agreement with the owners of Delta under which PNM would purchase the entity that owns Delta. At closing PNM would make a cash payment of $23.0 million, which would be adjusted for actual working capital compared to a targeted working capital and certain prepayments of debt. Delta had project financing debt of $18.5 million at March 31, 2013, including $3.0 million due by March 31, 2014, which PNM would retire at closing of the purchase. The purchase is subject to approval of the NMPRC and FERC, as well as other customary closing conditions. Furthermore, closing is subject to the seller remedying specified operational, NERC compliance, and environmental issues. FERC approved the purchase on February 26, 2013.

Delta informed PNM that at March 31, 2013, it had total assets of $26.1 million, including net property, plant, and equipment of $22.4 million, and total liabilities of $20.4 million. Delta also indicated its revenue for the three months ended March 31, 2013 was $1.8 million and its net earnings were $0.2 million. Consolidation of Delta would be immaterial to the Condensed Consolidated Balance Sheets of PNMR and PNM. Since all of Delta's revenues and expenses are attributable to its PPA arrangement with PNM, the primary impact of consolidating Delta to the Condensed Consolidated Statements of Earnings of PNMR and PNM would be to reclassify Delta's net earnings from operating expenses and reflect such amount as earnings attributable to a non-controlling interest, without any impact to net earnings attributable to PNMR and PNM.

(4) Fair Value of Derivative and Other Financial Instruments

Energy Related Derivative Contracts

Overview

The primary objective for the use of derivative instruments, including energy contracts, options, and futures, is to manage price risk associated with forecasted purchases of energy and fuel used to generate electricity, as well as managing anticipated generation capacity in excess of forecasted demand from existing customers. The Company's energy related derivative contracts manage commodity risk. PNM is required to meet the demand and energy needs of its retail and firm-requirements wholesale customers. PNM is exposed to market risk for its share of PVNGS Unit 3 and the needs of its firm-requirements wholesale customers not covered under a FPPAC. PNM's operations are managed primarily through a net asset-backed strategy, whereby PNM's aggregate net open forward contract position is covered by its forecasted excess generation capabilities or market purchases. PNM could be exposed to market risk if its generation capabilities were to be disrupted or if its load requirements were to be

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

greater than anticipated, to the extent not covered by the FPPAC. If all or a portion of load requirements were required to be covered as a result of such unexpected situations, commitments would have to be met through market purchases. Additional information concerning the Company's energy related derivative contracts, including how commodity risk is managed, is contained in Note 8 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Commodity Risk

Marketing and procurement of energy often involve market risks associated with managing energy commodities and establishing open positions in the energy markets, primarily on a short-term basis. PNM routinely enters into various derivative instruments such as forward contracts, option agreements, and price basis swap agreements to economically hedge price and volume risk on power commitments and fuel requirements and to minimize the effect of market fluctuations in wholesale portfolios. PNM monitors the market risk of its commodity contracts using VaR calculations to maintain total exposure within management-prescribed limits in accordance with approved risk and credit policies.

Accounting for Derivatives

Under derivative accounting and related rules for energy contracts, the Company accounts for its various derivative instruments for the purchase and sale of energy based on the Company's intent. Energy contracts that meet the definition of a derivative under GAAP and do not qualify, or are not designated, for the normal sales and purchases exception are recorded on the balance sheet at fair value at each period end. The changes in fair value are recognized in earnings unless specific hedge accounting criteria are met and elected. Normal sales and purchases are not marked to market and are reflected in results of operations when the underlying transactions settle.

During the three months ended March 31, 2013 and the year ended December 31, 2012, the Company was not hedging its exposure to the variability in future cash flows from commodity derivatives through designated cash flows hedges. The contracts recorded at fair value that do not qualify or are not designated for cash flow hedge accounting are classified as economic hedges. Economic hedges are defined as derivative instruments, including long-term power agreements, used to economically hedge generation assets, purchased power and fuel costs, and customer load requirements. Changes in the fair value of economic hedges are reflected in results of operations and are classified between operating revenues and cost of energy according to the intent of the hedge. The Company has no trading transactions.

Fair value is defined under GAAP as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is based on current market quotes as available and is supplemented by modeling techniques and assumptions made by the Company to the extent quoted market prices or volatilities are not available. External pricing input availability varies based on commodity location, market liquidity, and term of the agreement. Valuations of derivative assets and liabilities take into account nonperformance risk including the effect of counterparties' and the Company's credit risk. The Company regularly assesses the validity and availability of pricing data for its derivative transactions. Although the Company uses its best judgment in estimating the fair value of these instruments, there are inherent limitations in any estimation technique.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Commodity Derivatives

Commodity derivative instruments are summarized as follows:

	Economic Hedges	
	March 31, 2013	December 31, 2012
PNMR and PNM	(In thousands)	
Current assets	$ 2,114	$ 3,785
Deferred charges	—	352
	2,114	4,137
Current liabilities	(4,132)	(1,000)
Long-term liabilities	(1,785)	(1,933)
	(5,917)	(2,933)
Net	$ (3,803)	$ 1,204

Certain of PNM's commodity derivative instruments included in the above table are subject to master netting agreements whereby assets and liabilities could be offset in the settlement process. The Company does not offset fair value, cash collateral, and accrued payable or receivable amounts recognized for derivative instruments under master netting arrangements and the above table reflects the gross amounts of assets and liabilities. The amounts that could be offset under master netting agreements were immaterial at March 31, 2013 and December 31, 2012.

At March 31, 2013 and December 31, 2012, PNMR and PNM had no amounts recognized for the legal right to reclaim cash collateral. In addition, at March 31, 2013 and December 31, 2012, amounts posted as cash collateral under margin arrangements were $1.9 million and $1.9 million for both PNMR and PNM. PNMR and PNM had no obligation to return cash collateral at March 31, 2013 and December 31, 2012. Cash collateral amounts are included in other current assets on the Condensed Consolidated Balance Sheets.

PNM has a NMPRC approved hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC. The table above includes less than $0.1 million of current assets and current liabilities at March 31, 2013 and December 31, 2012 related to this plan. The offsets to these amounts are recorded as regulatory assets and liabilities on the Condensed Consolidated Balance Sheets.

The following table presents the effect of commodity derivative instruments on earnings, excluding income tax effects. Commodity derivatives had no impact on OCI for the periods presented.

	Economic Hedges	
	Three Months Ended March 31,	
	2013	2012
PNMR and PNM	(In thousands)	
Electric operating revenues	$ (4,603)	$ 5,218
Cost of energy	756	(604)
Total gain (loss)	$ (3,847)	$ 4,614

Commodity contract volume positions are presented in MMBTU for gas related contracts and in MWh for power related contracts. The table below presents PNMR's and PNM's net buy (sell) volume positions:

	Economic Hedges	
	MMBTU	MWh
March 31, 2013		
PNMR and PNM	1,425,000	(2,042,657)
December 31, 2012		
PNMR and PNM	1,127,500	(2,477,520)

In connection with managing its commodity risks, the Company enters into master agreements with certain counterparties. If the Company is in a net liability position under an agreement, some agreements provide that the counterparties can request collateral from the Company if the Company's credit rating is downgraded; other agreements provide that the counterparty may request collateral to provide it with "adequate assurance" that the Company will perform; and others have no provision for collateral.

The table below presents information about the Company's contingent requirements to provide collateral under commodity contracts having an objectively determinable collateral provision that are in net liability positions and are not fully collateralized with cash. Contractual liability represents commodity derivative contracts recorded at fair value on the balance sheet, determined on an individual contract basis without offsetting amounts for individual contracts that are in an asset position and could be offset under master netting agreements with the same counterparty. The table only reflects cash collateral that has been posted under the existing contracts and does not reflect letters of credit under the Company's revolving credit facilities that have been issued as collateral. Net exposure is the net contractual liability for all contracts, including those designated as normal purchases and sales, offset by existing cash collateral and by any offsets available under master netting agreements, including both asset and liability positions.

Contingent Feature – Credit Rating Downgrade	Contractual Liability	Existing Cash Collateral	Net Exposure
		(In thousands)	
March 31, 2013			
PNMR and PNM	$ 3,935	$ —	$ 3,854
December 31, 2012			
PNMR and PNM	$ 2,933	$ —	$ 2,777

Sale of Power from PVNGS Unit 3

Since January 1, 2011, PNM has been selling power from its interest in PVNGS Unit 3 daily at market prices. PNM has established fixed rates for all of these sales through the end of 2013 through hedging arrangements that are accounted for as economic hedges. PNM is also partially hedged for 2014.

Non-Derivative Financial Instruments

The carrying amounts reflected on the Condensed Consolidated Balance Sheets approximate fair value for cash, receivables, and payables due to the short period of maturity. Available-for-sale securities are carried at fair value, which include unrealized gains on securities which have not been recognized in net earnings. Available-for-sale securities for PNMR and PNM consist of PNM assets held in the NDT for its share of decommissioning costs of PVNGS and a trust for PNM's share of post-term reclamation

costs related to the coal mines serving SJGS , which investments are included in "other investments" on the Condensed Consolidated Balance Sheet. PNMR and PNM do not have any unrecognized losses on available-for-sale securities. The fair value and gross unrealized gains of investments in available-for-sale securities are presented in the following table.

	March 31, 2013		December 31, 2012	
	Unrealized Gains	Fair Value	Unrealized Gains	Fair Value
	(In thousands)			
Cash and cash equivalents	$ —	$ 3,877	$ —	$ 4,628
Equity securities:				
Domestic value	8,782	34,410	5,223	30,044
Domestic growth	18,184	55,435	15,212	51,650
International and other	803	15,420	247	14,868
Fixed income securities:				
U.S. Government	1,077	33,721	1,305	32,592
Municipals	3,845	43,459	4,069	43,861
Corporate and other	989	15,085	1,100	14,868
	$ 33,680	$ 201,407	$ 27,156	$ 192,511

The proceeds and gross realized gains and losses on the disposition of available-for-sale securities for PNMR and PNM are shown in the following table. Realized gains and losses are determined by specific identification of costs of securities sold.

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Proceeds from sales	$ 14,284	$ 26,760
Gross realized gains	$ 1,391	$ 2,332
Gross realized (losses)	$ (407)	$ (738)

Held-to-maturity securities are those investments in debt securities that the Company has the ability and intent to hold until maturity. Held-to-maturity securities consist of the investment in PVNGS lessor notes and certain items within other investments.

The Company has no available-for-sale or held-to-maturity securities for which carrying value exceeds fair value. There are no impairments considered to be "other than temporary" that are included in AOCI and not recognized in earnings.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

At March 31, 2013, the available-for-sale and held-to-maturity debt securities had the following final maturities:

	Fair Value		
	Available-for-Sale	Held-to-Maturity	
	PNMR and PNM	PNMR	PNM
	(In thousands)		
Within 1 year	$ 1,792	$ 7,478	$ 3,780
After 1 year through 5 years	30,751	66,708	66,375
After 5 years through 10 years	17,244	—	—
After 10 years through 15 years	8,637	—	—
After 15 years through 20 years	11,060	—	—
After 20 years	22,781	—	—
	$ 92,265	$ 74,186	$ 70,155

Fair Value Disclosures

The Company determines the fair values of its derivative and other instruments based on the hierarchy established in GAAP, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs used in determining fair values for the Company consist of internal valuation models.

For the NDT and reclamation trust investments, Level 2 fair values are provided by the trustee utilizing a pricing service. The pricing provider predominantly uses the market approach using bid side market value based upon a hierarchy of information for specific securities or securities with similar characteristics. For commodity derivatives, Level 2 fair values are determined based on market observable inputs, which are validated using multiple broker quotes, including forward price, volatility, and interest rate curves to establish expectations of future prices. Credit valuation adjustments are made for estimated credit losses based on the overall exposure to each counterparty. For long-term debt, Level 2 fair values are provided by an external pricing service. The pricing service primarily utilizes quoted prices for similar debt in active markets when determining fair value. For investments categorized as Level 3, primarily the PVNGS lessor notes and other investments, fair values were determined by discounted cash flow models that take into consideration discount rates that are observable for similar type assets and liabilities. Management of the Company independently verifies the information provided by pricing services.

The Company records any transfers between fair value hierarchy levels as of the end of each calendar quarter. There were no transfers between levels during the three months ended March 31, 2013 and 2012.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Items recorded at fair value on the Condensed Consolidated Balance Sheets are presented below:

		GAAP Fair Value Hierarchy	
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
		(In thousands)	
March 31, 2013			
PNMR and PNM			
Decommissioning and reclamation investments:			
Cash and cash equivalents	$ 3,877	$ 3,877	$ —
Equity securities:			
Domestic value	34,410	34,410	—
Domestic growth	55,435	55,435	—
International and other	15,420	15,420	—
Fixed income securities:			
U.S. government	33,721	30,193	3,528
Municipals	43,459	—	43,459
Corporate and other	15,085	—	15,085
	$ 201,407	$ 139,335	$ 62,072
Commodity derivative assets	$ 2,114	$ —	$ 2,114
Commodity derivative liabilities	(5,917)	—	(5,917)
Net	$ (3,803)	$ —	$ (3,803)
December 31, 2012			
PNMR and PNM			
Decommissioning and reclamation investments:			
Cash and cash equivalents	$ 4,628	$ 4,628	$ —
Equity securities:			
Domestic value	30,044	30,044	—
Domestic growth	51,650	51,650	—
International and other	14,868	14,868	—
Fixed income securities:			
U.S. government	32,592	27,737	4,855
Municipals	43,861	—	43,861
Corporate and other	14,868	—	14,868
	$ 192,511	$ 128,927	$ 63,584
Commodity derivative assets	$ 4,137	$ —	$ 4,137
Commodity derivative liabilities	(2,933)	—	(2,933)
Net	$ 1,204	$ —	$ 1,204

There were no Level 3 fair value measurements at March 31, 2013 or December 31, 2012.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The carrying amounts and fair values of investments in PVNGS lessor notes, other investments, and long-term debt, which are not recorded at fair value on the Condensed Consolidated Balance Sheets are presented below:

			GAAP Fair Value Hierarchy		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In thousands)		
March 31, 2013					
PNMR					
Long-term debt	$ 1,672,456	$ 1,977,199	$ —	$ 1,974,550	$ 2,649
Investment in PVNGS lessor notes	$ 66,375	$ 69,155	$ —	$ —	$ 69,155
Other investments	$ 4,647	$ 6,939	$ 761	$ —	$ 6,178
PNM					
Long-term debt	$ 1,215,589	$ 1,391,714	$ —	$ 1,391,714	$ —
Investment in PVNGS lessor notes	$ 66,375	$ 69,155	$ —	$ —	$ 69,155
Other investments	$ 480	$ 480	$ 480	$ —	$ —
TNMP					
Long-term debt	$ 311,745	$ 418,912	$ —	$ 418,912	$ —
Other investments	$ 281	$ 281	$ 281	$ —	$ —
December 31, 2012					
PNMR					
Long-term debt	$ 1,672,290	$ 1,969,362	$ —	$ 1,966,725	$ 2,637
Investment in PVNGS lessor notes	$ 77,682	$ 84,198	$ —	$ —	$ 84,198
Other investments	$ 5,599	$ 6,965	$ 774	$ —	$ 6,191
PNM					
Long-term debt	$ 1,215,579	$ 1,385,433	$ —	$ 1,385,433	$ —
Investment in PVNGS lessor notes	$ 77,682	$ 84,198	$ —	$ —	$ 84,198
Other investments	$ 494	$ 494	$ 494	$ —	$ —
TNMP					
Long-term debt	$ 311,589	$ 418,166	$ —	$ 418,166	$ —
Other investments	$ 281	$ 281	$ 281	$ —	$ —

(5) Earnings Per Share

In accordance with GAAP, dual presentation of basic and diluted earnings per share is presented in the Condensed Consolidated Statements of Earnings of PNMR. Information regarding the computation of earnings per share is as follows:

	Three Months Ended March 31,	
	2013	2012
	(In thousands, except per share amounts)	
Net Earnings Attributable to PNMR	$ 10,626	$ 17,080
Average Number of Common Shares:		
Outstanding during period	79,654	79,654
Vested awards of restricted stock	211	200
Average Shares - Basic	79,865	79,854
Dilutive Effect of Common Stock Equivalents [1]:		
Stock options and restricted stock	715	621
Average Shares - Diluted	80,580	80,475
Net Earnings Per Share of Common Stock:		
Basic	$ 0.13	$ 0.21
Diluted	$ 0.13	$ 0.21

[1] Excludes the effect of out-of-the-money options for 827,977 shares of common stock at March 31, 2013.

(6) Stock-Based Compensation

PNMR has various stock-based compensation programs, including stock options, restricted stock, and performance shares granted under the Performance Equity Plan ("PEP"). In 2011, the Company changed its approach to awarding stock-based compensation. As a result, no stock options have been granted in 2013 or 2012 and awards of restricted stock have increased. Certain restricted stock awards are subject to achieving performance or market targets and some also have time vesting requirements. Other awards of restricted stock are only subject to time vesting requirements. Additional information concerning stock-based compensation under PNMR's Performance Equity Plan ("PEP") is contained in Note 13 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Restricted stock under the PEP refers to awards of stock subject to vesting, performance, or market conditions rather than to shares with contractual post-vesting restrictions. Generally, the awards vest ratably over three years from the grant date of the award. However, certain awards with performance or market conditions vest upon satisfaction of those conditions. In addition, plan provisions provide that upon retirement, participants become 100% vested in stock awards.

The stock-based compensation expense related to stock options and restricted stock awards without performance or market conditions is amortized to compensation expense over the requisite vesting period, which is generally three years. However, compensation expense for awards to participants that are retirement eligible on the award date is recognized immediately at the award date and is not amortized. Compensation expense for performance-based shares is recognized ratably over the performance period and is adjusted periodically to reflect the level of achievement expected to be attained. Compensation expense related to market-based shares is recognized ratably over the measurement period, regardless of the actual level of achievement, provided the employees remain with the Company during the period. At March 31, 2013 and December 31, 2012, PNMR had unrecognized expense related to stock awards of $6.8 million and $3.8 million.

The Company uses the Black Scholes option pricing model to estimate the fair value of stock option awards based on multiple factors, including historical exercise patterns of employees in relatively homogeneous groups with respect to exercise

and post-vesting employment termination behaviors, expected exercising patterns for these same homogeneous groups, and both the implied and historical volatility of PNMR's stock price. The grant date fair value for restricted stock and stock awards with Company internal performance targets is determined based on the market price of PNMR common stock on the date of the agreements reduced by the present value of future dividends, which will not be received prior to vesting, applied to the total number of shares that are anticipated to vest, although the number of shares that ultimately vest cannot be determined until after the performance periods end. The grant date fair value of stock awards with market targets is determined using Monte Carlo simulation models, which provide grant date fair values that include an expectation of the number of shares to vest.

The following table summarizes the weighted-average assumptions used to determine the awards grant date fair value:

	Three Months Ended March 31,	
Restricted Shares and Performance Based Shares	**2013**	**2012**
Expected quarterly dividends per share	$ 0.165	$ 0.145
Risk-free interest rate	0.38%	0.69%
Market-Based Shares		
Dividend yield	2.86%	3.45%
Expected volatility	25.11%	43.98%
Risk-free interest rate	0.36%	1.04%

The following table summarizes activity in stock options and restricted stock awards, including performance-based and market-based shares, for the three months ended March 31, 2013:

	Stock Option Shares	Weighted-Average Exercise Price	Restricted Stock	Weighted-Average Grant Date Fair Value
Outstanding at beginning of period	1,992,700	$ 20.72	353,722	$ 14.03
Granted	—	$ —	226,313	$ 19.82
Exercised	(180,527)	$ 12.70	(240,158)	$ 16.12
Forfeited	—	$ —	(866)	$ 13.67
Expired	(256,426)	$ 27.24	—	$ —
Outstanding at end of period	1,555,747	$ 20.58	339,011	$ 16.86

Included as granted and exercised in the tables above are 100,953 shares that were based upon achieving performance or market targets for 2012. The Board approved these shares in February 2013, including shares with market targets at near maximum levels.

PNMR also has share agreements that provide for performance or market targets through 2015. Excluded from the above tables are maximums of 188,129, 198,369, and 179,811 shares for periods ending in 2013, 2014, and 2015 that would be awarded if all performance or market criteria are achieved and all executives remain eligible.

In March 2012, the Company entered into a retention award agreement with its Chairman, President, and Chief Executive Officer under which she would receive 135,000 shares of PNMR's common stock if the Company meets specific market targets at the end of 2016 and she remains an employee of the Company. If the Company achieves specific market targets at the end of 2014 and she remains an employee of the Company, she would receive 35,000 of the total shares at that time. The retention award was made under the PEP and was approved by the Board on February 28, 2012. The above tables do not include any shares under the retention award agreement.

At March 31, 2013, the aggregate intrinsic values of stock options outstanding and exercisable were $7.8 million and $7.7 million with weighted-average remaining contract lives of 4.06 and 4.05 years. At March 31, 2013, the exercise price of 827,977 outstanding stock options is greater than the closing price of PNMR common stock on that date; therefore, those options have no intrinsic value.

The following table provides additional information concerning stock options and restricted stock activity, including performance-based and market-based shares:

	Three Months Ended March 31,	
Stock Options	**2013**	**2012**
Weighted-average grant date fair value of options granted	$ —	$ —
Total fair value of options that vested (in thousands)	$ 620	$ 1,058
Total intrinsic value of options exercised (in thousands)	$ 1,824	$ 1,722
Restricted Stock		
Weighted-average grant date fair value	$ 19.82	$ 14.33
Total fair value of restricted shares that vested (in thousands)	$ 3,871	$ 3,232

(7) Financing

Additional information concerning financing activities, including a TNMP cash-flow hedge that establishes a fixed interest rate on a variable rate loan, is contained in Note 6 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Short-term Debt

PNMR has a revolving credit financing capacity of $300.0 million under the PNMR Revolving Credit Facility. PNM has a revolving credit financing capacity of $400.0 million under the PNM Revolving Credit Facility. Both of these facilities currently expire on October 31, 2017 and provide for an additional one-year extension option, subject to approval by the lenders. PNMR borrowed $100.0 million under the PNMR Term Loan Agreement in December 2012. TNMP has a revolving credit facility with financing capacity of $75.0 million under the TNMP Revolving Credit Facility that expires in December 2015. At March 31, 2013, the weighted average interest rate was 1.96% for borrowings outstanding under the PNMR Revolving Credit Facility, 1.335% for the PNMR Term Loan Agreement, 1.71% for the PNM Revolving Credit Facility, and 1.83% for the TNMP Revolving Credit Facility. Short-term debt outstanding consisted of:

Short-term Debt	**March 31, 2013**	**December 31, 2012**
	(In thousands)	
PNM – Revolving credit facility	$ 88,900	$ 21,100
TNMP – Revolving credit facility	25,000	—
PNMR:		
Revolving credit facility	29,400	37,600
PNMR Term Loan Agreement	100,000	100,000
	$ 243,300	$ 158,700

At May 1, 2013, PNMR, PNM, and TNMP had $228.4 million, $380.3 million, and $44.7 million of availability under their respective revolving credit facilities, including reductions of availability due to outstanding letters of credit. Total availability at May 1, 2013, on a consolidated basis, was $653.4 million for PNMR. As of May 1, 2013, TNMP had $28.5 million in borrowings

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

from PNMR under their intercompany loan agreement. At May 1, 2013, PNMR, PNM and TNMP had consolidated invested cash of $4.5 million, none, and none.

Financing Activities

On March 6, 2013, TNMP commenced an offer to exchange any and all of TNMP's $265.5 million aggregate principal amount outstanding 9.50% First Mortgage Bonds, due 2019, Series 2009A, for a new series of 6.95% First Mortgage Bonds, due 2043, Series 2013A, and up to $140 in cash for each $1,000 of bonds exchanged. Settlement of the exchange offer occurred on April 3, 2013. Upon settlement, TNMP issued $93.2 million of 6.95% First Mortgage Bonds and paid an aggregate of $13.0 million in cash in exchange for $93.2 million of 9.50% First Mortgage Bonds, in addition to payment of accrued and unpaid interest on the exchanged bonds. The exchange will result in the recording of a $23.2 million premium on the 6.95% First Mortgage Bonds reflecting the contractual interest rate being in excess of the market rate of interest on the date of the exchange. A regulatory asset will be recorded to offset the premium, as well as the cash consideration paid in the exchange.

On April 22, 2013, PNM entered into a $75.0 million Term Loan Agreement (the "PNM Term Loan Agreement") among PNM, the lenders identified therein, and Union Bank, N.A., as Administrative Agent. Funding of the PNM Term Loan Agreement occurred on April 22, 2013, at which time the funds were used to repay $75.0 million in borrowings made under the PNM Revolving Credit Facility. The PNM Term Loan Agreement bears interest at a variable rate and must be repaid on or before October 21, 2014. The PNM Term Loan Agreement includes customary covenants, including requirements to not exceed a maximum consolidated debt-to-consolidated capitalization ratio and customary events of default. The PNM Term Loan Agreement has a cross default provision and a change of control provision.

(8) Pension and Other Postretirement Benefit Plans

PNMR and its subsidiaries maintain qualified defined benefit pension plans, postretirement benefit plans providing medical and dental benefits, and executive retirement programs ("PNM Plans" and "TNMP Plans"). PNMR maintains the legal obligation for the benefits owed to participants under these plans.

Additional information concerning pension and OPEB plans is contained in Note 12 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K. Annual net periodic benefit cost (income) for the plans is actuarially determined using the methods and assumptions set forth in that note and is recognized ratably throughout the year.

PNM Plans

The following tables present the components of the PNM Plans' net periodic benefit cost:

	Three Months Ended March 31,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2013	2012	2013	2012	2013	2012
	(In thousands)					
Components of Net Periodic Benefit Cost						
Service cost	$ —	$ —	$ 65	$ 54	$ —	$ —
Interest cost	7,035	8,058	1,028	1,324	180	219
Long-term return on plan assets	(10,482)	(10,325)	(1,261)	(1,225)	—	—
Amortization of net loss	3,710	2,629	1,061	972	58	21
Amortization of prior service cost	19	79	(336)	(336)	—	—
Net periodic benefit cost	$ 282	$ 441	$ 557	$ 789	$ 238	$ 240

PNM made contributions to its pension plan trust of $60.0 million and $77.7 million in the three months ended March 31, 2013 and 2012. PNM does not anticipate making additional contributions to its pension trust in 2013. Based on current law, including recent amendments to funding requirements, and estimates of portfolio performance, PNM estimates minimum required contributions for its pension plan trust would total $49.1 million for 2014-2017. Minimum required contributions were developed using current funding assumptions, including discount rates of 4.8% to 5.2%. Actual amounts required to be funded in the future will depend on the actuarial assumptions at that time, including the appropriate discount rate. PNM may make additional contributions at its discretion. PNM made contributions to the OPEB trust of $0.5 million and $0.8 million in the three months ended March 31, 2013 and 2012. PNM expects contributions during 2013 to the OPEB trust to total $3.3 million. Disbursements under the executive retirement program, which are funded by PNM and considered to be contributions to the plan, were $0.4 million in the three months ended March 31, 2013 and 2012 and are expected to total $1.5 million during 2013.

TNMP Plans

The following tables present the components of the TNMP Plans' net periodic benefit cost (income):

	Three Months Ended March 31,					
	Pension Plan		OPEB Plan		Executive Retirement Program	
	2013	2012	2013	2012	2013	2012
	(In thousands)					
Components of Net Periodic Benefit Cost (Income)						
Service cost	$ —	$ —	$ 75	$ 61	$ —	$ —
Interest cost	772	909	141	156	9	11
Long-term return on plan assets	(1,212)	(1,331)	(126)	(129)	—	—
Amortization of net (gain) loss	262	115	—	(52)	—	—
Amortization of prior service cost	—	—	14	14	—	—
Net Periodic Benefit Cost (Income)	$ (178)	$ (307)	$ 104	$ 50	$ 9	$ 11

TNMP made contributions to its pension plan trust of $1.0 million and $5.3 million in the three months ended March 31, 2013 and 2012. TNMP does not anticipate making additional contributions to its pension trust in 2013. Based on current law, including recent amendments to funding requirements, and estimates of portfolio performance, TNMP estimates there would be no minimum required contributions to its pension plan trust for 2014-2017. Minimum required contributions were developed using current funding assumptions, including discount rates of 4.8% and 5.2%. Actual amounts to be funded in the future will depend on the actuarial assumptions at that time, including the appropriate discount rate. TNMP may make additional contributions at its discretion. TNMP made contributions to the OPEB trust of zero and $0.3 million in the three months ended March 31, 2013 and 2012. TNMP expects contributions during 2013 to the OPEB trust to total $0.3 million. Disbursements under the executive retirement program, which are funded by TNMP and considered to be contributions to the plan, were less than $0.1 million in the three months ended March 31, 2013 and 2012 and are expected to total $0.1 million during 2013.

(9) Commitments and Contingencies

Overview

There are various claims and lawsuits pending against the Company. The Company is also subject to federal, state, and local environmental laws and regulations and periodically participates in the investigation and remediation of various sites. In addition, the Company occasionally enters into financial commitments in connection with its business operations. The Company is also involved in various legal and regulatory (Note 10) proceedings in the normal course of its business. It is not possible at this time for the Company to determine fully the effect of all litigation and other legal and regulatory proceedings on its financial position, results of operations, or cash flows.

With respect to some of the items listed below, the Company has determined that a loss is not probable or that, to the extent probable, cannot be reasonably estimated. In some cases, the Company is not able to predict with any degree of certainty the range of possible loss that could be incurred. Notwithstanding these facts, the Company has assessed these matters based on current information and made judgments concerning their potential outcome, giving due consideration to the nature of the claim, the amount and nature of damages sought, and the probability of success. Such judgments are made with the understanding that the outcome of any litigation, investigation, and other legal proceeding is inherently uncertain. In accordance with GAAP, the Company records liabilities for matters where it is probable a loss has been incurred and the amount of loss is reasonably estimable. The actual outcomes of the items listed below could ultimately differ from the judgments made and the differences could be material. The Company cannot make any assurances that the amount of reserves or potential insurance coverage will be sufficient to cover the cash obligations that might be incurred as a result of litigation or regulatory proceedings. The Company does not expect that any known lawsuits, environmental costs, and commitments will have a material effect on its financial condition, results of operations, or cash flows.

Additional information concerning commitments and contingencies is contained in Note 16 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Commitments and Contingencies Related to the Environment

Nuclear Spent Fuel and Waste Disposal

Nuclear power plant operators are required to enter into spent fuel disposal contracts with the DOE that require the DOE to accept and dispose of all spent nuclear fuel and other high-level radioactive wastes generated by domestic power reactors. Although the Nuclear Waste Policy Act required the DOE to develop a permanent repository for the storage and disposal of spent nuclear fuel by 1998, the DOE announced that it would not be able to open the repository by 1998 and sought to excuse its performance under the contract. In November 1997, the D.C. Circuit issued a decision preventing the DOE from excusing its own delay, but refused to order the DOE to begin accepting spent nuclear fuel. Based on this decision and the DOE's delay, a number of utilities, including APS (on behalf of itself and the other PVNGS owners, including PNM), filed damages actions against the DOE in the Court of Federal Claims. The PVNGS owners previously received a damages award for costs incurred through December 2006. APS filed a subsequent lawsuit, on behalf of itself and the other PVNGS owners, against DOE in the Court of Federal Claims on December 19, 2012. The lawsuit alleges that from January 1, 2007, through June 30, 2011, APS, as a co-owner of PVNGS, incurred additional damages due to DOE's continuing failure to remove spent nuclear fuel and high level waste from PVNGS. PNM is unable to predict the outcome of this matter. PNM estimates that it will incur approximately $42.8 million (in 2010 dollars) for its share of the costs related to the on-site interim storage of spent nuclear fuel at PVNGS during the term of the operating licenses. PNM accrues these costs as a component of fuel expense as the fuel is consumed. At March 31, 2013 and December 31, 2012, PNM had a liability for interim storage costs of $12.6 million and $13.9 million included in other deferred credits.

On June 8, 2012, the D.C. Circuit issued its decision on a challenge by several states and environmental groups of the NRC's rulemaking regarding temporary storage and permanent disposal of high-level nuclear waste and spent nuclear fuel. The petitioners had challenged the NRC's 2010 update to the agency's Waste Confidence Decision. The D.C. Circuit found that the agency's 2010 Waste Confidence Decision update constituted a major federal action, which requires either an environmental impact statement or a finding of no significant impact from the agency's actions. The D.C. Circuit found that the NRC's evaluation of the environmental risks from spent nuclear was deficient, and therefore remanded the 2010 Waste Confidence Decision update for further action. In September 2012, the NRC issued a directive to its staff to proceed with development of a generic environmental impact statement to support an updated Waste Confidence Decision within 24 months. PNM is unable to predict the impact that the decision may have on the operation of PVNGS.

The Clean Air Act

Regional Haze

In 1999, EPA developed a regional haze program and regional haze rules under the CAA. The rule directs each of the 50 states to address regional haze. Pursuant to the CAA, states have the primary role to regulate visibility requirements by promulgating

SIPs. States are required to establish goals for improving visibility in national parks and wilderness areas (also known as Class I areas) and to develop long-term strategies for reducing emissions of air pollutants that cause visibility impairment in their own states and for preventing degradation in other states. States must establish a series of interim goals to ensure continued progress. The first planning period specifies setting reasonable progress goals for improving visibility in Class I areas by the year 2018. In July 2005, the EPA promulgated its final regional haze rule guidelines for states to conduct BART determinations for certain covered facilities, including utility boilers, built between 1962 and 1977 that have the potential to emit more than 250 tons per year of visibility impairing pollution. If it is demonstrated that the emissions from these sources cause or contribute to visibility impairment in any Class I area, then BART must be installed by 2018.

SJGS

SJGS is a source that is subject to the statutory obligations of the CAA to reduce visibility impacts. The State of New Mexico submitted its SIP on the regional haze and interstate transport elements of the visibility rules for review by EPA in June 2011. The SIP found that BART to reduce NOx emissions from SJGS is selective non-catalytic reduction technology ("SNCR"). Nevertheless, in August 2011, EPA published its FIP, stating that it was required to do so by virtue of a consent decree it had entered into with an environmental group in litigation concerning the interstate transport requirements of the CAA. The FIP included a regional haze BART determination for SJGS that requires installation of selective catalytic reduction technology ("SCR") with stringent NOx emission limits on all four units by September 21, 2016.

PNM, the Governor of New Mexico, and NMED petitioned the Tenth Circuit to review EPA's decision and requested EPA to reconsider its decision. The Tenth Circuit denied petitions to stay the effective date of the rule on March 1, 2012. These parties have also formally asked EPA to stay the effective date of the rule. Several environmental groups have intervened in support of EPA. WEG also filed an action to challenge EPA's rule in the Tenth Circuit, seeking to shorten its compliance period from five years to three years and PNM has intervened in this action. Oral arguments on the merits of the FIP challenges were held in October 2012 in the Tenth Circuit. In accordance with the court's order, the parties have filed supplemental information. No decision has been announced and there is no deadline for a court decision.

In litigation involving several environmental groups, the United States District Court for the District of Columbia entered a consent decree, which, as amended, required EPA to issue a final rulemaking on New Mexico's regional haze SIP by November 15, 2012. EPA approved all components of the SIP, except for the NOx BART determination for SJGS. With respect to that element of the SIP, EPA determined that with the FIP in place, it had met its obligation under the consent decree.

Because the unchanged compliance deadline of the FIP required PNM to continue to take steps to commence installation of SCRs at SJGS, PNM entered into a contract in October 2012 with an engineering, procurement, and construction contractor to install SCRs on behalf of the SJGS owners. The construction contract, which includes termination provisions in the event that SCRs are determined in the future to be unnecessary, has been suspended through November 1, 2014. PNM estimated the total cost to install SCRs on all four units of SJGS to be between approximately $824 million and $910 million, which amounts include costs for construction management, gross receipts taxes, AFUDC, and other PNM costs, although final costs would be refined through an "open book" subcontractor bidding process. The costs for the project to install SCRs would encompass installation of technology to comply with the NAAQS requirements described below.

PNM previously indicated it estimated the cost of SNCRs on all four units of SJGS to be between approximately $85 million and $90 million based on a conceptual design study. Along with the SNCR installation, additional equipment would be required to be installed to meet the NAAQS requirements described below, the cost of which had been estimated to total between approximately $105 million and $110 million for all four units of SJGS. The estimates for SNCRs and the NAAQS requirements include gross receipts taxes, AFUDC, and other PNM costs.

Based upon its current SJGS ownership interest, PNM's share of the costs under either SCRs or SNCRs as described above would be about 46.3%.

During 2012 and early 2013, PNM engaged in discussions with NMED and EPA regarding an alternative to the FIP and SIP. On February 15, 2013, PNM, NMED, and EPA agreed to pursue a revised plan that could provide a new BART path to comply with federal visibility rules at SJGS. The terms of the non-binding agreement would result in the retirement of SJGS Units 2 and

3 by the end of 2017 and the installation of SNCRs on Units 1 and 4 by the later of January 31, 2016 or 15 months after EPA approval of a revised SIP. Under this plan, NMED would develop a revised SIP and submit it to the EIB for approval. Upon approval by EIB, the revised SIP would be submitted to EPA for approval. EIB approval is projected for the fourth quarter of 2013, with EPA action in late 2014.

NMPRC approval of the retirement of SJGS Units 2 and 3 and plans for PNM to acquire power to replace its reduced capacity from SJGS would also be part of implementation. PNM also anticipates requesting approval to recover from ratepayers the unrecovered investment in SJGS Units 2 and 3 and costs incurred to retire those units. At March 31, 2013, PNM's net book value of SJGS Units 2 and 3 was approximately $290 million.

Contemporaneously with the signing of the non-binding agreement, EPA indicated in writing that if the terms agreed to do not move forward due to circumstances outside of the control of PNM and NMED, EPA will work with the state and PNM to create a reasonable FIP compliance schedule to reflect the time used to develop the new state plan. PNM is also exploring potential additional areas of relief, including relief from the Tenth Circuit.

In connection with the implementation of the plan, retirement of SJGS Units 2 and 3 could result in shifts in ownership among SJGS owners as may be agreed upon by the owners, including PNM acquiring additional ownership in SJGS Unit 4. Owners of the affected units also may seek approvals of their utility commissions or governing boards.

This plan primarily focuses on how SJGS would meet the regional haze rule, but also indicates that PNM would build a natural gas-fired generating plant to be sited at SJGS to partially replace the capacity from the retired coal units. Detailed replacement power strategies also would be finalized. PNM believes adequate replacement power alternatives will be available to meet its generation needs and ensure reliability.

On February 25, 2013, the parties filed their status reports with the Tenth Circuit. To demonstrate that progress has been made toward settling the Tenth Circuit litigation, information, including the non-binding agreement and its accompanying timeline, was submitted to the Tenth Circuit. Following the parties' submission of their status reports, on February 28, 2013, the Tenth Circuit referred the litigation to the Tenth Circuit Mediation Office, which has authority to require the parties to attend mediation conferences to informally resolve issues in the pending appeals.

On April 1, 2013, PNM submitted a new BART analysis to the NMED reflecting the terms of the non-binding agreement including the installation of SNCRs on Units 1 and 4 and the retirement of Units 2 and 3. NMED is currently preparing a new proposed SIP for BART.

If the February 15, 2013 plan described above is implemented, PNM currently estimates its share of the costs to install SNCRs and the additional equipment to comply with NAAQS requirements on SJGS Units 1 and 4 would be approximately $63 million, including gross receipts taxes, AFUDC, and other PNM costs. This amount is based on the anticipation that PNM's ownership share of SJGS Units 1 and 4 would aggregate to approximately 52%. PNM also estimates that the cost of replacing a portion of PNM's share of the reduction in generating capacity due to the retirement of SJGS Units 2 and 3 with identified gas-fired peaking capacity would be approximately $280 million. Neither of these amounts is included in PNM's current construction expenditure forecast since approval of the plan is subject to numerous conditions. Additional base load generating capacity may be required to replace a portion of retired SJGS capacity. Although the nature of additional base load capacity has not yet been identified, it could come from PVNGS Unit 3 or additional gas-fired generation. Operating costs would also increase with the installation of either SCRs or SNCRs.

PNM can provide no assurance that the requirements of the plan agreed to on February 15, 2013 will be accomplished at all or within the required timeframes. If the February 15, 2013 plan is not implemented, PNM would seek to work with NMED and EPA to develop a revised timetable for implementation of the FIP. If an agreement on a revised timetable cannot be reached, PNM will likely be unable to complete the installation of SCRs on all four units at SJGS by the FIP deadline of September 21, 2016. In such event, PNM would likely seek relief from the compliance deadline from EPA or the Tenth Circuit in order to continue to be able to operate the plant during the completion of the installation process. If relief is not granted, PNM could be forced to temporarily cease operation of some or all of the SJGS units. If a shutdown was required, PNM would then have to acquire temporary replacement power through short-term or open-market purchases in order to serve the needs of its customers. There can be no assurance that sufficient replacement power will be available to serve PNM's needs or, if available, what costs would be incurred.

PNM is unable to predict the ultimate outcome of these matters or what additional pollution control equipment will be required at SJGS. PNM will seek recovery from its ratepayers for all costs that may be incurred as a result of the CAA requirements. Although the additional equipment and other final requirements will result in additional capital and operating costs being incurred, PNM believes that its access to the capital markets is sufficient to be able to finance the installation. It is possible that requirements to comply with the CAA, combined with the financial impact of possible future climate change regulation or legislation, if any, other environmental regulations, the result of litigation, and other business considerations, could jeopardize the economic viability of SJGS or the ability of individual participants to continue participation in the plant.

Four Corners

On August 6, 2012, the EPA issued its final BART determination for Four Corners. The rule includes two compliance alternatives. The first emission control strategy finalized by the EPA would require the installation of post-combustion controls, including SCRs, on each of Units 1-5 at Four Corners to reduce NOx emissions. Under the second emission control alternative, the owners of Four Corners would have the option to close permanently Units 1-3 by January 1, 2014 and install SCR post-combustion NOx controls on each of Units 4 and 5 by July 31, 2018. For particulate matter emissions, EPA is requiring Units 4 and 5 to meet an emission limit of 0.015 lb/MMBTU and the plant to meet a 20% opacity limit, both of which are achievable through operation of the existing baghouses. Although unrelated to BART, the final BART rule also imposes a 20% opacity limitation on certain fugitive dust emissions from Four Corners' coal and material handling operations. The Four Corners participants have until July 1, 2013 to notify the EPA of which emission control strategy Four Corners will follow.

The Four Corners participants' obligations to comply with EPA's final BART determinations, coupled with the financial impact of possible future climate change regulation or legislation, other environmental regulations, and other business considerations, could jeopardize the economic viability of Four Corners or the ability of individual participants to continue their participation in Four Corners.

PNM is continuing to evaluate the impacts of EPA's BART determination for Four Corners. PNM estimates its share of costs, including PNM's AFUDC, to be up to approximately $75 million for post-combustion controls at Four Corners Units 4 and 5. PNM would seek recovery from its ratepayers of all costs that are ultimately incurred. PNM has no ownership interest in Four Corners Units 1, 2, and 3. PNM is unable to predict the ultimate outcome of this matter.

SCE, a participant in Four Corners, has indicated that certain California legislation may prohibit it from making emission control expenditures at Four Corners. APS and SCE entered into an asset purchase agreement, providing for the purchase by APS of SCE's 48% interest in each of Units 4 and 5 of Four Corners. The principal remaining condition to closing is the negotiation and execution of a new coal supply contract for Four Corners on terms reasonably acceptable to APS. See Coal Supply below. APS has announced that, if APS's purchase of SCE's interests in Units 4 and 5 at Four Corners is consummated, it will shutdown Units 1, 2, and 3 at the plant.

Four Corners BART FIP Challenge

On October 22, 2012, WEG filed a petition for review in the Ninth Circuit challenging the Four Corners BART FIP. In its petition, WEG alleges that the final BART rule results in more air pollution being emitted into the air than allowed by law and that EPA failed to follow the requirements of the ESA. APS intervened in this matter and filed a motion to dismiss this lawsuit for lack of jurisdiction or alternatively to transfer the lawsuit to the Tenth Circuit. On February 25, 2013, the Ninth Circuit denied APS' motion to dismiss, but granted the request to transfer the case to the Tenth Circuit. PNM cannot currently predict the outcome of this matter or the range of its potential impact.

Regional Haze Challenges

On December 27, 2012, WEG filed a petition for review in the Tenth Circuit challenging the SO_2 and particulate matter emissions elements of EPA's approval of New Mexico's Regional Haze SIP. PNM intervened in this matter. PNM is continuing to evaluate the impacts of WEG's challenge to EPA's approval of this SIP.

On February 26, 2013, HEAL Utah and other environmental groups filed petitions in the Tenth Circuit challenging EPA's final approval of the remaining elements of New Mexico's Regional Haze SIP, as well as EPA's approval of the Albuquerque/ Bernalillo County Air Quality Control Board SIP.

PNM was granted intervention in both matters. On May 3, 2013, the Tenth Circuit ordered the parties to file consolidated briefing in the WEG and HEAL Utah matters due to the similarity of the WEG and HEAL Utah petitions. PNM is unable to predict the ultimate outcome of these matters.

SJGS Operating Permit Challenge

On February 16, 2012, EPA issued its response to a WEG petition objecting to SJGS's operating permit granted by the NMED in January 2011. In its order, EPA required NMED to provide clarification on several of the matters raised by WEG. EPA's order in this matter does not constitute a finding that the plant has violated any provision of the CAA or that it has violated any emission limits.

In August 2012, NMED issued a response to the EPA order stating that SJGS's operating permit would be reopened to make certain modifications to the permit. NMED issued a public notice regarding proposed modifications to the SJGS operating permit on September 19, 2012 and issued a revised operating permit on November 26, 2012. The revised permit includes changes to the SO_2 and particulate matter emission limits that were previously incorporated into the SJGS NSR permit. In addition, the revised permit requires PNM to submit a compliance plan to address carbon monoxide ("CO") emissions increases at SJGS Unit 2. The compliance plan must be submitted in May 2013 and requires that SJGS submit either a PSD permit application including BACT analysis for CO emissions from Unit 2 or a PSD avoidance permit application that limits net CO emissions increases below the CO PSD threshold of 100 tons per year. PNM is preparing a compliance plan, but does not believe it will have a material impact.

National Ambient Air Quality Standards ("NAAQS")

The CAA requires EPA to set NAAQS for pollutants considered harmful to public health and the environment. EPA has set NAAQS for certain pollutants, including NOx, SO_2, ozone, and particulate matter. In 2010, EPA updated the primary NOx and SO_2 NAAQS to include a 1-hour maximum standard while retaining the annual standards for NOx and SO_2 and the 24-hour SO_2 standard. New Mexico is in attainment for the 1-hour NOx NAAQS. EPA has issued draft guidance on how to determine whether areas in a state comply with the new 1-hour SO_2 NAAQS and announced that it will publish further guidance or initiate rulemaking on these matters. Although the determination process has not been finalized, PNM believes that compliance with the 1-hour SO_2 standard may require operational changes and/or equipment modifications at SJGS. On April 6, 2012, PNM filed an application for an amendment to its air permit for SJGS, which would be required for the installation of either SCRs or SNCRs described above. In addition, this application included a proposal by PNM to install equipment modifications for the purpose of reducing fugitive emissions, including NOx, SO_2, and particulate matter. These modifications would help SJGS meet the NAAQS. It is anticipated that this technology would be installed at the same time as the installation of regional haze BART controls, in order to most efficiently and cost effectively conduct construction activities at SJGS. The cost of this technology is dependent upon the type of control technology that is ultimately determined to be NOx BART at SJGS. See Regional Haze - SJGS above.

EPA finalized revisions to its NAAQS for fine particulate matter on December 14, 2012. PNM is currently evaluating the impact of the revised standard on SJGS and its operations.

In January 2010, EPA announced it would strengthen the 8-hour ozone standard by setting a new standard in a range of 0.060-0.070 parts per million. Work is underway to reconsider the ozone standard, with proposed revisions expected in the fall of 2013 and a final standard published by the end of 2014. Depending upon where the standard for ozone is set, San Juan County, where SJGS is situated, could be designated as not attaining the standard for ozone. If that were to occur, NMED would have responsibility for bringing the county into compliance and would look at all sources of NOx and volatile organic compounds since these are the pollutants that form ground-level ozone. As a result, SJGS could be required to install further NOx controls to meet a new ozone NAAQS. In addition, other counties in New Mexico, including Bernalillo County, may be designated as non-attainment. PNM cannot predict the outcome of this matter, the impact of other potential environmental mitigations, or if additional NOx controls would be required as a result of ozone non-attainment designation.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Citizen Suit Under the Clean Air Act

The operations of SJGS are covered by a Consent Decree with the Grand Canyon Trust and Sierra Club and with the NMED that includes stipulated penalties for non-compliance with specified emissions limits. Stipulated penalty amounts are placed in escrow on a quarterly basis pending review of SJGS's emissions performance. In May 2011, PNM entered into an agreement with NMED and the plaintiffs to resolve a dispute over the applicable NOx emission limits under the Consent Decree. Under the agreement, so long as the NOx emissions limits imposed under the EPA FIP and the New Mexico SIP meet a specified emissions limit, and PNM does not challenge these limits, the parties' dispute is deemed settled.

In May 2010, PNM filed a petition with the federal district court seeking a judicial determination on a dispute relating to PNM's mercury controls. NMED and plaintiffs seek to require PNM to implement additional mercury controls. PNM estimates the implementation would increase annual mercury control costs for the entire station, which are currently $0.6 million, to a total of $6.1 million. The court appointed a special master to evaluate the technical arguments in the case and to address the detection and determination limits of the mercury monitors at SJGS and the appropriate brominated activated carbon injection rate that maximizes the reduction of mercury emissions from SJGS. The special master issued a report indicating he was unable to make a determination on either of these issues. In September 2012, PNM submitted objections to certain portions of the special master report and requested an evidentiary hearing. Also in September 2012, NMED and plaintiffs filed a motion asking the court to affirm certain findings in the special master report and order PNM to conduct additional mercury testing. PNM cannot predict the outcome of this matter.

Navajo Nation Environmental Issues

Four Corners is located on the Navajo Reservation and is held under an easement granted by the federal government, as well as a lease from the Navajo Nation. The Navajo Acts purport to give the Navajo Nation Environmental Protection Agency authority to promulgate regulations covering air quality, drinking water, and pesticide activities, including those activities that occur at Four Corners. In October 1995, the Four Corners participants filed a lawsuit in the District Court of the Navajo Nation challenging the applicability of the Navajo Acts to Four Corners. In May 2005, APS and the Navajo Nation signed an agreement resolving the dispute regarding the Navajo Nation's authority to adopt operating permit regulations under the Navajo Nation Air Pollution Prevention and Control Act. As a result of this agreement, APS sought, and the courts granted, dismissal of the pending litigation in the Navajo Nation Supreme Court and the Navajo Nation District Court, to the extent the claims relate to the CAA. The agreement does not address or resolve any dispute relating to other aspects of the Navajo Acts. The Company cannot currently predict the outcome of these matters or the range of their potential impacts.

Section 114 Request

In April 2009, APS received a request from EPA under Section 114 of the CAA seeking detailed information regarding projects at and operations of Four Corners. EPA has taken the position that many utilities have made physical or operational changes at their plants that should have triggered additional regulatory requirements under the NSR provisions of the CAA. APS has responded to EPA's request. PNM is currently unable to predict the timing or content of EPA's response, if any, or any resulting actions.

Four Corners Clean Air Act Lawsuit

In October 2011, Earthjustice, on behalf of several environmental organizations, filed a lawsuit in the United States District Court for the District of New Mexico against APS and the other Four Corners participants alleging violations of the NSR provisions of the CAA and NSPS violations. The plaintiffs seek to have the court enjoin operations at Four Corners until APS applies for and obtains any required NSR permits and complies with the NSPS. The plaintiffs further request the court to order the payment of civil penalties, including a beneficial mitigation project. The case is being held in abeyance while the parties seek to negotiate a settlement. On March 30, 2013, upon joint motion of the parties, the court issued an order deeming the motions to dismiss withdrawn without prejudice during pendency of the stay. At such time as the stay is lifted, the Four Corners participants may reinstate their motions to dismiss without risk of default. PNM cannot currently predict the outcome of this matter or the range of its potential impact.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Endangered Species Act

In January 2011, the Center for Biological Diversity, Diné Citizens Against Ruining Our Environment, and San Juan Citizens Alliance filed a lawsuit in the United States District Court for the District of Colorado against the OSM and the DOI, alleging that OSM failed to engage in mandatory ESA consultation with the United States Fish and Wildlife Service prior to authorizing the renewal of an operating permit for the mine that serves Four Corners. The lawsuit alleges that activities at the mine, including mining and the disposal of coal combustion residue, will adversely affect several endangered species and their critical habitats. The lawsuit requested the court to vacate and remand the mining permit and enjoin all activities carried out under the permit until OSM has complied with the ESA. Neither PNM nor APS was a party to the lawsuit. On March 14, 2012, the Court entered an order dismissing the plaintiffs' lawsuit without prejudice. On May 14, 2012, the plaintiffs appealed the Court's order to the Tenth Circuit. PNM cannot currently predict the outcome of this matter or the range of its potential impact.

Cooling Water Intake Structures

EPA issued its proposed cooling water intake structures rule in April 2011, which would provide national standards for certain cooling water intake structures at existing power plants and other facilities under the Clean Water Act to protect fish and other aquatic organisms by minimizing impingement mortality (the capture of aquatic wildlife on intake structures or against screens) and entrainment mortality (the capture of fish or shellfish in water flow entering and passing through intake structures). The proposed rule would require facilities such as Four Corners and SJGS to either demonstrate that impingement mortality at its cooling water intakes does not exceed a specified rate or reduce the flow at those structures to less than a specified velocity and to take certain protective measures with respect to impinged fish. The proposed rule would also require these facilities to either meet the definition of a closed cycle recirculating cooling system or conduct a "structured site-specific analysis" to determine what site-specific controls, if any, should be required.

The proposed rule would require existing facilities to comply with the impingement mortality requirements as soon as possible, but no later than eight years after the effective date of the rule, and to comply with the entrainment requirements as soon as possible under a schedule of compliance established by the permitting authority. EPA is required to issue a final rule by June 27, 2013. PNM and APS continue to follow the rulemaking and are performing analyses to determine the potential costs of compliance with the proposed rule. PNM is unable to predict the outcome of this matter or a range of the potential costs of compliance.

Effluent Limitation Guidelines

On April 19, 2013, EPA proposed revised effluent limitation guidelines establishing technology-based wastewater discharge limitations for steam electric power plants. EPA's proposal offers numerous options that target metals and other pollutants in wastewater streams originating from fly ash and bottom ash handling activities, scrubber activities, and non-chemical metal cleaning wastes operations. EPA is subject to a consent decree deadline to finalize the revised guidelines by May 22, 2014. PNM is in the process of reviewing the pre-publication version of the rule to assess the impact to SJGS and Reeves Station, the only PNM-operated power plants that would be covered by the proposed rule. APS is currently assessing the impact to Four Corners. PNM is unable to predict the outcome of this matter or if it will have a material impact on PNM's financial position, results of operations, or cash flows.

Santa Fe Generating Station

PNM and the NMED are parties to agreements under which PNM installed a remediation system to treat water from a City of Santa Fe municipal supply well, an extraction well, and monitoring wells to address gasoline contamination in the groundwater at the site of the former Santa Fe Generating Station and service center. PNM believes the observed groundwater contamination originated from off-site sources, but agreed to operate the remediation facilities until the groundwater meets applicable federal and state standards or until the NMED determines that additional remediation is not required, whichever is earlier. The municipal well continues to operate and meets federal drinking water standards. PNM is not able to assess the duration of this project.

The Superfund Oversight Section of the NMED has conducted multiple investigations into the chlorinated solvent plume in the vicinity of the site of the former Santa Fe Generating Station. In February 2008, a NMED site inspection report was submitted to EPA, which states that neither the source nor extent of contamination has been determined and also states that the source may

not be the former Santa Fe Generating Station. The NMED investigation is ongoing. In January 2013, NMED notified PNM that monitoring results from April 2012 showed elevated concentrations of nitrate in three monitoring wells and an increase in free-phase hydrocarbons in another well. None of these wells are routinely monitored as part of PNM's obligations under the settlement agreement. PNM is unable to predict the outcome of this matter, but does not believe the former generating station is the source of the nitrates or the increased levels of free-phase hydrocarbons.

Coal Combustion Byproducts Waste Disposal

CCBs consisting of fly ash, bottom ash, and gypsum from SJGS are currently disposed of in the surface mine pits adjacent to the plant. SJGS does not operate any CCB impoundments. The Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department currently regulates mine placement of ash with federal oversight by the OSM. APS disposes of CCBs in ash ponds and dry storage areas at Four Corners and also sells a portion of its fly ash for beneficial uses, such as a constituent in concrete production. Ash management at Four Corners is regulated by EPA and the New Mexico State Engineer's Office.

In June 2010, EPA published a proposed rule that includes two options for waste designation of coal ash. One option is to regulate CCBs as a hazardous waste, which would allow EPA to create a comprehensive federal program for waste management and disposal of CCBs. The other option is to regulate CCBs as a non-hazardous waste, which would provide EPA with the authority to develop performance standards for waste management facilities handling the CCBs and would be enforced primarily by state authorities or through citizen suits. Both options allow for continued use of CCBs in beneficial applications. EPA's proposal does not address the placement of CCBs in surface mine pits for reclamation. An OSM CCB rulemaking team has been formed to develop a proposed rule.

On April 5, 2012, several environmental groups, including Sierra Club, filed a citizen suit in the D.C. Circuit claiming that EPA has failed to review and revise RCRA's regulations with respect to CCBs. The groups allege that EPA has already determined that revisions to the CCBs regulations are necessary. They also claim that EPA now has a non-discretionary duty to revise the regulations. The environmental groups asked the court to direct EPA to complete its review of the regulation of CCBs and a hazardous waste analytical procedure and to issue necessary revisions of such regulations as soon as possible. Two industry group members subsequently filed separate lawsuits in the D.C. Circuit seeking to ensure that disposal of coal ash would not be regulated as a hazardous waste. The environmental and industry lawsuits have been consolidated.

PNM advocates for the non-hazardous regulation of CCBs. However, if CCBs are ultimately regulated as a hazardous waste, costs could increase significantly. PNM would seek recovery from its ratepayers of all costs that are ultimately incurred. PNM cannot predict the outcome of EPA's or OSM's proposed rulemaking regarding CCB regulation, including mine placement of CCBs, or whether these actions will have a material impact on its operations, financial position, or cash flows.

Hazardous Air Pollutants ("HAPs") Rulemaking

In December 2011, the EPA issued its final Mercury and Air Toxics Standards ("MATS") to reduce emissions of heavy metals, including mercury, arsenic, chromium, and nickel, as well as acid gases, including hydrochloric and hydrofluoric gases, from coal and oil-fired electric generating units with a capacity of at least 25 MW. Existing facilities will generally have up to four years to demonstrate compliance with the new rule. PNM's assessment of MATS indicates that the control equipment currently used at SJGS allows the plant to meet the emission standards set forth in the rule although the plant may be required to install additional monitoring equipment. With regard to mercury, stack testing performed for EPA during the MATS rulemaking process showed that SJGS achieved a mercury removal rate of 99% or greater. APS will conduct testing to determine what additional controls, if any, will be required at Four Corners. If additional controls are required, the costs are not expected to be material.

Other Commitments and Contingencies

Coal Supply

The coal requirements for SJGS are being supplied by SJCC, a wholly owned subsidiary of BHP. In addition to coal delivered to meet the current needs of SJGS, PNM prepays SJCC for certain coal mined but not yet delivered to the plant site. At March 31, 2013 and December 31, 2012, prepayments for coal, which are included in other current assets, amounted to $14.1

million and $9.9 million. These amounts reflect delivery of a portion of the prepaid coal and its utilization due to the mine fire incident described below. SJCC holds certain federal, state, and private coal leases and has an underground coal sales agreement to supply processed coal for operation of SJGS through 2017. Under the coal sales agreement, SJCC is reimbursed for all costs for mining and delivering the coal, including an allocated portion of administrative costs, and receives a return on its investment. BHP Minerals International, Inc. has guaranteed the obligations of SJCC under the coal agreement. The coal agreement contemplates the delivery of coal that would supply substantially all the requirements of SJGS through December 31, 2017.

APS purchases all of Four Corners' coal requirements from a supplier that is also a subsidiary of BHP and has a long-term lease of coal reserves with the Navajo Nation. The Four Corners coal contract runs through July 6, 2016 with pricing determined using an escalating base-price. In December 2012, BHP announced that it has entered into a Memorandum of Understanding with the Navajo Nation setting out the key terms under which the coal mine would be sold to the Navajo Nation. The BHP subsidiary would be retained as the mine manager and operator until July 2016. Key terms of the new coal supply contract are being finalized by the Navajo Nation and the Four Corners owners. As a result of this proposed change in ownership, APS now expects that a new coal supply contract would be executed upon completion of negotiations and following the endorsement of the transfer of ownership to a new Navajo Nation commercial enterprise to be established by the Navajo Nation Tribal Council. On April 29, 2013, the Navajo Nation Tribal Council approved the creation of the new commercial enterprise with sufficient power and authority to execute the transaction with BHP. PNM is unable to predict the outcome of this matter.

In 2010, PNM updated its study of the final reclamation costs for both the surface mines that previously provided coal to SJGS and the current underground mine providing coal and revised its estimates of the final reclamation costs. The estimate for decommissioning the Four Corners mine was also revised in 2010. Based on the most recent estimates, remaining payments for mine reclamation, in future dollars, are estimated to be $59.9 million for the surface mines at both SJGS and Four Corners and $19.7 million for the underground mine at SJGS as of March 31, 2013. At March 31, 2013 and December 31, 2012, liabilities, in current dollars, of $25.9 million and $26.8 million for surface mine reclamation and $4.3 million and $4.2 million for underground mine reclamation were recorded in other deferred credits.

PNM collects a provision for surface and underground mine reclamation costs in its rates. The NMPRC has capped the amount that can be collected from ratepayers for final reclamation of the surface mines at $100.0 million. Previously, PNM recorded a regulatory asset for the $100.0 million and recovers the amortization of this regulatory asset in rates. If future estimates increase the liability for surface mine reclamation, the excess would be expensed at that time.

San Juan Underground Mine Fire Incident

On September 9, 2011, a fire was discovered at the underground mine owned and operated by SJCC that provides coal for SJGS. The federal Mine Safety and Health Administration ("MSHA") was notified of the incident. On September 12, 2011, SJCC informed PNM that the fire was extinguished. However, MSHA required sealing the incident area and confirmation of a noncombustible environment before allowing re-entry of the sealed area. SJCC regained entry into the sealed area of the mine in early March 2012. On May 4, 2012, SJCC received approval from MSHA and resumed longwall mining operations. If further difficulties occur in the longwall mining operation, PNM and the other owners of SJGS would need to consider alternatives for operating SJGS, including running at less than full capacity or shutting down one or more units, the impacts of which cannot be determined at the current time.

The costs of the mine recovery flowed through the cost-reimbursable component of the coal supply agreement. PNM anticipates that it will recover through its FPPAC the portion of such costs allocable to its customers subject to New Mexico regulation. PNM's filings with the NMPRC reflect an estimate that this incident increased coal costs and the deferral of cost recovery under the FPPAC by $21.6 million. SJCC has submitted an insurance claim regarding the costs it incurred due to the mine fire. Any recovery obtained by SJCC through its insurance carrier may be reimbursable (in whole or in part) to PNM through the coal sales agreement. Any insurance recovery would be flowed through PNM's FPPAC to the extent it relates to increased coal costs included in the FPPAC. The potential impacts of any insurance settlement cannot be determined at the current time. Based on information PNM has received from SJCC to date, PNM does not expect the mine fire to have a material effect on its financial condition, results of operations, or cash flows.

Nuclear Fuel

The PVNGS participants are continually identifying their future nuclear fuel resource needs and negotiating arrangements to fill those needs. In late August 2012, one of PVNGS's suppliers that converts uranium concentrates to uranium hexafluoride invoked the force majeure provision in its contract when it shut down its conversion plant due to regulatory compliance issues. The PVNGS participants have sufficient strategic reserves of enriched uranium such that they do not anticipate a short-term impact on nuclear fuel supplies as a result of the force majeure declaration. The PVNGS participants are evaluating alternate long-term options for securing conversion services.

PVNGS Liability and Insurance Matters

Liability for incidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. In accordance with the Price-Anderson Act, the PVNGS participants have insurance for public liability exposure for a nuclear incident totaling $12.6 billion per occurrence. Commercial insurance carriers provide $375 million and $12.2 billion is provided through a mandatory industry wide retrospective assessment program. If losses at any nuclear power plant covered by the program exceed the accumulated funds, PNM could be assessed retrospective premium adjustments. Based on PNM's 10.2% interest in each of the three PVNGS units, PNM's maximum potential assessment per incident for all three units is $36.0 million, with an annual payment limitation of $5.4 million.

The PVNGS participants maintain "all risk" (including nuclear hazards) insurance for damage to, and decontamination of, property at PVNGS in the aggregate amount of $2.75 billion, a substantial portion of which must first be applied to stabilization and decontamination. These coverages are provided by Nuclear Electric Insurance Limited ("NEIL"). Effective April 1, 2013, a sublimit of $1.5 billion for non-nuclear property damage losses has been enacted to the primary policy offered by NEIL. If NEIL's losses in any policy year exceed accumulated funds, PNM is subject to retrospective assessments of $4.3 million for each retrospective assessment declared by NEIL's Board of Directors. The insurance coverages discussed in this and the previous paragraph are subject to policy conditions and exclusions.

Water Supply

Because of New Mexico's arid climate and periodic drought conditions, there is concern in New Mexico about the use of water, including that used for power generation. PNM has secured groundwater rights in connection with the existing plants at Reeves Station, Delta, Afton, Luna, and Lordsburg. Water availability does not appear to be an issue for these plants at this time. However, prolonged drought, ESA activities and a Federal lawsuit by the State of Texas suing the State of New Mexico over water allocations could pose a threat of reduced water availability for these plants.

PNM, APS, and BHP have undertaken activities to secure additional water supplies for SJGS, Four Corners, and related mines to accommodate the possibility of inadequate precipitation in coming years. Since 2004, PNM has entered into agreements for voluntary sharing of the impacts of water shortages with tribes and other water users in the San Juan basin. This agreement has been extended through 2016. In addition, in the case of water shortage, PNM, APS, and BHP have reached agreement with the Jicarilla Apache Nation on a supplemental contract relating to water for SJGS and Four Corners that runs through 2016. Although the Company does not believe that its operations will be materially affected by drought conditions at this time, it cannot forecast the weather or its ramifications, or how policy, regulations, and legislation may impact the Company should water shortages occur in the future.

In April 2010, APS signed an agreement on behalf of the PVNGS participants with five cities to provide cooling water essential to power production at PVNGS for forty years.

PVNGS Water Supply Litigation

In 1986, an action commenced regarding the rights of APS and the other PVNGS participants to the use of groundwater and effluent at PVNGS. APS filed claims that dispute the court's jurisdiction over PVNGS' groundwater rights and their contractual rights to effluent relating to PVNGS and, alternatively, seek confirmation of those rights. In 1999, the Arizona Supreme Court issued a decision finding that certain groundwater rights may be available to the federal government and Indian tribes. In addition,

the Arizona Supreme Court issued a decision in 2000 affirming the lower court's criteria for resolving groundwater claims. Litigation on these issues has continued in the trial court. No trial dates have been set in these matters. PNM does not expect that this litigation will have a material impact on its results of operation, financial position, or cash flows.

San Juan River Adjudication

In 1975, the State of New Mexico filed an action in New Mexico District Court to adjudicate all water rights in the San Juan River Stream System, including water used at Four Corners and SJGS. PNM was made a defendant in the litigation in 1976. In March 2009, President Obama signed legislation confirming a 2005 settlement with the Navajo Nation. Under the terms of the settlement agreement, the Navajo water rights would be settled and finally determined by entry by the court of two proposed adjudication decrees. The court has ordered that settlement of the Navajo Nation's claims under the settlement agreement and entry of the proposed decrees be heard in an expedited proceeding.

PNM's water rights in the San Juan Basin may be affected by the rights recognized in the settlement agreement as being owned by the Navajo Nation, which comprise a significant portion of water available from sources on the San Juan River and in the San Juan Basin. Therefore, PNM has elected to participate in this proceeding. The Company is unable to predict the ultimate outcome of this matter or estimate the amount or range of potential loss and cannot determine the effect, if any, of any water rights adjudication on the present arrangements for water at SJGS and Four Corners. Final resolution of the case cannot be expected for several years. An agreement reached with the Navajo Nation in 1985, however, provides that if Four Corners loses a portion of its rights in the adjudication, the Navajo Nation will provide, for an agreed upon cost, sufficient water from its allocation to offset the loss.

Complaint Against Southwestern Public Service Company

In September 2005, PNM filed a complaint under the Federal Power Act against SPS alleging SPS overcharged PNM for deliveries of energy through its fuel cost adjustment clause practices. PNM also intervened in a proceeding brought by other customers raising similar arguments relating to SPS' fuel cost adjustment clause practices (the "Golden Spread proceeding"). In 2008, FERC issued its order in the Golden Spread proceeding affirming that SPS violated its fuel cost adjustment clause tariffs, but shortening the refund period applicable to the violation of the fuel cost adjustment clause issues. PNM and SPS have filed petitions for rehearing and clarification of the scope of the remedies that were ordered and reversal of various rulings in the order. FERC has not yet acted upon the requests for rehearing or clarification and they remain pending further decision. PNM cannot predict the final outcome of the case at FERC or the range of possible outcomes.

Navajo Nation Allottee Matters

A putative class action was filed against PNM and other utilities in February 2009 in the United States District Court in Albuquerque. Plaintiffs claim to be allottees, members of the Navajo Nation, who pursuant to the Dawes Act of 1887, were allotted ownership in land carved out of the Navajo Nation and allege that defendants, including PNM, are rights-of-way grantees with rights-of-way across the allotted lands and are either in trespass or have paid insufficient fees for the grant of rights-of-way or both. In March 2010, the court ordered that the entirety of the plaintiffs' case be dismissed. The court did not grant plaintiffs leave to amend their complaint, finding that they instead must pursue and exhaust their administrative remedies before seeking redress in federal court. In May 2010, plaintiffs filed a Notice of Appeal with the Bureau of Indian Affairs ("BIA"), which was denied by the BIA Regional Director. In May 2011, plaintiffs appealed the Regional Director's decision to the DOI Board of Appeals. Briefings on the merits of the appeal are complete and a decision is pending. PNM is participating in order to preserve its interests regarding any PNM-acquired rights-of-way implicated in the appeal. PNM cannot predict the outcome of the proceeding or the range of potential outcomes at this time.

In a separate matter, in September 2012, forty-three landowners claiming to be Navajo allotees filed a notice of appeal with the BIA appealing a March 2011 decision of the BIA Regional Director regarding renewal of a right-of-way for a PNM transmission line. The allotees, many of whom are also allottees in the above matter, generally allege that they were not paid fair market value for the right-of-way, that they were denied the opportunity to make a showing as to their view of fair market value, and thus denied due process. PNM is participating in this matter in order to preserve its interests regarding the right-of-way implicated in the appeal. PNM cannot predict the outcome of the proceeding or the range of potential outcomes at this time.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

TGP Complaint

On March 2, 2012, TGP Granada, LLC and its affiliate (collectively, "TGP") filed a complaint at FERC against PNM and Tortoise Capital Resources Corp. ("TTO"). PNM owns 60% of the EIP and leases the other 40% from TTO. PNM's lease of the portion of the EIP owned by TTO expires on April 1, 2015. The lease provides PNM the option, with 24 months advance notice, of purchasing the leased assets at the end of the lease for fair market value, as well as options to renew the lease.

TGP's filing requested FERC to direct PNM and TTO to identify the party that will immediately assume the obligation of making transmission capacity on the EIP available to customers for use after the April 1, 2015 expiration of the EIP lease agreement. TGP also requested a declaratory order or waiver regarding certain provisions of PNM's Open Access Transmission Tariff to allow its affiliate to change the point-of-receipt associated with a transmission service agreement related to the EIP without losing its transmission service priority. On July 5, 2012, FERC issued an order denying TGP's requests for declaratory order and waiver. In addition, FERC directed PNM, in consultation with TTO, to identify the party that will provide long-term transmission service over the leased portion of the EIP.

On November 1, 2012, PNM and TTO entered into a definitive agreement for PNM to exercise the option to purchase on April 1, 2015 the leased capacity at fair market value, which the parties agreed would be $7.7 million. The lease remains in existence and PNM will record the purchase at the termination of the lease on April 1, 2015. The definitive agreement sets forth the terms and conditions under which PNM would also assume responsibility for scheduling long-term transmission service on the leased capacity. In November 2012, PNM requested the necessary FERC approvals for the definitive agreement. In January 2013, FERC approved PNM's requests. On February 8, 2013, FERC issued an order dismissing as moot a motion filed by TGP for clarification of FERC's July 5, 2012 order. Since no rehearing request or appeal was filed, the February 8, 2013 order is final and non-appealable.

(10) Regulatory and Rate Matters

The Company is involved in various regulatory matters, some of which contain contingencies that are subject to the same uncertainties as those described in Note 9. Additional information concerning regulatory and rate matters is contained in Note 17 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

PNM

Renewable Portfolio Standard

The REA establishes a mandatory RPS requiring a utility to acquire a renewable energy portfolio equal to 10% of retail electric sales by 2011, 15% by 2015, and 20% by 2020. The NMPRC requires renewable energy portfolios to be "fully diversified." Prior to December 2012, the diversity requirements were 20% from wind energy, 20% from solar energy, 10% from other renewable technologies, and 1.5% from distributed generation with the distributed generation component increasing to 3% in 2015. In December 2012, NMPRC issued an order that amended the diversity requirements to 30% wind, 20% solar, 5% other, and 1.5% distributed generation, increasing to 3% in 2015, and adopted other changes to its renewable energy rule, including the increase in the RCT discussed below.

The REA provides for streamlined proceedings for approval of utilities' renewable energy procurement plans, assures utilities recovery of costs incurred consistent with approved procurement plans, and requires the NMPRC to establish a RCT for the procurement of renewable resources to prevent excessive costs being added to rates. The NMPRC had established a RCT for 2011 of 2% of all customers' aggregated overall annual electric charges that increased by 0.25% annually until reaching 3% in 2015. In December 2012, the NMPRC approved an amended RCT set at 3% of customers' annual electric charges beginning in 2013 and continuing thereafter.

In July 2011, PNM filed its renewable energy procurement plan for 2012. The plan requested a variance from the RPS due to RCT limitations. The plan was diversity-compliant based on the reduced RPS, except for non-wind/non-solar resources, which were not available. In December 2011, the NMPRC approved PNM's 2012 plan, but ordered PNM to spend an additional $0.9 million on renewable procurements in 2012. PNM intends to recover the costs of the supplemental procurements through the renewable rider discussed below. The NMPRC also required PNM to file its 2013 renewable energy procurement plan by April

30, 2012. The 2013 plan proposed procurements for 2013 and 2014 of 20 MW of PNM-owned solar PV facilities, at an estimated cost of $45.5 million, wind and solar REC purchases in 2013, and a PPA for the output of a new geothermal facility. The plan also included an additional procurement of 2 MW of PNM-owned solar PV facilities at an estimated cost of $4.5 million to supply the energy sold under PNM's voluntary renewable energy tariff. The plan will enable PNM to comply with the statutory RPS amount in 2013, but requires a variance from the NMPRC's diversity requirements in 2013 while the proposed geothermal facilities are being constructed. This plan had been expected to achieve full RPS quantity and diversity compliance by 2014 without exceeding the RCT. The NMPRC approved the plan in December 2012, but reduced the additional solar PV procurement from 2 MW to 1.5 MW. Construction of the geothermal facility has been delayed due to a longer than expected permitting process. This will delay the in-service date of the geothermal facility until later in 2014. PNM does not believe this delay will affect its ability to comply with the diversity requirements as amended in December 2012.

PNM is recovering certain renewable procurement costs from customers through a rate rider. See Renewable Energy Rider below.

Renewable Energy Rider

On August 14, 2012, the NMPRC authorized PNM to recover certain renewable procurement costs through a rate rider on a per KWh basis. The approved rates are $0.0022335 per KWh in 2012 and $0.0028371 per KWh in 2013. The order disapproved the recovery of the cost of a supplemental REC procurement ordered by the NMPRC in the 2012 procurement plan case because the NMPRC had not yet acted on the specific $0.9 million procurement proposed by PNM, which is discussed under Renewable Portfolio Standard above. The NMPRC subsequently approved the supplemental REC procurement, but ordered that a hearing be held on its inclusion in the rider. PNM implemented the rider on August 20, 2012. The rider will terminate upon a final order in PNM's next general rate case unless the NMPRC authorizes PNM to continue it. Amounts collected under the rider are capped at $18.0 million in 2012 and $24.6 million in 2013. Any amounts above the caps are deferred for future recovery without carrying costs. As a separate component of the rider, if PNM's earned return on jurisdictional equity in 2013, adjusted for weather and other items not representative of normal operations, exceeds 10.5%, PNM must refund to customers during May through December 2014 the amount over 10.5%.

In compliance with the NMPRC's rate rider order, PNM filed a notice to implement a 3.37% increase in the current rider rate effective with May 2013 bills. The NMPRC suspended the effective date of the new rate for a period of nine months from April 1, 2013 and appointed a Hearing Examiner to conduct a hearing on the proposed change. The Hearing Examiner recommended approval of the notice. On April 24, 2013, the NMPRC issued an order denying approval of the Hearing Examiner's Recommended Decision but did not disapprove the notice. The costs proposed to be recovered have been previously approved for recovery by the NMPRC. The order did not rescind these prior approvals. The order does not indicate what further proceedings, if any, the NMPRC intends to conduct. On May 3, 2013, PNM, the NMPRC staff, and an intervening party filed a joint motion for rehearing of the NMPRC order.

Energy Efficiency and Load Management

Program Costs

Public utilities are required by the Efficient Use of Energy Act to achieve specified levels of energy savings and to obtain NMPRC approval to implement energy efficiency and load management programs. Costs to implement approved programs are recovered through a rate rider. In 2013, this act was amended to set an annual program budget equal to 3% of a utility's annual revenue.

In October 2012, PNM filed an energy efficiency program application for programs to be offered beginning in May 2013. The filing included proposed program costs of $22.5 million plus a proposed profit incentive of $4.2 million and requested that the NMPRC issue an order by April 1, 2013. Portions of the program plan and proposed profit incentive are opposed by other parties to the case. PNM subsequently revised its proposed profit incentive to $2.9 million. A hearing on the application was held in February 2013. PNM is not able to predict the outcome of this matter.

Disincentives/Incentives Adder

The Efficient Use of Energy Act requires the NMPRC to remove utility disincentives to implementing energy efficiency and load management programs and to provide incentives for such programs. A rule approved by the NMPRC authorized electric utilities to collect rate adders of $0.01 per KWh for lifetime energy savings and $10 per KW for demand savings related to energy efficiency and demand response programs beginning in 2010. The NMAG and NMIEC appealed the NMPRC order adopting this rule to the New Mexico Supreme Court. PNM began implementing a rate rider under the rule to collect adders related to its 2010 program savings in December 2010 while the appeal of the rule was pending. In July 2011, the Supreme Court annulled and vacated the order adopting the rule and remanded the matter to the NMPRC. As a result of the Supreme Court decision, PNM filed revised tariffs and ceased collecting this adder for 2010 program savings on August 21, 2011. Of the $4.2 million authorized for recovery, $2.6 million was collected through August 20, 2011.

In June 2011, prior to the Supreme Court decision, the NMPRC approved PNM-specific adders of $0.002 per KWh and $4 per KW for savings due to programs implemented in 2011. PNM is presently collecting $1.3 million in adder revenues consistent with this order. After the Supreme Court decision vacating the rule, the NMPRC initiated a proceeding to determine whether PNM should be required to cease collecting the adders and to refund all adder revenues collected since December 2010. In November 2011, the NMPRC issued orders that PNM is not required to refund any adder revenues and is authorized to continue collecting the adders. However, in an order on rehearing, which it subsequently rescinded, the NMPRC further reduced the amount of the authorized adders. Prior to the rescission, PNM appealed the rehearing order to the Supreme Court. In March 2012, the Supreme Court granted PNM's motion to vacate the rehearing order and dismiss PNM's appeal. In a separate appeal and writ proceeding in the Supreme Court, NMIEC and the NMAG seek to overturn the NMPRC order allowing PNM to continue to collect adders in light of the 2011 Supreme Court decision. On May 21, 2012 the Supreme Court dismissed the writ proceeding. Oral argument in the appeal was held in December 2012, and a decision in the appeal is expected in 2013. PNM is unable to predict the outcome of the appeal.

On March 27, 2013, PNM filed the reconciliation for actual energy efficiency program costs, associated incentives, and actual collections for calendar year 2012. The reconciliation filing showed a net over-recovery of $0.2 million, composed of an over-recovery of $1.0 million of program costs and an under-recovery of incentives of $0.8 million. PNM subsequently revised the estimated incentive under-recovery to $0.5 million. PNM and the NMPRC staff filed a motion seeking to substitute the new reconciliation filing with a proposed effective date of May 28, 2013. On April 24, 2013, the NMPRC issued an order granting the motion. Under the order, the new rate based on the adjusted reconciliation amount will become effective on May 28, 2013, unless suspended by the NMPRC.

Decoupling Rulemaking

On May 15, 2012, the NMPRC issued a NOPR that would have amended the NMPRC's energy efficiency rule to authorize use of a decoupling mechanism to recover certain fixed costs of providing retail electric service from the rates charged on a per KWh of consumption, as the mechanism for removal of disincentives associated with the implementation of energy efficiency programs. The proposed rule also addressed incentives associated with energy efficiency. On July 26, 2012, the NMPRC closed the proposed rulemaking and opened a new energy efficiency rulemaking docket that may address decoupling and incentives. Workshops to develop a proposed rule have been held, but no order proposing a rule has been issued. PNM is unable to predict the outcome of this matter.

2010 Electric Rate Case and FPPAC

An order of the NMPRC approving an amended stipulation in PNM's 2010 Electric Rate Case limits the amount that can be recovered on an annual basis for fuel costs, renewable energy costs, and energy efficiency costs during certain years. Costs in excess of the limits are deferred, without carrying costs, for recovery in future periods. The fuel cost caps are $38.8 million for the FPPAC year beginning July 1, 2012, which PNM began collecting at that time, and $36.2 million for the FPPAC year beginning July 1, 2013. PNM estimates that the caps will result in approximately $45.5 million of FPPAC costs being deferred for future collection at June 30, 2014. Costs attributed to the mine fire incident discussed in Note 9 are included in the FPPAC amounts. Possible recovery of costs through SJCC's insurance, also discussed in Note 9, is not reflected in the FPPAC amounts.

PNM must file an application for continued use of its FPPAC every four years. PNM anticipates making this continuation filing in May 2013.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

2011 Integrated Resource Plan

NMPRC rules require that investor owned utilities file an IRP every three years. The IRP is required to cover a 20-year planning period and contain an action plan covering the first four years of that period. In its most recent IRP, which was filed in July 2011, PNM indicated that it planned to meet its anticipated load growth through a combination of new natural gas-fired generating plants, renewable energy resources, load management, and energy efficiency programs. However, PNM has not entered into any commitments regarding these plans beyond what is otherwise described herein. As required by NMPRC rules, PNM utilized a public advisory group process during the development of the 2011 IRP. Two protests were filed to the IRP requesting rejection of the plan. The NMPRC assigned the case to a Hearing Examiner and designated a mediator to facilitate negotiations. The NMPRC staff filed a motion in December 2011 to dismiss the protests and terminate the proceeding on the ground that PNM's IRP fully complies with NMPRC rules. PNM is unable to predict the outcome of this matter.

Emergency FPPAC

In 2008, the NMPRC authorized PNM to implement an Emergency FPPAC from June 2, 2008 through June 30, 2009. The NMPRC order approving the Emergency FPPAC also provided that if PNM's base load generating units did not operate at or above a specified capacity factor and PNM was required to obtain replacement power to serve jurisdictional customers, PNM would be required to make a filing with the NMPRC seeking approval of the replacement power costs. In its required filing, PNM stated that the costs of the replacement power amounting to $8.0 million were prudently incurred and made a motion that they be approved. The NMPRC staff opposed PNM's motion and recommended that PNM be required to refund the amount collected. Auditors selected by the NMPRC found that PNM was prudent in operating its base load units and in securing replacement power but had not obtained prior NMPRC approval in the manner required by the NMPRC order. PNM continues to assert that its recovery of replacement power costs was proper and did not violate the NMPRC's order. The NMPRC has not ruled on this matter. Under the terms of the approved stipulation in the 2010 Electric Rate Case, the parties to the stipulation, including the NMPRC staff, jointly requested that the NMPRC take no further action in this matter and close the docket. No party has opposed that request. Although the NMPRC has not acted on the joint request, the NMPRC electronic docket shows the docket closed. PNM is unable to predict the outcome of this matter.

Applications for Approvals to Purchase Delta

As discussed in Note 9 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K, PNM has entered in to an agreement to purchase Delta, a 132 MW natural gas peaking unit from which PNM currently acquires energy and capacity under a PPA. The agreement to purchase Delta is subject to approvals by the NMPRC and FERC. On January 3, 2013, PNM filed an application with the NMPRC for a Certificate of Convenience and Necessity to own and operate Delta and for a determination of related ratemaking principles and treatment. PNM requested expedited consideration of the application so that a final order could be issued by May 31, 2013. The NMPRC has assigned the matter to a hearing examiner. A hearing on the application is scheduled to begin on May 13, 2013. PNM filed an application for approval of the Delta acquisition at FERC on January 24, 2013. FERC approved the purchase on February 26, 2013. PNM is unable to predict the outcome of this matter.

Application for Approval of La Luz Generating Station

PNM anticipates filing an application for a Certificate of Convenience and Necessity for a new 40 MW gas-fired generating facility near Belen, New Mexico with the NMPRC in May 2013. The application also will ask for a determination of related ratemaking principles and treatment. The estimated cost of this facility is approximately $63.2 million. PNM anticipates an in-service date in the first quarter of 2016. PNM has entered into a contract for the turbine to be used for this project. PNM also has entered into a turn-key contract with an outside contractor for the construction of the generating facility. Both of these contracts allow PNM to cancel the project if NMPRC approval is not obtained. PNM is unable to predict the outcome of this matter.

Transmission Rate Case

In October 2010, PNM filed a notice with FERC to increase its wholesale electric transmission revenues by $11.1 million annually, based on a return on equity of 12.25%. The filing also sought to revise certain Open Access Transmission Tariff provisions and bi-lateral contractual terms. In December 2010, FERC issued an order accepting PNM's filing and suspending the proposed tariff revisions for five months. The proposed rates were implemented on June 1, 2011, subject to refund. The rate increase applied to all of PNM's wholesale electric transmission service customers, which include other utilities, electric cooperatives, and entities that use PNM's transmission system to transmit power at the wholesale level. The rate increase did not impact PNM's retail

customers. On January 2, 2013, FERC approved an unopposed settlement agreement, which increases transmission service revenues by $2.9 million annually. In addition, the parties agreed that if PNM files for a formula based rate change within one year from FERC's approval of the settlement agreement, no party will oppose the general principle of a formula rate, although the parties may still object to particular aspects of the formula. PNM refunded amounts collected in excess of the settled rates in January 2013. See Tri-State Complaint below.

Formula Transmission Rate Case

On December 31, 2012, PNM filed an application with FERC for authorization to move from charging stated rates for wholesale electric transmission service to a formula rate mechanism pursuant to which rates for wholesale transmission service are calculated annually in accordance with an approved formula. The proposed formula includes updating cost of service components, including investment in plant and operating expenses, based on information contained in PNM's annual financial report filed with FERC, as well as including projected large transmission capital projects to be placed into service in the following year. The projections included are subject to true-up in the following year formula rate. Certain items, including changes to return on equity and depreciation rates, require a separate filing to be made with FERC before being included in the formula rate. The rates resulting from PNM's application are intended to replace the rates approved by the FERC on January 2, 2013 in the transmission rate case discussed above. As filed, PNM's request would result in a $3.2 million wholesale electric transmission rate increase, based on PNM's 2011 data and a 10.81% return on equity, and authority to adjust transmission rates annually based on an approved formula. The proposed $3.2 million rate increase would be in addition to the $2.9 million rate increase approved by the FERC on January 2, 2013 in the transmission rate case discussed above.

On March 1, 2013, FERC issued an order (1) accepting PNM's revisions to its rates for filing and suspending the proposed revisions to become effective August 2, 2013, subject to refund; (2) directing PNM to submit a compliance filing to establish its return-on-equity ("ROE") using the median, rather than the mid-point, of the ROEs from a proxy group of companies; (3) directing PNM to submit a compliance filing to remove the acquisition adjustment related to PNM's 60% ownership of the EIP transmission line from its rate proposal; and (4) setting the proceeding for hearing and settlement judge procedures. PNM would be allowed to make a separate filing related to recovery of the EIP acquisition adjustment. On April 1, 2013, PNM made the required compliance filing. In addition, PNM filed for rehearing of FERC's order regarding the ROE. On May 1, 2013, PNM provided an updated rate request to its wholesale electric transmission service customers incorporating 2012 data and the FERC order into the formula rate. The updated formula rate would result in a $1.3 million rate increase over the rates approved by FERC on January 2, 2013. PNM anticipates filing the updated rate request with FERC on June 1, 2013. The new rates will apply to all of PNM's wholesale electric transmission service customers, which include other utilities, electric cooperatives, and entities that use PNM's transmission system to transmit power at the wholesale level. The new rates will not apply to PNM's retail customers. PNM is unable to predict the outcome of this proceeding.

Tri-State Complaint

On March 13, 2013, Tri-State filed a complaint with FERC alleging that PNM's existing transmission rates approved by FERC on January 2, 2013 in the transmission rate case discussed above are unjust and unreasonable under the Federal Power Act. Tri-State's allegations are premised upon FERC's March 1, 2013 order and certain data provided by PNM in PNM's Formula Transmission Rate Case discussed above. Tri-State seeks a reduction in PNM's annual transmission revenue requirement for the period between March 13, 2013 and the implementation of PNM's proposed rates under the Formula Transmission Rate Case. Tri-State also requests that FERC consolidate the complaint proceeding with the Formula Transmission Rate Case. On April 2, 2013, PNM answered Tri-State's complaint, asking FERC to dismiss the complaint and deny Tri-State's request to consolidate the complaint proceeding with the Formula Transmission Rate Case. PNM is unable to predict the outcome of this proceeding.

Firm-Requirements Wholesale Customers

Navopache Electric Cooperative, Inc. Rate Case

In September 2011, PNM filed an unexecuted amended sales agreement between PNM and NEC with FERC. The agreement proposed a cost of service based rate for the electric service and ancillary services PNM provides to NEC, which would result in an annual increase of $8.7 million or a 39.8% increase over existing rates. PNM also requested a FPPAC and full recovery of certain third-party transmission charges PNM incurs to serve NEC. NEC filed a protest to PNM's filing with FERC. In November

2011, FERC issued an order accepting the filing, suspending the effective date to be effective April 14, 2012, subject to refund, and set the proceeding for settlement. The parties finalized a settlement agreement and PNM filed for the necessary FERC approval on December 6, 2012. The settlement agreement would result in an annual increase of $5.3 million, an extension of the contract for 10 years, and an agreement that PNM will be able to file an application for formula based rates to be effective in 2015. On April 5, 2013, FERC approved the settlement agreement. PNM anticipates refunding amounts collected in excess of the settled rates by June 4, 2013.

City of Gallup, New Mexico Contract Approval Case

PNM provides both energy and power services to Gallup, PNM's second largest firm-requirements wholesale customer, under an electric service agreement that expires June 30, 2013. On May 1, 2013, PNM and Gallup agreed to extend the term of the agreement to June 30, 2014 and to increase the demand and energy rates under the agreement. On May 1, 2013, PNM requested FERC approval of the amended agreement to be effective July 1, 2013. If approved by FERC, revenue from Gallup would increase by $3.1 million during the term of the amended agreement. PNM is unable to predict the outcome of this proceeding.

TNMP

Advanced Meter System Deployment and Surcharge Request

In July 2011, the PUCT approved a settlement and authorized an AMS deployment plan that permits TNMP to collect $113.3 million in deployment costs through a surcharge over a 12-year period. TNMP began collecting the surcharge on August 11, 2011. Deployment of advanced meters began in September 2011 and is scheduled to be completed over a 5-year period. In February 2012, the PUCT opened a proceeding to consider the feasibility of an "opt-out" program for retail consumers that wish to decline receipt of an advanced meter. The PUCT has requested comments and convened a public meeting to hear various issues. No proposal or decision has yet been announced by the PUCT. However, various individuals filed a petition with the PUCT seeking a moratorium on any advanced meter deployment. The PUCT denied the petition and an appeal was filed with the Texas District Court on September 28, 2012. On February 21, 2013, the PUCT filed a proposed rule to permit customers to opt-out of the AMS deployment. A hearing to receive additional comment on the proposed rulemaking was held on April 19, 2013. Any opt-out program would apply to all transmission and distribution utilities in ERCOT. TNMP cannot predict the outcome or effect of this proceeding.

Energy Efficiency

TNMP recovers the costs of its energy efficiency programs through an energy efficiency cost recovery factor. On August 28, 2012, the PUCT approved a settlement that permits TNMP to collect estimated 2013 program costs of $4.8 million, plus recovery of an aggregate of $0.4 million in under-collected costs from prior years, case expenses, and a performance bonus for 2011. TNMP's new rates were effective January 1, 2013. TNMP anticipates filing by June 1, 2013 to collect estimated 2014 energy efficiency program costs of $4.7 million and a $0.7 million bonus for 2012.

Transmission Cost of Service Rates

TNMP can update its transmission rates twice per year to reflect changes in its invested capital. Updated rates reflect the addition and retirement of transmission facilities, including appropriate depreciation, federal income tax and other associated taxes, and the approved rate of return on such facilities.

On August 23, 2012, TNMP filed an application to update its transmission rates to reflect changes in its invested capital. The application reflected an increase in total rate base of $26.4 million and requested an increase in revenues of $2.5 million annually. The PUCT approved the interim adjustment and TNMP implemented it on September 27, 2012.

On January 31, 2013, TNMP filed an application to further update its transmission rates to reflect changes in its invested capital. The requested increase in total rate base is $21.9 million, which will increase revenues $2.9 million annually. On March 19, 2013, the PUCT ALJ approved TNMP's interim transmission cost of service filing and rates went into effect with bills rendered March 20, 2013.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(11) Related Party Transactions

PNMR, PNM, and TNMP are considered related parties as defined under GAAP. PNMR Services Company provides corporate services to PNMR and its subsidiaries in accordance with shared services agreements. The table below summarizes the nature and amount of related party transactions of PNMR, PNM, and TNMP:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Services billings:		
PNMR to PNM	$ 22,652	$ 22,055
PNMR to TNMP	7,361	6,951
PNM to TNMP	108	121
TNMP to PNMR	2	4
Interest billings:		
PNMR to TNMP	96	18
PNMR to PNM	1	—
PNM to PNMR	41	45
Income tax sharing payments:		
PNMR to PNM	—	63,114
PNMR to TNMP	—	1,952

(12) Income Taxes

As required under GAAP, the Company makes an estimate of its anticipated effective tax rate for the year as of the end of each quarterly period within its fiscal year. Year-to-date income tax expense is then calculated by applying the anticipated annual effective tax rate to year-to-date earnings before taxes, which includes the earnings attributable to the Valencia non-controlling interest. GAAP also provides that certain unusual or infrequently occurring items, as well as adjustments due to enactment of new tax laws, be excluded from the estimated annual effective tax rate calculation.

On January 3, 2013, the American Taxpayer Relief Act of 2012, which extended fifty percent bonus depreciation, was signed into law. Due to provisions in the act, taxes payable to the State of New Mexico for 2013 were reduced, which results in an impairment of New Mexico wind energy production tax credits. In accordance with GAAP, PNMR was required to record this impairment, which after federal income tax benefit amounted to $1.5 million, as additional income tax expense during the three months ended March 31, 2013. This impairment is reflected in PNMR's Corporate and Other segment.

On April 30,2013, the IRS issued Revenue Procedure 2013-24, which provides a safe harbor method of accounting that taxpayers may use to determine repair costs for electric generation property. Adoption of the safe harbor method is elective for years ending on or after December 31, 2012. The Company is evaluating the possible effects of adopting the safe harbor method and the ultimate outcome cannot be determined at this time.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(13) Accumulated Other Comprehensive Income (Loss)

Information regarding accumulated other comprehensive income (loss) for the three months ended March 31, 2013 is as follows:

	Accumulated Other Comprehensive Income (Loss)			
	Unrealized Gain on Investment Securities	Pension Liability Adjustment	Fair Value Adjustment for Cash Flow Hedges	Total
	(In thousands)			
PNMR				
Balance at December 31, 2012	$ 16,406	$ (97,820)	$ (216)	$ (81,630)
Amounts reclassified from AOCI (pre-tax)	(1,336)	1,591	48	303
Income tax impact of amounts reclassified	529	(631)	(17)	(119)
Other OCI changes (pre-tax)	7,858	—	12	7,870
Income tax impact of other OCI changes	(3,111)	—	(4)	(3,115)
Net change after income taxes	3,940	960	39	4,939
Balance at March 31, 2013	$ 20,346	$ (96,860)	$ (177)	$ (76,691)
PNM				
Balance at December 31, 2012	$ 16,406	$ (97,820)	$ —	$ (81,414)
Amounts reclassified from AOCI (pre-tax)	(1,336)	1,591	—	255
Income tax impact of amounts reclassified	529	(631)	—	(102)
Other OCI changes (pre-tax)	7,858	—	—	7,858
Income tax impact of other OCI changes	(3,111)	—	—	(3,111)
Net change after income taxes	3,940	960	—	4,900
Balance at March 31, 2013	$ 20,346	$ (96,860)	$ —	$ (76,514)
TNMP				
Balance at December 31, 2012	$ —	$ —	$ (216)	$ (216)
Amounts reclassified from AOCI (pre-tax)	—	—	48	48
Income tax impact of amounts reclassified	—	—	(17)	(17)
Other OCI changes (pre-tax)	—	—	12	12
Income tax impact of other OCI changes	—	—	(4)	(4)
Net change after income taxes	—	—	39	39
Balance at March 31, 2013	$ —	$ —	$ (177)	$ (177)

Pre-tax amounts reclassified from AOCI related to "Unrealized Gain on Investment Securities" are included in "Gains on investments held by NDT" in the Condensed Consolidated Statements of Earnings. Pre-tax amounts reclassified from AOCI related to "Pension Liability Adjustment " are reclassified to "Operating Expenses - Administrative and general" in the Condensed Consolidated Statements of Earnings. Approximately 15.0% of the amount reclassified is then capitalized into construction work in process and approximately 2.5% is capitalized into other accounts. Pre-tax amounts reclassified from AOCI related to "Fair Value Adjustment for Cash Flow Hedges" are reclassified to "Interest Charges" in the Condensed Consolidated Statements of Earnings. An insignificant amount is then capitalized as AFUDC. The income tax impacts of all amounts reclassified from AOCI are included in "Income Taxes" in the Condensed Consolidated Statements of Earnings.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations for PNMR is presented on a combined basis, including certain information applicable to PNM and TNMP. The MD&A for PNM and TNMP is presented as permitted by Form 10-Q General Instruction H (2). This report uses the term "Company" when discussing matters of common applicability to PNMR, PNM, and TNMP. A reference to a "Note" in this Item 2 refers to the accompanying Notes to Condensed Consolidated Financial Statements (Unaudited) included in Item 1, unless otherwise specified. Certain of the tables below may not appear visually accurate due to rounding.

MD&A FOR PNMR

EXECUTIVE SUMMARY

Overview and Strategy

PNMR is a holding company with two regulated utilities serving approximately 741,000 residential, commercial, and industrial customers and end-users of electricity in New Mexico and Texas.

Strategic Goals

PNMR is focused on achieving the following strategic goals:

- Earning authorized returns on its regulated businesses
- Continuing to improve credit ratings
- Providing a top-quartile total return to investors

In conjunction with these goals, PNM and TNMP are dedicated to:

- Achieving industry-leading safety performance and customer satisfaction
- Maintaining strong plant performance and reliability

Earning Authorized Returns on Regulated Businesses

PNMR's success in accomplishing its strategic goals is highly dependent on continued favorable regulatory treatment for its utilities. The Company has multiple strategies to achieve favorable regulatory treatment, all of which have as their foundation a focus on the basics: managing the Company's business and serving our customers well, while engaging stakeholders to build productive relationships.

Both PNM and TNMP seek cost recovery for their investments through general rate cases and various rate riders. The PUCT has approved mechanisms that allow for recovery of capital invested in transmission and distribution projects without having to file a general rate case and allow for more timely recovery of amounts invested in TNMP's systems. In 2011 and 2012, PNM made significant progress toward the goal of achieving authorized returns for its retail customers. In 2012, PNM saw additional progress toward achieving authorized returns for its transmission and generation customers regulated by FERC. PNM and TNMP completed several rate proceedings before their state regulators in 2011, 2012, and early 2013. Additional information about rate filings is provided in Note 17 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K and in Note 10.

Fair and timely rate treatment from regulators is crucial to achieving PNMR's strategic goals because it leads to PNM and TNMP earning their allowed returns. PNMR believes that if the utilities earn their allowed returns, it would be viewed positively by rating agencies and would further improve credit ratings, which could lower costs to customers. Also, earning allowed returns should result in increased earnings for PNMR, which should lead to increased total returns to investors.

PNM's interest in PVNGS Unit 3 is excluded from NMPRC jurisdictional rates. While PVNGS Unit 3's financial contribution is not calculated in the authorized returns on its regulated business, it impacts PNM's earnings and has demonstrated to be a valuable asset. Power generated from PNM's 134 MW interest in PVNGS Unit 3 is currently sold into the wholesale market and any earnings or losses are attributable to shareholders.

Continuing to Improve Credit Ratings

PNM is committed to maintaining investment grade credit ratings. The credit ratings for PNMR, PNM, and TNMP were set forth under the heading Liquidity in the MD&A contained in the 2012 Annual Reports on Form 10-K. As discussed under the subheading Liquidity in MD&A below, S&P raised the corporate credit ratings and senior debt ratings for PNMR, PNM, and TNMP, as well as the preferred stock rating for PNM, on April 5, 2013. S&P retained the outlook as stable for all entities.

Providing Top-Quartile Total Returns to Investors

PNMR's strategic goal to provide top quartile total return to investors is based on five-year ongoing EPS growth along with five-year average dividend yield. Top quartile total return currently is equal to an average annual rate of 10 percent to 13 percent. PNMR's long-term target is a dividend payout ratio of 50 percent to 60 percent of its ongoing earnings. Ongoing earnings, which is a non-GAAP financial measure, excludes certain non-recurring, infrequent, and other items from earnings determined in accordance with GAAP. The annual common stock dividend was raised by 16 percent in February 2012 and 14 percent in February 2013. PNMR expects to provide above-average dividend growth in the near-term and to manage the payout ratio to meet its long-term target. The PNMR board will continue to evaluate the dividend on an annual basis, considering sustainability and growth, capital planning, and industry standards.

Business Focus

In addition to its strategic goals, PNMR's strategy and decision-making are focused on safely providing reliable, affordable, and environmentally responsible power to create enduring value for customers and communities. To accomplish this, PNMR works closely with customers, stakeholders, legislators, and regulators to ensure that our resource plans and infrastructure investments benefit from robust public dialogue and balance the diverse needs of our communities.

Reliable and Affordable Power

PNMR and its utilities are keenly aware of the roles they play in enhancing economic vitality in their New Mexico and Texas service territories. We believe there is a direct connection between electric infrastructure to ensure reliability and economic growth. When considering expanding or relocating to other communities, businesses consider energy affordability and energy reliability to be important factors. PNM and TNMP strive to balance service affordability with infrastructure investment to maintain a high level of electric reliability. The utilities also work to ensure that rates reflect actual costs of providing service.

Investing in PNM's and TNMP's infrastructure is critical to ensure reliability and meet future energy needs. Both utilities have long-established records of providing customers with top-tier electric reliability. In September 2011, TNMP began its deployment of smart meters in homes and businesses across its Texas service area. Through the end of 2012, TNMP had completed installation of more than 75,000 smart meters. TNMP's deployment is expected to be completed in 2016.

As part of the State of Texas' long-term initiative to create a smart electric grid, the smart meter rollout will ultimately give consumers more energy consumption data and help them make more informed decisions. In 2013, TNMP will install a new outage management system that will leverage capabilities of the smart meters to enhance the company's responsiveness to outages.

During the 2010 to 2012 period, PNM and TNMP together invested $803.7 million in substations, power plants, and transmission and distribution systems in New Mexico and Texas. In 2012, PNM announced its planned 40 MW natural gas-fired La Luz peaking generating station to be located near Belen, New Mexico. PNM anticipates filing a request in May 2013 with the NMPRC for approval for construction of the La Luz project, which is expected to begin in 2014, with the facility going into service in 2016. PNM also announced an agreement to purchase Delta, a 132 MW gas-fired peaking facility, which has served PNM jurisdictional needs under a 20-year purchase power agreement since 2000.

Environmentally Responsible Power

PNMR has a long-standing record of environmental stewardship. In 2012 and 2013, its environmental focus has been in three key areas:

- Preparing to meet New Mexico's increasing renewable energy requirements as cost-effectively as possible
- Developing strategies to meet regional haze rules at the coal-fired SJGS as cost effectively as possible while providing broad environmental benefits
- Increasing energy efficiency participation

Another area of emphasis is the reduction of the amount of fresh water used during the generation of power at PNM's power plants. The fresh water used per MWh generated has dropped by 22.3% since 2002, primarily due to the growth of renewable energy sources, the expansion of Afton to combined-cycle plant that has both air and water cooling systems, and the use of gray water for cooling at Luna. In addition to the above areas of focus, in 2013, the Company also will be working to reduce the amount of solid waste going to landfills through increased recycling and reduction of waste. The Company has performed well in this area in the past and has set goals for even further reductions.

Renewable Energy

In 2012, PNM filed and the NMPRC approved PNM's 2013 renewable procurement strategy. The approved strategy will almost double PNM's solar capacity with the addition of 21.5 MW of utility-owned solar capacity having an estimated cost of almost $50 million. In addition to the solar expansion, the 2013 proposal includes a 20-year agreement to purchase energy from a geothermal facility to be built near Lordsburg, New Mexico. The 10 MW facility will be the first geothermal project for the PNM system.

In addition to the 22 MW of solar currently available through the five plants constructed in 2011, PNM also owns a sixth facility, the 500-KW PNM Prosperity Energy Storage Project, which uses advanced batteries to store solar power and dispatch the energy either during high-use periods or when solar production is limited. The project features one of the largest combinations of battery storage and PV energy in the nation and involves extensive research and development of smart grid concepts with the Electric Power Research Institute, East Penn Manufacturing Co., Northern New Mexico College, Sandia National Laboratories, and the University of New Mexico. When the facility went online in September 2011, it was the nation's first solar storage facility fully integrated into a utility's power grid.

PNM's resource portfolio includes the purchase of 204 MW of wind power. PNM also purchases power from a customer-owned distributed solar generation program having an installed capacity of 19.8 MW at the end of 2012. Distributed generation, wind, and solar power are key means for PNM to meet the RPS established by the REA and related regulations issued by the NMPRC. These rules require a utility to achieve prescribed levels of energy sales from renewable sources within its generation mix, if that can be accomplished without exceeding the RCT cost limit set by the NMPRC, which aims to moderate the cost to consumers when utilities use more renewable resources.

PNM sought and received a waiver from the NMPRC excusing it from meeting the RPS in 2012 because the cost to achieve the full RPS would exceed the RCT. The 2013 plan will enable PNM to comply with the statutory RPS amount in 2013, but required a variance from the NMPRC's diversity requirements in 2013 while the proposed geothermal facilities are being constructed. Although this plan had been expected to enable PNM to achieve full RPS quantity and diversity compliance by 2014 without exceeding the RCT, delays in the permitting process for the geothermal facility have delayed its anticipated in-service date to later in 2014. PNM does not believe this delay will affect its ability to comply with the diversity requirements as amended in December 2012. PNM will continue to procure renewable resources while balancing the bill impact to customers in order to meet New Mexico's escalating RPS requirements.

SJGS

PNM continues its efforts to comply with the EPA regional haze rule in a manner that minimizes the cost impact to customers while still achieving broad environmental benefits. EPA's FIP for regional haze currently in effect requires the installation of SCRs on all four units at SJGS by September 2016.

On February 15, 2013, PNM, NMED, and EPA agreed to pursue a revised plan that could provide a new BART path to comply with federal visibility rules at SJGS. The terms of the non-binding agreement would result in the retirement of SJGS Units 2 and 3 by the end of 2017 and the installation of SNCRs on Units 1 and 4 by the later of January 31, 2016 or 15 months after EPA approval of a revised SIP from the State of New Mexico. PNM would also build a natural gas-fired peaking generating plant to be sited at SJGS to partially replace the capacity from the retired coal units. Additional base load generating capacity may also be required, which could come from PVNGS Unit 3 or additional gas-fired generation. Implementing this plan would include:

- NMED development of a revised SIP
- Approval of the revised SIP by EIB
- EPA approval of the revised SIP
- NMPRC approval of the retirement of Units 2 and 3, as well as recovery of the unrecovered investment and costs to retire those units, and plans to acquire replacement power

The term sheet setting forth the non-binding agreement projects EIB approval in the fourth quarter of 2013, with EPA final action in late 2014. Contemporaneously with the signing of the non-binding agreement, EPA indicated in writing that if the above plan does not move forward due to circumstances outside of the control of PNM and NMED, EPA will work with the state and PNM to create a reasonable FIP compliance schedule to reflect the time used to develop the new state plan. PNM is also exploring potential additional areas of relief, including relief from the Tenth Circuit.

In connection with the implementation of the plan, retirement of SJGS Units 2 and 3 could result in shifts in ownership among SJGS owners as may be agreed upon by the owners, including PNM acquiring additional ownership in SJGS Unit 4. Owners of the affected units also may seek approvals of their utility commissions or governing boards.

On February 25, 2013, the parties filed their status reports with the Tenth Circuit. To demonstrate that progress has been made toward settling the Tenth Circuit litigation, information, including the non-binding agreement and its accompanying timeline, was submitted to the court. Following the parties' submission of their status reports, on February 28, 2013, the Tenth Circuit referred the litigation to the Tenth Circuit Mediation Office, which has authority to require the parties to attend mediation conferences to informally resolve issues in the pending appeals.

This revised BART plan would achieve similar visibility improvements as the installation of SCRs on all four units at SJGS. It has the added advantage of reducing other emissions beyond NOx, including SO_2, particulate matter, CO_2, and mercury, as well as reducing water usage. Detailed replacement power strategies also would be finalized. PNM believes adequate replacement power alternatives will be available to meet its generation needs and ensure reliability. PNM can provide no assurance that the requirements of this plan will be accomplished at all or within the required timeframes.

Additional information about BART at SJGS is contained in Note 16 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K and in Note 9.

In addition to the regional haze rule, SJGS is required to comply with other rules currently being developed or implemented that affect coal-fired generating units. Because of environmental upgrades completed in 2009, SJGS is well positioned to outperform the mercury limit imposed by EPA in the 2011 Mercury and Air Toxics Standards. The major environmental upgrades on each of the four units at SJGS have significantly reduced emissions of NOx, SO_2, particulate matter, and mercury. Since 2006, SJGS has reduced NOx emissions by 43 percent, SO_2 by 69 percent, particulate matter by 64 percent, and mercury by 99 percent.

Energy Efficiency

Energy efficiency also plays a significant role in helping to keep customers' electricity costs low while continuing to meet their energy needs. PNM's and TNMP's energy efficiency and load management portfolios continue to achieve robust results. In 2012, annual energy saved as a result of PNM's portfolio of energy efficiency programs was approximately 79 GWh. This is equivalent to the consumption of approximately 10,700 homes in PNM's service territory. PNM's load management and energy efficiency programs also help lower peak demand requirements. TNMP's energy efficiency programs in 2012 resulted in energy savings totaling an estimated 12.8 GWh.

Creating Value for Customers and Communities

Through outreach, collaboration, and various community-oriented programs, PNMR has a demonstrated commitment to build productive relationships with stakeholders, including customers, regulators, legislators, and intervenors.

Building off work that began in 2008, PNM has continued outreach efforts to connect low-income customers with nonprofit community service providers offering support and help with such needs as utility bills, food, clothing, medical programs, services for seniors, and weatherization. In 2012, PNM hosted 23 community events throughout its service territory to assist low-income customers. Furthermore, the PNM Good Neighbor Fund provided $1.0 million of assistance with utility bills to 10,216 families in 2012.

The PNM Resources Foundation helps nonprofits become more energy efficient through Reduce Your Use grants. For 2012, the foundation awarded $0.3 million to support 55 projects in New Mexico to provide shade structure installations, window replacements, and efficient appliance purchases. Since the program's inception in 2008, Reduce Your Use grants have provided nonprofit agencies in New Mexico with a total of $1.1 million of support.

PNM also expanded its environmental stakeholder outreach in 2012, piloting small environmental stakeholder dialogue groups on key issues such as renewable energy and energy efficiency planning. PNM also employed proactive stakeholder outreach in two key projects - the development of the PNM's renewable energy procurement plans that involved distributed solar energy developers early in the conversation and the siting of the planned gas-fired peaking generation facility near Belen, New Mexico, which featured in-depth community involvement and education early in the planning stages of the project. In both cases highly favorable outcomes were achieved, and controversial negative media coverage was virtually eliminated.

Economic Factors

In the three months ended March 31, 2013, PNM experienced a decrease in weather and leap-year normalized, retail load of 1.9% compared to the three months ended March 31, 2012. New Mexico businesses seem to be taking a long time to recover from the economic downturn. In particular, the Albuquerque metropolitan area continues to lag the nation in economic recovery. Based on the current trends, load could be down 1% for the full year 2013 compared to 2012. However, since PNM's largest quarter is third quarter, economic conditions may improve by that point, which could cause load to increase. TNMP experienced an increase in weather and leap-year normalized, retail load of 2.2% in the three months ended March 31, 2013 compared to 2012. In recent years, New Mexico and Texas have fared better than the national average in unemployment. However, New Mexico's figures may be misleading due to people dropping out of the workforce. Employment growth is a better indicator, as Texas leads the way with growth rates well above the national rate while New Mexico's employment is relatively flat.

Results of Operations

A summary of net earnings attributable to PNMR is as follows:

	Three Months Ended March 31,		
	2013	2012	Change
	(In millions, except per share amounts)		
Net earnings attributable to PNMR	$ 10.6	$ 17.1	$ (6.5)
Average diluted common and common equivalent shares	80.6	80.5	0.1
Net earnings attributable to PNMR per diluted share	$ 0.13	$ 0.21	$ (0.08)

The components of the change in earnings attributable to PNMR are:

	Three Months Ended March 31, 2013
	(In millions)
PNM	$ (6.3)
TNMP	0.7
Corporate and Other	(0.9)
Net change	$ (6.5)

PNMR's operational results were affected by the following:

- Rate increases for PNM and TNMP - Additional information about these rate increases is provided in Note 17 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K and Note 10
- Net unrealized losses on mark-to-market economic hedges for sales and fuel costs not recoverable under PNM's FPPAC
- Lower retail load at PNM partially offset by higher retail load at TNMP
- Other factors impacting results of operation for each segment are discussed under Results of Operations below

Liquidity and Capital Resources

The Company has revolving credit facilities that provide capacities for short-term borrowing and letters of credit of $300.0 million for PNMR and $400.0 million for PNM, both of which expire in October 2017. In addition, TNMP has a $75.0 million revolving credit facility, which expires in December 2015. Total availability for PNMR on a consolidated basis was $653.4 million at May 1, 2013. The Company utilizes these credit facilities and cash flows from operations to provide funds for both construction and operational expenditures. PNMR also has intercompany loan agreements with each of its subsidiaries.

The Company projects that its total capital requirements, consisting of construction expenditures and dividends, will total $2,062.8 million for 2013-2017, including amounts expended through March 31, 2013. The construction expenditures include additional renewable resources anticipated to be required to meet the RPS, additional peaking resources needed to meet needs outlined in PNM's current IRP, and environmental upgrades at Four Corners. This estimate does not include any amounts related to environmental upgrades at SJGS that ultimately may be required by EPA to address regional haze or expenditures that could be required to replace capacity should environmental control at SJGS involve shutdown of one or more SJGS units (Note 9). In addition to internal cash generation, the Company anticipates that it will be necessary to obtain additional long-term financing in the form of debt refinancing, new debt issuances, and/or new equity in order to fund its capital requirements through 2017. The Company currently believes that its internal cash generation, existing credit arrangements, and access to public and private capital markets will provide sufficient resources to meet the Company's capital requirements.

RESULTS OF OPERATIONS

Segment Information

The following discussion is based on the segment methodology that PNMR's management uses for making operating decisions and assessing performance of its various business activities. See Note 2 for more information on PNMR's operating segments.

The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto. Trends and contingencies of a material nature are discussed to the extent known. Refer also to Disclosure Regarding Forward Looking Statements and to Part II, Item 1A. Risk Factors.

PNM

The following table summarizes the operating results for PNM:

	Three Months Ended March 31,		
	2013	2012	Change
	(In millions)		
Electric operating revenues	$ 257.9	$ 250.4	$ 7.5
Cost of energy	91.7	80.6	11.1
Margin	166.2	169.9	(3.7)
Operating expenses	103.2	104.1	(0.9)
Depreciation and amortization	25.8	23.6	2.2
Operating income	37.2	42.1	(4.9)
Other income (deductions)	4.1	8.3	(4.2)
Net interest charges	(20.0)	(18.5)	(1.5)
Segment earnings before income taxes	21.4	31.9	(10.6)
Income (taxes)	(6.6)	(10.9)	4.3
Valencia non-controlling interest	(3.2)	(3.3)	0.1
Preferred stock dividend requirements	(0.1)	(0.1)	—
Segment earnings	$ 11.4	$ 17.7	$ (6.3)

The following table summarizes the significant changes to electric operating revenues, cost of energy, and margin:

	2012/2013 Change		
	Three Months Ended March 31,		
	Electric Operating Revenues	Cost of Energy	Margin
	(In millions)		
Retail load	$ (2.1)	$ —	$ (2.1)
Retail fuel and transmission	10.4	10.7	(0.3)
Wholesale rate increases	2.0	—	2.0
Energy efficiency rider	0.6	—	0.6
Renewable energy rider	4.7	1.5	3.2
Unregulated margin	1.5	0.2	1.3
Net unrealized economic hedges	(9.7)	(1.3)	(8.4)
Net change	$ 7.5	$ 11.1	$ (3.7)

The following table shows electric operating revenues by customer class and average number of customers:

	Three Months Ended March 31,		
	2013	2012	Change
	(In millions, except customers)		
Residential	$ 104.3	$ 99.7	$ 4.6
Commercial	88.3	87.4	0.9
Industrial	17.3	18.0	(0.7)
Public authority	5.3	5.3	—
Economy service	7.9	5.5	2.4
Other retail	3.4	4.6	(1.2)
Transmission	8.7	8.9	(0.2)
Firm requirements wholesale	11.5	9.1	2.4
Other sales for resale	17.1	8.1	9.0
Mark-to-market activity	(5.9)	3.8	(9.7)
	$ 257.9	$ 250.4	$ 7.5
Average retail customers (thousands)	507.4	505.0	2.4

The following table shows GWh sales by customer class:

	Three Months Ended March 31,		
	2013	2012	Change
	(Gigawatt hours)		
Residential	851.3	837.2	14.1
Commercial	878.5	899.5	(21.0)
Industrial	252.6	272.3	(19.7)
Public authority	55.0	56.1	(1.1)
Economy service	176.7	141.5	35.2
Firm requirements wholesale	177.2	172.8	4.4
Other sales for resale	532.8	281.1	251.7
	2,924.1	2,660.5	263.6

For the three months ended March 31, 2013, retail load was lower compared to the three months ended March 31, 2012 reflecting a continued sluggish economy in New Mexico. In particular, the Albuquerque metropolitan area continues to lag the nation in economic recovery. In spite of the economic pressures, PNM experienced modest customer growth of 0.5% and the unemployment rate in New Mexico remains lower than the national rate. The decrease in PNM's weather and leap-year normalized, retail load of was 1.9% in 2013 compared to 2012. Lower retail revenues and margins of $2.1 million were primarily driven by retail load decreases in the commercial and industrial customer classes, which continue to show considerable weakness. New Mexico businesses seem to be taking a long time to recover from the economic downturn. These decreases were partly offset by an increase in the residential class mainly due to colder weather. Based on the current trends, load could be down 1% for the full year 2013 compared to 2012. However, since PNM's largest quarter is third quarter, economic conditions may improve by that point, which could cause load to increase.

PNM provides economy energy services to a major customer. The only impact in margin for this customer is from minor ancillary services, and other changes in revenues and cost of energy are a pass through with no impact to margin. Other sales for resale revenues and volumes increased for the three months ended March 31, 2013, primarily due to reduced off-system sales at SJGS in 2012 resulting from the fire incident at the mine providing coal to SJGS. Increased off-system sales from SJGS in 2013 are included in PNM's FPPAC and do not impact margin. See Note 9 for more discussion on the SJGS mine fire incident.

For the three months ended March 31, 2013 lower retail transmission revenue and an increase in short-term transmission purchases from other providers reduced margin by $0.3 million compared to 2012. An increase in rates charged to a wholesale firm-requirements customer increased revenue and margin by $2.0 million in the three months ended March 31, 2013 compared to 2012.

PNM offers several energy efficiency programs and initiatives to its retail customers regulated by the NMPRC. In addition, PNM is allowed to earn incentives on these programs, based on energy savings of the programs. PNM recovers these energy efficiency program costs via a rate rider. For the three months ended March 31, 2013, revenues and margin from the energy efficiency rider improved by $0.6 million, primarily due to additional incentives earned compared to 2012. Other changes in energy efficiency revenues are offset by changes in operating expenses.

In August 2012, PNM implemented its renewable energy rider, a mechanism approved by the NMPRC, which recovers renewable energy procurement costs, including the investment in and an allowed return on the 22 MW PNM-owned solar PV facilities incurred to meet the RPS. See Note 10. For the three months ended March 31, 2013, revenues increased by $4.7 million due to this rider and cost of energy, reflecting the purchase of RECs, increased by $1.5 million. Such revenues include a return on investment of $0.9 million and the remaining revenues are for recovery of renewable energy operating, depreciation and interest expenses.

For the three months ended March 31, 2013, higher unregulated revenues of $1.5 million and margin of $1.3 million associated with PNM's share of PVNGS Unit 3, which is excluded from retail regulation, were due to favorable market power prices on sales compared to three months ended March 31, 2012, partially offset by increases in nuclear fuel costs.

Changes in unrealized mark-to-market gains and losses are based on economic hedges in place for sales and fuel costs not covered under the FPPAC, primarily associated with PVNGS Unit 3. Unrealized losses of $4.9 million for the three months ended March 31, 2013 compared to unrealized gains of $3.5 million for the three months ended March 31, 2012, decreased margin by $8.4 million.

For the three months ended March 31, 2013 operating expenses decreased by $0.9 million, including reductions due to timing of planned outages at SJGS and PVNGS of $2.1 million and $0.8 million. These were offset by higher outage expense at Four Corners of $0.4 million. In addition, bad debt expense decreased by $0.7 million due to improved collection experience. The decreases were offset by higher incentive compensation expense of $0.7 million and higher property, regulatory and payroll taxes of $0.8 million.

For the three months ended March 31, 2013, depreciation expense increased by $2.2 million primarily due to amortization of previously deferred costs related to the 22 MW PNM-owned solar PV facilities, which beginning in August 2012 are being recovered through a rate rider, as well as higher depreciation due to an increase in utility plant in service.

For the three months ended March 31, 2013, other income (deductions) was $4.2 million lower than 2012. Lower gains on investments held by the NDT reduced other income by $2.9 million in 2013 compared to 2012. Lower interest income on

PVNGS lessor notes of $0.6 million due to lower outstanding balances and lower equity AFUDC of $0.7 million also reduced other income.

For the three months ended March 31, 2013, interest expense increased $1.5 million primarily due to the deferral of interest costs associated with the 22 MW PNM-owned solar PV facilities during 2012, which are now being recovered through a rate rider.

TNMP

The following table summarizes the operating results for TNMP:

	Three Months Ended March 31,		
	2013	2012	Change
	(In millions)		
Total electric operating revenues	$ 59.8	$ 55.0	$ 4.8
Cost of energy	13.0	11.3	1.7
Margin	46.7	43.7	3.1
Operating expenses	22.0	20.6	1.4
Depreciation and amortization	11.7	11.3	0.4
Operating income	13.1	11.8	1.3
Other income (deductions)	0.2	0.1	0.1
Net interest charges	(7.2)	(7.1)	(0.1)
Segment earnings before income taxes	6.0	4.8	1.2
Income (taxes)	(2.3)	(1.8)	(0.5)
Segment earnings	$ 3.7	$ 3.0	$ 0.7

The following table summarizes the significant changes to total electric operating revenues, cost of energy, and margin:

	2012/2013 Change		
	Three Months Ended March 31,		
	Electric Operating Revenues	Cost of Energy	Margin
	(In millions)		
Rate increases	$ 0.7	$ —	$ 0.7
Customer usage/load	1.4	—	1.4
Transmission cost recovery	2.1	1.7	0.4
AMS surcharge	1.0	—	1.0
Other	(0.4)	—	(0.4)
Net change	$ 4.8	$ 1.7	$ 3.1

The following table shows total electric operating revenues by retail tariff consumer class, including intersegment revenues, and average number of consumers:

	Three Months Ended March 31,		
	2013	2012	Change
	(In millions, except consumers)		
Residential	$ 22.9	$ 20.8	$ 2.1
Commercial	20.9	20.1	0.8
Industrial	3.0	3.4	(0.4)
Other	13.0	10.7	2.3
	$ 59.8	$ 55.0	$ 4.8
Average consumers (thousands) [1]	234.1	232.0	2.1

[1] TNMP provides transmission and distribution services to REPs that provide electric service to consumers in TNMP's service territories. The number of consumers above represents the customers of these REPs. Under TECA, consumers in Texas have the ability to choose any REP to provide energy.

The following table shows GWh sales by retail tariff consumer class:

	Three Months Ended March 31,		
	2013	2012	Change
	(Gigawatt hours)		
Residential	561.4	516.7	44.7
Commercial	478.3	488.0	(9.7)
Industrial	552.5	626.6	(74.1)
Other	21.5	23.9	(2.4)
	1,613.7	1,655.2	(41.5)

Implementation of rate increases in March 2013 and September 2012 resulted in higher revenues and margins of $0.7 million in the three months ended March 31, 2013 compared to 2012. See Note 10. After adjusting for weather impacts and transmission service customers, usage per customer and average number of customers were higher in TNMP's service area increasing revenues by $1.0 million for the three months ended March 31, 2013 compared to 2012. In addition, cooler temperatures in the three months ended March 31, 2013 compared to milder weather in 2012 resulted in higher usage increasing revenues and margin $0.4 million. Differences between revenues and costs charged by transmission providers are deferred and recovered through a transmission cost recovery factor, resulting in higher margin of $0.4 million in the three months ended March 31, 2013 compared to 2012. For the three months ended March 31, 2013, the AMS surcharge improved revenues and margin by $1.0 million, which offset increases in operating expenses and depreciation.

Customer related expenses and administrative and general expenses associated with the AMS deployment increased operating expenses $0.6 million for the three months ended March 31, 2013 compared to 2012. Higher vegetation management expense of $0.3 million and higher energy efficiency program expenses of $0.4 further increased operating expenses for the three months ended 2013.

The increase in depreciation and amortization expense for the three months ended March 31, 2013 is mainly due to the deployment of AMS on TNMP's system, which is recovered through the surcharge discussed above.

Corporate and Other

The table below summarizes the operating results for Corporate and Other:

	Three Months Ended March 31,		
	2013	2012	Change
	(In millions)		
Total revenues	$ —	$ —	$ —
Cost of energy	—	—	—
Margin	—	—	—
Operating expenses	(3.7)	(3.3)	(0.4)
Depreciation and amortization	3.3	3.5	(0.2)
Operating income (loss)	0.4	(0.2)	0.6
Other income (deductions)	(1.8)	(2.6)	0.8
Net interest charges	(4.1)	(4.0)	(0.1)
Segment earnings (loss) before income taxes	(5.4)	(6.7)	1.3
Income (taxes) benefit	0.9	3.1	(2.2)
Segment earnings (loss)	$ (4.5)	$ (3.6)	$ (0.9)

Operating expenses for Corporate and Other are net of amounts allocated to PNM and TNMP under shared service agreements. Operating expenses decreased in the three months ended March 31, 2013 compared to 2012 primarily due to legal and consulting expenses incurred in 2012 related to the Company's union negotiations and the restructuring of outsourcing arrangements for information technology. These expenses did not recur in 2013.

Depreciation and amortization expense decreased $0.2 million in the three months ended March 31, 2013 compared to 2012 due to amortization of leasehold improvements during 2012 for part of the Company's corporate headquarters that was abandoned and fully amortized during 2012. Changes in depreciation and amortization are offset in operating expenses as a result of allocation of these costs to other business segments. PNM and TNMP deferred their allocations of the accelerated amortization of leasehold improvements as regulatory assets to be recovered through rates.

The change in other income and deductions is primarily due to lower performance on other investments during 2012 which did not recur during the three months ended March 31, 2013.

During the three months ended March 31, 2013, income (taxes) benefits includes the impairment of New Mexico wind energy production credits, which after federal income tax benefit, amounted to $1.5 million. See Note 12. No such impairment occurred in 2012.

LIQUIDITY AND CAPITAL RESOURCES

Statements of Cash Flows

The changes in PNMR's cash flows for the three months ended March 31, 2013 compared to March 31, 2012 are summarized as follows:

	Three Months Ended March 31,		
	2013	2012	Change
	(In millions)		
Net cash flows from:			
Operating activities	$ (1.4)	$ 13.6	$ (15.0)
Investing activities	(62.2)	(69.6)	7.4
Financing activities	59.7	47.9	11.8
Net change in cash and cash equivalents	$ (3.9)	$ (8.1)	$ 4.2

The changes in PNMR's cash flows from operating activities relate primarily to a decrease in cash flows from operating activities at PNM, including a decrease in receipt of governmental grants of $20.9 million, refunds of $15.2 million to transmission customers related to the settlement of PNM's transmission rate case, and decreases in accounts payable. Contributions to the PNM and TNMP pension and other postretirement benefit plans of $61.5 million in the three months ended March 31, 2013 compared to $84.1 million in 2012 partially offset these decreases.

The changes in PNMR's cash flows from investing activities relate primarily to a decrease of $10.4 million in utility plant additions in the three months ended March 31, 2013 compared to 2012. Utility plant additions at PNM were $22.3 million lower in the three months ended March 31, 2013 than 2012, including $12.4 million lower nuclear fuel purchases, due to the acceleration of fuel deliveries in 2012 related to the financial difficulties of a supplier; a reduction of $9.0 million in renewable energy additions, primarily related to payments in 2012 for the 22 MW of PNM-owned solar PV completed late in 2011; and a $3.5 million reduction in generation additions related to SJGS. TNMP utility plant additions increased $11.5 million in the three months ended March 31, 2013 compared to 2012, including increases in AMS additions of $3.2 million and other transmission and distribution additions of $9.7 million. Corporate plant additions increased $4.4 in in the three months ended March 31, 2013 compared to 2012, primarily related to payments in 2013 for renovations of the corporate headquarters building completed in late 2012.

The changes in cash flows from financing activities primarily relate to a $17.5 million greater increase in net short-term borrowings in the three months ended March 31, 2013 compared to 2012. The greater increase in 2013 reflects additional borrowings to offset the reduction in cash flows from operating activities, partially offset by the reduction in investing activities, as described above. The Company's operations are seasonal with the greatest amount of cash collections from customers following the higher revenues occurring in the summer months. Therefore, historically short-term borrowings are used in the first quarter of the year to offset construction expenditures and operations. Cash outflows for awards of common stock, net of proceeds from the exercise of options, increased $1.3 million due to an increase in the price of PNMR's common stock and the increased utilization of restricted stock awards rather than stock options.

Financing Activities

See Note 6 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K, for additional information concerning the Company's financing activities. On March 6, 2013, TNMP commenced an offer to exchange any and all of TNMP's $265.5 million aggregate principal amount outstanding 9.50% First Mortgage Bonds, due 2019, Series 2009A, for a new series of 6.95% First Mortgage Bonds due 2043, Series 2013A, and up to $140 in cash for each $1,000 of bonds exchanged. Settlement of the exchange offer occurred on April 3, 2013. Upon settlement, TNMP issued $93.2 million of 6.95% First Mortgage Bonds and paid an aggregate of $13.0 million in cash in exchange for $93.2 million of 9.50% First Mortgage Bonds, in addition to payment of accrued and unpaid interest on the exchanged bonds.

On April 22, 2013, PNM entered into the $75.0 million PNM Term Loan Agreement. Funding occurred on April 22, 2013, at which time the funds were used to repay $75.0 million in borrowings made under the PNM Revolving Credit Facility.

Capital Requirements

Total capital requirements consist of construction expenditures and cash dividend requirements for PNMR common stock and PNM preferred stock. Key activities in PNMR's current construction program include:

- Upgrading generation resources and additional renewable energy projects
- Expanding the electric transmission and distribution systems
- Purchasing nuclear fuel

Projected capital requirements, including amounts expended through March 31, 2013, are:

	2013	2014-2017	Total
		(In millions)	
Construction expenditures	$ 390.1	$ 1,408.8	$ 1,798.9
Dividends on PNMR common stock	51.0	210.3	261.3
Dividends on PNM preferred stock	0.5	2.1	2.6
Total capital requirements	$ 441.6	$ 1,621.2	$ 2,062.8

The construction expenditure estimates are under continuing review and subject to ongoing adjustment, as well as to Board review and approval. The construction expenditures above include additional renewable resources anticipated to be required to meet the RPS, additional peaking resources needed to meet needs outlined in PNM's current IRP, and environmental upgrades at Four Corners of $71.9 million estimated to be expended through 2017. The construction expenditures above do not include any amounts related to environmental upgrades at SJGS that ultimately may be required by EPA to address regional haze or expenditures that could be required to replace capacity should environmental control at SJGS involve shutdown of one or more SJGS units. See Note 9 and Commitments and Contractual Obligations below. The ability of PNMR to pay dividends on its common stock is dependent upon the ability of PNM and TNMP to be able to pay dividends to PNMR. Note 5 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K describes regulatory and contractual restrictions on the payment of dividends by PNM and TNMP.

During the three months ended March 31, 2013, PNMR met its capital requirements and construction expenditures through cash generated from operations, as well as its liquidity arrangements.

In addition to the capital requirements for construction expenditures and dividends, the Company has long-term debt that must be paid or refinanced at maturity. Note 6 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K contains information about the maturities of long-term debt. The Company has from time to time refinanced or repurchased portions of its outstanding debt before scheduled maturity. See Financing Activities above. Depending on market conditions, the Company may refinance other debt issuances or make additional debt repurchases in the future.

Liquidity

PNMR's liquidity arrangements include the PNMR Revolving Credit Facility and the PNM Revolving Credit Facility that both expire in 2017 and the TNMP Revolving Credit Facility that expires in December 2015. The PNMR Revolving Credit Facility has a financing capacity of $300.0 million, the PNM Revolving Credit Facility has a financing capacity of $400.0 million, and the TNMP Revolving Credit Facility has a financing capacity of $75.0 million. The Company believes the terms and conditions of its facilities are consistent with those of other investment grade revolving credit facilities in the utility industry. In December 2012, PNMR entered into the PNMR Term Loan Agreement, borrowed $100.0 million under that agreement, and used the funds to repay $100.0 million in borrowings made under the PNMR Revolving Credit Facility. On April 22, 2013, PNM entered into the PNM Term Loan Agreement, borrowed $75.0 million under that agreement, and used the funds to repay $75.0 million in borrowings made under the PNM Revolving Credit Facility. Each of these facilities contains one financial covenant, which requires the maintenance of debt-to-capital ratios of less than or equal to 65%. These ratios for PNMR and PNM reflect the present value of payments under the PVNGS and EIP leases as debt.

The revolving credit facilities provide short-term borrowing capacity and also allow letters of credit to be issued. Letters of credit reduce the available capacity under the facilities. The Company utilizes these credit facilities and cash flows from operations to provide funds for both construction and operational expenditures. The Company's business is seasonal with more revenues and cash flows from operations being generated in the summer months. In general, the Company relies on the credit facilities to be the initial funding source for construction expenditures. Accordingly, borrowings under the facilities increase over time. Depending on market and other conditions, the Company will periodically sell long-term debt and use the proceeds to reduce the borrowings under the credit facilities. Short-term borrowings at PNMR ranged from $21.5 million to $54.2 million during the three months ended March 31, 2013 and from $14.0 million to $105.7 million during the three months ended March 31, 2012. PNM short-term borrowings ranged from $9.8 million to $130.8 million during the three months ended March 31, 2013 and from $44.1 million to $167.9 million during the three months ended March 31, 2012. TNMP borrowings ranged from zero to $25.0 million during the three months ended March 31, 2013 and there were no borrowings during the three months ended March 31, 2012. At March 31, 2013, average interest rates were 1.96% for the PNMR Revolving Credit Facility, 1.335% for the PNMR Term Loan Agreement, 1.71% for the PNM Revolving Credit Facility, and 1.83% for the TNMP Revolving Credit Facility.

The Company currently believes that its capital requirements can be met through internal cash generation, existing credit arrangements, and access to public and private capital markets. To cover the difference in the amounts and timing of internal cash generation and cash requirements, the Company intends to use short-term borrowings under its current and future liquidity arrangements. However, if difficult market conditions experienced during 2008 and 2009 return or worsen, the Company may not be able to access the capital markets or renew credit facilities when they expire. Should that occur, the Company would seek to improve cash flows by reducing capital expenditures and exploring other available alternatives. Also, PNM may consider seeking authorization for the issuance of first mortgage bonds to improve access to the capital markets.

In addition to its internal cash generation, the Company anticipates that it will be necessary to obtain additional long-term financing to fund its capital requirements through 2017. This could include debt refinancing, new debt issuances, and/or new equity.

The Company's ability to access the credit and capital markets at a reasonable cost is largely dependent upon its:

- Ability to earn a fair return on its investments
- Results of operations
- Ability to obtain required regulatory approvals
- Conditions in the financial markets
- Credit ratings

The credit ratings for PNMR, PNM, and TNMP were set forth under the heading Liquidity in the MD&A contained in the 2012 Annual Reports on Form 10-K. On April 5, 2013, S&P raised the corporate credit ratings and the senior debt ratings for PNMR, PNM, and TNMP, as well as the preferred stock rating for PNM. S&P retained the outlook as stable for all entities. As of May 1, 2013, ratings on the Company's securities were as follows:

	PNMR	PNM	TNMP
S&P			
Senior secured debt	*	*	A-
Senior unsecured debt	BBB-	BBB	*
Preferred stock	*	BB+	*
Moody's			
Senior secured debt	*	*	A3
Senior unsecured debt	Ba1	Baa3	*
Preferred stock	*	Ba2	*

* Not applicable

Investors are cautioned that a security rating is not a recommendation to buy, sell, or hold securities, that it is subject to revision or withdrawal at any time by the assigning rating organization, and that each rating should be evaluated independently of any other rating.

A summary of liquidity arrangements, which do not include the PNMR Term Loan Agreement or the PNM Term Loan Agreement, as of May 1, 2013 is as follows:

	PNMR Separate	PNM Separate	TNMP Separate	PNMR Consolidated
		(In millions)		
Financing capacity - revolving credit facility	$ 300.0	$ 400.0	$ 75.0	$ 775.0
Amounts outstanding as of May 1, 2013:				
Revolving credit facility	60.3	16.2	30.0	106.5
Letters of credit	11.3	3.5	0.3	15.1
Total short–term debt and letters of credit	71.6	19.7	30.3	121.6
Remaining availability as of May 1, 2013	$ 228.4	$ 380.3	$ 44.7	$ 653.4
Invested cash as of May 1, 2013	$ 4.5	$ —	$ —	$ 4.5

The above table excludes intercompany debt. The remaining availability under the revolving credit facilities at any point in time varies based on a number of factors, including the timing of collections of accounts receivables and payments for construction and operating expenditures.

For offerings of securities registered with the SEC, PNMR has a shelf registration statement expiring in March 2014. This shelf registration statement has unlimited availability and can be amended to include additional securities, subject to certain

restrictions and limitations. PNMR can also offer new shares of common stock through the PNM Resources Direct Plan under a separate SEC shelf registration statement that expires in August 2015. PNM has a shelf registration statement for up to $440.0 million of senior unsecured notes that will expire in May 2014.

Off-Balance Sheet Arrangements

PNMR's off-balance sheet arrangements include PNM's operating lease obligations for PVNGS Units 1 and 2, the EIP transmission line, and Delta. These arrangements help ensure PNM the availability of lower-cost generation needed to serve customers. See MD&A - Off-Balance Sheet Arrangements and Notes 7, 9, and 16 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K. See Note 3 for additional information concerning the PVNGS Leases and Delta. See Note 9 for additional information concerning the EIP transmission line.

Commitments and Contractual Obligations

PNMR, PNM, and TNMP have contractual obligations for long-term debt, operating leases, construction expenditures, purchase obligations, and certain other long-term obligations. See MD&A - Commitments and Contractual Obligations in the 2012 Annual Reports on Form 10-K.

Contingent Provisions of Certain Obligations

As discussed in the 2012 Annual Reports on Form 10-K, PNMR, PNM, and TNMP have a number of debt obligations and other contractual commitments that contain contingent provisions. Some of these, if triggered, could affect the liquidity of the Company. In the unlikely event that the contingent requirements were to be triggered, PNMR, PNM, or TNMP could be required to provide security, immediately pay outstanding obligations, or be prevented from drawing on unused capacity under certain credit agreements. The contingent provisions also include contractual increases in the interest rate charged on certain of the Company's short-term debt obligations in the event of a downgrade in credit ratings. The Company believes its financing arrangements are sufficient to meet the requirements of the contingent provisions. No conditions have occurred that would result in any of the above contingent provisions being implemented.

Capital Structure

The capitalization tables below include the current maturities of long-term debt, but do not include short-term debt and do not include operating lease obligations as debt.

	March 31, 2013	December 31, 2012
PNMR		
PNMR common equity	48.8%	48.9%
Preferred stock of subsidiary	0.3%	0.3%
Long-term debt	50.9%	50.8%
Total capitalization	100.0%	100.0%
PNM		
PNM common equity	50.9%	50.5%
Preferred stock	0.5%	0.5%
Long-term debt	48.6%	49.0%
Total capitalization	100.0%	100.0%
TNMP		
Common equity	60.0%	59.8%
Long-term debt	40.0%	40.2%
Total capitalization	100.0%	100.0%

OTHER ISSUES FACING THE COMPANY

Climate Change Issues

Background

In 2012, PNM's generating plants emitted approximately 6.7 million metric tons of CO_2, which comprises the vast majority of its GHG. By comparison, the total GHG in the United States in 2011, the latest year for which EPA has published this data, were approximately 6.7 billion metric tons, of which approximately 5.6 billion metric tons were CO_2. According to EPA data, electricity generation accounted for approximately 2.2 billion metric tons, or 39%, of the CO_2 emissions.

PNM has several programs underway to reduce GHG from its generating plants, thereby reducing its exposure to climate change regulation. See Note 10. In 2011, PNM completed construction of 22 MW of utility-scale solar generation located at five sites on PNM's system throughout New Mexico. In 2013, PNM is expanding its renewable energy portfolio by constructing 21.5 MW of utility-scale solar generation that will be on-line by the end of the year and has signed a 20 year PPA for the output of a 10 MW geothermal facility to be in service in 2014. Additionally, PNM has a customer distributed solar generation program that is expected to grow distributed solar from almost 20 MW installed at the end of 2012 to over 44 MW by the end of 2013. Once fully subscribed, the distributed solar programs will reduce PNM's production from fossil-fueled electricity generation by 116 GWh per year. PNM offers its customers a comprehensive portfolio of energy efficiency and load management programs, with a 2012 budget of over $17 million, that PNM estimates saved approximately 79 GWh of electricity in 2012. Over the next 18 years, PNM projects the expanded energy efficiency and load management programs will provide the equivalent of approximately 12,185 GWh of electricity, which will avoid at least 6.1 million metric tons of CO_2 based upon projected emissions from PNM's system-wide resources. These estimates are subject to change given that it is difficult to accurately estimate avoidance because of the high uncertainty of many of the underlying variables and complex interrelationships between those variables, including changes in demand for electricity.

Management periodically updates the Board on implementation of corporate environmental policy and the Company's environmental management systems, promotion of energy efficiency, and use of renewable resources. The Board is also advised of the Company's practices and procedures to assess the sustainability impacts of operations on the environment. The Board regularly considers associated issues around climate change, the Company's GHG exposures, and potential financial consequences that might result from potential federal and/or state regulation of GHG.

At December 31, 2012, approximately 81.8% of PNM's owned and leased generating capacity, all of which is located within the United States, consisted of coal or gas-fired generation that produces GHG. The Company does not anticipate any direct impact from any near-term international accords. Based on current forecasts, the Company does not expect its output of GHG from existing sources to increase significantly in the near-term. Many factors affect the amount of GHG, including plant performance. For example, if PVNGS experienced prolonged outages, PNM might be required to utilize other power supply resources such as gas-fired generation, which could increase GHG. If new natural gas-fired generation resources are added to meet increased load as anticipated in PNM's current IRP, GHG would be incrementally increased. As described in Note 9, on February 15, 2013, PNM, NMED, and EPA agreed to pursue a strategy to address the regional haze requirements of the CAA at the coal-fired SJGS, which would include the shutdown of SJGS Units 2 and 3. If implemented, shutdown of those units would reduce PNM's GHG (based on 2012 data) by approximately 1.9 million tons of CO_2 per year beginning in 2018. That agreement also contemplates that gas-fired generation would be built to partially replace the retired capacity. Although replacement power strategies have not been finalized, the reduction in GHG from the retirement of coal-fired generation would be greater than the increase in GHG from replacement with gas-fired generation.

Because of PNM's dependence on fossil-fueled generation, any legislation that imposes a limit or cost on GHG will impact the cost at which electricity is produced. While PNM expects to recover that cost through rates, the timing and outcome of proceedings for cost recovery is uncertain. In addition, to the extent that any additional costs are recovered through rates, customers may reduce their demand, relocate facilities to other areas with lower energy costs, or take other actions that ultimately will adversely impact PNM.

Given the geographic location of its facilities and customers, PNM generally has not been exposed to the extreme weather events and other physical impacts commonly attributed to climate change, with the exception of periodic drought conditions. Climate changes are generally not expected to have material consequences in the near-term. Drought conditions in northwestern New Mexico could impact the availability of water for cooling coal-fired generating plants. Water shortage sharing agreements have been in place since 2004, although no shortage has been declared due to sufficient precipitation in the San Juan River basin.

PNM also has a supplemental water contract in place with the Jicarilla Tribe to help address any water shortages from primary sources. The contract expires on December 31, 2016. TNMP has operations in the Gulf Coast area of Texas, which experiences periodic hurricanes and drought conditions. In addition to potentially causing physical damage to TNMP-owned facilities, which disrupt the ability to transmit and/or distribute energy, hurricanes can temporarily reduce customers' usage and demand for energy.

EPA Regulation

In April 2007, the United States Supreme Court held that EPA has the authority to regulate GHG under the CAA. This decision heightened the importance of this issue for the energy industry. In December 2009, EPA released its endangerment finding stating that the atmospheric concentrations of six key greenhouse gases (CO_2, methane, nitrous oxides, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride) endanger the public health and welfare of current and future generations. In May 2010, EPA released the final PSD and Title V Greenhouse Gas Tailoring Rule (the "Tailoring Rule") to address GHG from stationary sources under the CAA permitting programs. The purpose of the rule is to "tailor" the applicability of two programs, PSD and Title V operating permit programs, to avoid impacting millions of small GHG emitters. The rule focuses on the largest sources of GHG, including fossil-fueled electric generating units. This program currently covers new construction projects that emit GHG of at least 100,000 tons per year (even if PSD is not triggered for other pollutants). In addition, modifications at existing facilities that increase GHG by at least 75,000 tons per year will be subject to PSD permitting requirements, even if they do not significantly increase emissions of any other pollutant. All of PNM's fossil-fueled generating plants are potentially subject to the Tailoring Rule because of the magnitude of non-GHG, but the existing plants do not have any currently planned projects that would trigger PSD permitting for GHG. Any newly constructed power plant would likely be subject to the Tailoring Rule.

On June 26, 2012, the D.C. Circuit rejected challenges to EPA's 2009 GHG endangerment finding, GHG emission standards for light-duty vehicles, PSD Interpretive Memorandum (EPA's so-called GHG "Timing Rule"), and Tailoring Rule. The Court found that EPA's endangerment finding and its light-duty vehicle rule "are neither arbitrary nor capricious," that "EPA's interpretation of the governing CAA provisions is unambiguously correct," and that "no petitioner has standing to challenge the Timing and Tailoring Rules."

On March 27, 2012, EPA issued its proposed carbon pollution standards for the emission of GHG from new fossil-fueled electric generating units ("EGUs"). The proposed NSPS sets a limit of 1,000 lb CO_2/MWh and covers newly constructed fossil-fueled EGUs that are larger than 25 MW. The proposed limit is based on the performance of natural gas combined cycle technology. Therefore, coal-fired power plants would likely only be able to comply with the standard by using carbon capture and sequestration technology. The proposed rule includes an exemption for simple cycle EGUs. However, during the comment period, EPA solicited comments on whether to drop the exemption and instead exempt any fossil-fueled EGU that limits electric generation to one-third of its annual generating capacity. The proposed rule, as written, does not include limits that apply to existing power plants, or proposed plants that already have a complete preconstruction permit and commence construction within 12 months of the issuance of the proposed rule. The proposal is the first NSPS issued for CO_2, and although it is limited to new sources, it has potential far-reaching implications for the utility industry. When finalized, the standard could serve as the floor for BACT analysis for PSD permitting for new GHG sources under the Tailoring Rule. The proposed rule was published in the Federal Register on April 13, 2012. EPA accepted comment on the proposed rule through June 25, 2012. On April 12, 2013, EPA announced it would delay the issuance of the GHG NSPS for new sources. EPA received over two million comments on the proposed rule. EPA has not set a timeline for publishing a revised rule.

Completion of the proposed NSPS for new EGUs is a prerequisite for EPA to promulgate GHG standards for existing sources. An EPA proposal to establish a GHG NSPS for existing sources was expected in April 2013, but the actual date is uncertain due to the delay discussed above. In setting the standards, EPA has historically used technology-based performance standards on emission rates. The only end-of-pipe emission control technology for coal and gas fired power plants available for GHG reduction is carbon capture and sequestration, which is not yet a commercially demonstrated technology. There are limited efficiency enhancement measures that may be available to a subset of the existing EGUs; however, such measures would provide only marginal GHG improvements.

EPA regulation of GHG from large stationary sources will impact PNM's fossil-fueled EGUs. Impacts could involve investments in efficiency improvements and/or control technologies at the fossil-fueled generating plants. Although, currently there are no commercially viable GHG control technologies for existing EGUs, such technologies may become viable in the future. It is also possible that the costs of such improvements or technologies could impact the economic viability of some plants.

The impact of EPA's regulation of GHG to PNM is unknown because the regulatory requirements, including BACT implications and NSPS requirements, are still developing. PNM estimates that implementation of an alternative SIP for BART

at SJGS, which requires the installation of SNCRs on Units 1 and 4 by January 2016 and the retirement of SJGS Units 2 and 3 by the end of 2017, will result in a 28% CO_2 reduction from PNM 2012 system-wide emissions from all PNM-owned generating facilities by 2020.

Federal Legislation

Prospects for enactment of legislation imposing a new or enhanced regulatory program to address climate change in the new Congress are unlikely in 2013, although there is growing interest among some policymakers in addressing climate change and there may be legislation in the future. Instead, EPA is the primary venue for GHG regulation in the near future, especially for coal-fired units. PNM has assessed, and continues to assess, the impacts of potential climate change legislation or regulation on its business. This assessment is preliminary, and future changes arising out of the legislative or regulatory process could impact the assessment significantly. PNM's assessment includes assumptions regarding the specific GHG limits, the timing of implementation of these limits, the level of emissions allowances allocated and the level that must be purchased, the development of technologies for renewable energy and to reduce emissions, the cost of emissions allowances, the degree to which offsets may be used for compliance, and provisions for cost containment. Moreover, the assessment assumes various market reactions such as with respect to the price of coal and gas and regional plant economics. These assumptions, at best, are preliminary and speculative. However, based upon these assumptions, the enactment of climate change legislation would likely, among other things, result in significant compliance costs, including significant capital expenditures by PNM, and could jeopardize the economic viability of certain generating facilities. See Note 9. In turn, these consequences would lead to increased costs to customers and could affect results of operations, cash flows, and financial condition if the incurred costs are not fully recovered through regulated rates. Higher rates could also contribute to reduced demand for electricity. PNM's assessment process is ongoing, but too preliminary and speculative at this time for the meaningful prediction of financial impact.

State and Regional Activity

Pursuant to New Mexico law, each utility must submit an IRP to the NMPRC every three years to evaluate renewable energy, energy efficiency, load management, distributed generation, and conventional supply-side resources on a consistent and comparable basis. The IRP is required to take into consideration risk and uncertainty of fuel supply, price volatility, and costs of anticipated environmental regulations when evaluating resource options to meet supply needs of the utility's customers. The NMPRC issued an order in June 2007, requiring that New Mexico utilities factor a standardized cost of carbon emissions into their IRPs using prices ranging between $8 and $40 per metric ton of CO_2 emitted and escalating these costs by 2.5% per year. Under the NMPRC order, each utility must analyze these standardized prices as projected operating costs. Reflecting the developing nature of this issue, the NMPRC order states that these prices may be changed in the future to account for additional information or changed circumstances. However, PNM is required to use these prices for purposes of its IRP, and the prices may not reflect the costs that it ultimately will incur. PNM's IRP filed with the NMPRC on July 18, 2011 (Note 10) showed that while consideration of the NMPRC required carbon emissions costs did not significantly change the resource decisions regarding future facilities over the next 20 years, it did slightly impact the projected in-service dates of some of the identified resources. Much higher GHG costs than assumed in the NMPRC analysis are necessary to impact future resource decisions. The primary consequence of the standardized cost of carbon emissions was an increase to generation portfolio costs. In recent years, New Mexico also adopted regulations to directly limit GHG from larger sources, including EGUs. However, these regulations have been repealed. In November 2010, the EIB adopted a regional GHG cap and trade program proposed by the NMED. The NMED GHG program was intended to implement, in New Mexico, the regional cap and trade program developed by the Western Climate Initiative ("WCI") which is an organization formerly comprised of seven western states, including New Mexico, and three Canadian provinces. The NMED GHG regulation would have capped GHG emissions based on a 2011 emission baseline. Thereafter, NMED would grant GHG allowances to covered sources based on their individual emission baseline. The available allowances would decline by 2% each succeeding year requiring sources to either reduce GHG emissions by the requisite amount or purchase emission allowances from a yet-to-be established regional trading market. The required GHG reductions under the NMED program were not to be triggered until the available trading market for GHG allowances consisted of 100 million metric tons or more. New Mexico, by itself, had insufficient regulated GHG emissions to establish the requisite trading market.

PNM and other public utilities and industry groups challenged the NMED GHG cap and trade program in the New Mexico Court of Appeals. During the pendency of these appeals, the EIB agreed to consider a petition for the repeal of the NMED GHG cap and trade regulation. PNM and the other appellants filed a petition to repeal the New Mexico GHG cap and trade regulation, and in February 2012, the EIB voted unanimously to repeal the GHG cap and trade regulation. The NMED supported the repeal of its GHG cap and trade regulation. The repeal of the GHG cap and trade regulation has now been challenged by two environmental advocacy organizations and is currently pending before the New Mexico Court of Appeals.

In a separate rulemaking proceeding filed in December 2008, New Energy Economy ("NEE") petitioned the EIB for the adoption of a regulation that would cap GHG from larger sources such as electric generation units. The EIB adopted the NEE GHG regulation, in a modified form, in December 2010 as a "backstop" to the NMED GHG cap and trade regulation. The effective date of the NEE GHG regulation was delayed until the later of January 1, 2013 or six months after NMED's cap-and-trade regulation described above is no longer in force. Under the NEE GHG regulation, covered sources would have to reduce GHG emissions by 3% per year, subject to a specified cost cap.

The NEE GHG regulation was challenged in the New Mexico Court of Appeals by PNM and the same groups that challenged the NMED cap and trade regulation. Again, during the pendency of the appeals, the EIB agreed to consider a petition for the repeal of the NEE GHG regulation. In March 2012, the EIB voted unanimously to repeal the NEE GHG regulation. The NMED supported the repeal of the NEE GHG regulation. The repeal of the NEE GHG regulation has been challenged in the Court of Appeals by the same environmental organizations that have challenged the repeal of the NMED cap and trade regulation.

The Court of Appeals conditionally dismissed the challenges to the adoption of the NMED GHG cap and trade and NEE GHG regulations because of the repeal of those regulations. The challenges are subject to reinstatement in the event of a successful challenge to the repeal of the NMED GHG cap and trade or NEE GHG regulation and reinstatement of either of those regulations.

At present it is difficult to assess whether the pending challenges to the repeals of the NMED GHG cap and trade regulation and the NEE GHG regulation will be successful. PNM's analysis of these regulations is that both would increase environmental compliance costs for its fossil fueled generation facilities. It appears that New Mexico is reassessing whether a single-state or regional approach to the regulation of GHG is appropriate public policy. New Mexico is no longer a member-participant in the WCI, but remains involved as an observer. However, PNM cannot rule out future state legislative or regulatory initiatives to regulate GHGs.

On August 2, 2012, thirty-three New Mexico organizations representing public health, business, environmental, consumers, Native American and other interested parties filed a petition for rulemaking with the NMPRC. The petition asks the NMPRC to issue a NOPR regarding the implementation of an Optional Clean Energy Standard for electric utilities located in New Mexico. The proposed standard would have utilities that elect to participate reduce their CO_2 emissions by 3% per year. Utilities that opt into the program would be assured recovery of their reasonable compliance costs. On October 4, 2012, the NMPRC held a workshop to discuss the proposed standard and whether it has authority to proceed with the NOPR. There has been no further action on this matter and it remains pending before the NMPRC.

Transmission Issues

At any given time, FERC has various notices of inquiry and rulemaking dockets related to transmission issues pending. Such actions may lead to changes in FERC administrative rules or ratemaking policy, but have no time frame in which action must be taken or a docket closed with no further action. Further, such notices and rulemaking dockets do not apply strictly to PNM, but will have industry-wide effects in that they will apply to all FERC-regulated entities. PNM monitors and often submits comments taking a position in such notices and rulemaking dockets or may join in larger group responses. PNM often cannot determine the full impact of a proposed rule and policy change until the final determination is made by FERC and PNM is unable to predict the outcome of these matters.

On November 24, 2009, FERC issued Order 729 approving two Modeling, Data, and Analysis Reliability Standards ("Reliability Standards") submitted by NERC – MOD-001-1 (Available Transmission System Capability) and MOD-029-1 (Rated System Path Methodology). Both MOD-001-1 and MOD-029-1 require a consistent approach, provided for in the Reliability Standards, to measuring the total transmission capability ("TTC") of a transmission path. The TTC level established using the two Reliability Standards could result in a reduction in the available transmission capacity currently used by PNM to deliver generation resources necessary for its jurisdictional load and for fulfilling its obligations to third-party users of the PNM transmission system.

During the first quarter of 2011, at the request of PNM and other southwestern utilities, NERC advised all transmission owners and transmission service providers that the implementation of portions of the MOD-029 methodology for "Flow Limited" paths has been delayed until such time as a modification to the standard can be developed that will mitigate the technical concerns identified by the transmission owners and transmission service providers. PNM and other western utilities filed a Standards Action Request with NERC in the second quarter of 2012 and are waiting for the request to be processed through NERC's standards development.

In July 2011, FERC issued Order 1000 adopting new requirements for transmission planning, cost allocation, and development. Order 1000 calls for significant changes to the transmission process of WestConnect, an organization of utility companies providing transmission of electricity, in the western region that includes PNM. On October 11, 2012, PNM and other WestConnect participants filed modified versions of Attachment K to their transmission tariffs to meet Order 1000 regional compliance requirements. Thirteen intervention motions were filed, with several objecting to and/or protesting various provisions of the filings submitted by the WestConnect participants. On December 17, 2012, the WestConnect participants filed responses to the issues raised by the intervenors. On March 21, 2013, FERC issued its order regarding PNM's and six other WestConnect FERC jurisdictional utilities compliance filings. FERC partially accepted many aspects of the filings including the governance structure that gives the transmission owners a veto authority over the regional plan and cost allocations. A major change directed by FERC is the requirement that the cost allocations be binding on identified beneficiaries and that a process be created that will result in a qualified developer being selected. WestConnect members are evaluating the order and will be required to submit revised filings. The non-binding cost allocation was of particular importance to the non-public utility members of WestConnect. These entities are evaluating how, and if, they can participate in regional planning given that this directive is something they cannot accept. Compliance filings must be made by July 22, 2013. Another compliance filing will be made in July 2013 to address the planning and cost allocation between WestConnect and other regions.

Financial Reform Legislation

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Reform Act"), enacted in July 2010, includes provisions that will require certain over-the-counter derivatives, or swaps, to be centrally cleared and executed through an exchange or other approved trading facility. It also includes provisions related to swap transaction reporting and recordkeeping and may impose margin requirements on swaps that are not centrally cleared. The United States Commodity Futures Trading Commission ("CFTC") has published final rules defining several key terms related to the act and has set compliance dates for various types of market participants. The Dodd-Frank Reform Act provides exemptions from certain requirements, including an exception to the mandatory clearing and swap facility execution requirements for commercial end-users that use swaps to hedge or mitigate commercial risk. PNM expects to qualify for this exception. PNM also expects to be able to comply with its requirements under the Dodd-Frank Reform Act and related rules within the time frames required by the CFTC. However, as a result of the Dodd-Frank Reform Act and related rules, PNM's swap activities could be subject to increased costs, including from higher margin requirements. In addition, implementation of, and compliance with, the swaps provisions of the Dodd-Frank Reform Act and related rules by PNM's swap counterparties could result in increased costs. At this time, PNM cannot predict the ultimate impact the Dodd-Frank Reform Act may have on PNM's financial condition, results of operations, cash flows, or liquidity.

Other Matters

On March 25, 2013, a petition was filed by IBEW Local 66 with the National Labor Relations Board seeking to certify a union at TNMP for utility workers. On April 12, 2013, a second petition was filed by IBEW Local 66 with the National Labor Relations Board seeking to certify a union at TNMP of meter technicians, who were not included in the original petition. Approximately 200 employees are covered by the petitions. Elections to determine whether the IBEW will represent the employees will be held in May 2013. Should the employees vote to unionize, contract negotiations will begin immediately with the union.

See Notes 9 and 10 herein and Notes 16 and 17 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K for a discussion of commitments and contingencies and rate and regulatory matters.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires Company management to select and apply accounting policies that best provide the framework to report the results of operations and financial position for PNMR, PNM, and TNMP. The selection and application of those policies requires management to make difficult, subjective, and/or complex judgments concerning reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. As a result, there exists the likelihood that materially different amounts would be reported under different conditions or using different assumptions.

As of March 31, 2013, there have been no significant changes with regard to the critical accounting policies disclosed in PNMR's, PNM's, and TNMP's 2012 Annual Reports on Forms 10-K. The policies disclosed included unbilled revenues, regulatory accounting, impairments, decommissioning costs, derivatives, pension and other postretirement benefits, accounting for contingencies, income taxes, and market risk.

MD&A FOR PNM

RESULTS OF OPERATIONS

PNM operates in only one reportable segment, as presented above in Results of Operations for PNMR.

MD&A FOR TNMP

RESULTS OF OPERATIONS

TNMP operates in only one reportable segment, as presented above in Results of Operations for PNMR.

DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

Statements made in this filing that relate to future events or PNMR's, PNM's, or TNMP's 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 flows, 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 reliability standards regarding available transmission capacity and other FERC 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
- 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, including the ability of the mines supplying coal to PNM's coal-fired generating units and the companies involved in supplying nuclear fuel to provide adequate quantities of fuel
- Uncertainty surrounding the status of PNM's participation in jointly-owned generation projects resulting from the scheduled expiration of the operational and fuel supply agreements 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 decommissioning, reclamation, pension benefits, 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
- Changes in applicable accounting principles

Any material changes to risk factors occurring after the filing of PNMR's, PNM's, and TNMP's 2012 Annual Reports on Form 10-K are disclosed in Item 1A, Risk Factors, in Part II of this Form 10-Q.

For information about the risks associated with the use of derivative financial instruments, see Item 3. "Quantitative and Qualitative Disclosures About Market Risk."

SECURITIES ACT DISCLAIMER

Certain securities described or cross-referenced in this report have not been registered under the Securities Act of 1933, as amended, or any state securities laws and may not be reoffered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. This Form 10-Q does not constitute an offer to sell or the solicitation of an offer to buy any securities.

WEBSITES

The PNMR website, www.pnmresources.com, is an important source of Company information. New or updated information for public access is routinely posted. PNMR encourages analysts, investors, and other interested parties to register on the website to automatically receive Company information by e-mail. This information includes news releases, notices of webcasts, and filings with the SEC. Participants can unsubscribe at any time and will not receive information that was not requested.

Our Internet addresses are:

- PNMR: www.pnmresources.com
- PNM: www.pnm.com
- TNMP: www.tnmp.com

The contents of these websites are not a part of this Form 10-Q. The SEC filings of PNMR, PNM, and TNMP, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are accessible free of charge on the PNMR website as soon as reasonably practicable after they are filed with, or furnished to, the SEC. These reports are also available in print upon request from PNMR free of charge.

Also available on the Company's website at www.pnmresources.com/investors/governance.cfm and in print upon request from any shareholder are our:

- Corporate Governance Principles
- Code of Ethics (*Do the Right Thing-Principles of Business Conduct*)
- Charters of the Audit and Ethics Committee, Nominating and Governance Committee, Compensation and Human Resources Committee, and Finance Committee

The Company will post amendments to or waivers from its code of ethics (to the extent applicable to the Company's executive officers and directors) on its website.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company manages the scope of its various forms of risk through a comprehensive set of policies and procedures with oversight by senior level management through the RMC. The Board's Finance Committee sets the risk limit parameters. The RMC has oversight over the risk control organization. The RMC is assigned responsibility for establishing and enforcing the policies, procedures and limits and evaluating the risks inherent in proposed transactions on an enterprise-wide basis. The RMC's responsibilities include:

- Establishment of policies regarding risk exposure levels and activities in each of the business segments
- Approval of the types of derivatives entered into for hedging
- Review and approval of hedging risk activities

- Establishment of policies regarding counterparty exposure and limits
- Authorization and delegation of transaction limits
- Review and approval of controls and procedures for derivative activities
- Review and approval of models and assumptions used to calculate mark-to-market and market risk exposure
- Proposing risk limits to the Board's Finance Committee for its approval
- Quarterly reporting to the Board's Audit and Finance Committees on these activities.

To the extent an open position exists, fluctuating commodity prices, interest rates, equity prices, and economic conditions can impact financial results and financial position, either favorably or unfavorably. As a result, the Company cannot predict with certainty the impact that its risk management decisions may have on its businesses, operating results, or financial position.

Commodity Risk

Information concerning accounting for derivatives and the risks associated with commodity contracts is set forth in Note 4, including a summary of the fair values of mark-to-market energy related derivative contracts included in the Condensed Consolidated Balance Sheets. During the three months ended March 31, 2013 and the year ended December 31, 2012, PNMR and PNM had no commodity derivative instruments designated as cash flow hedging instruments.

Commodity contracts that meet the definition of a derivative under GAAP, other than those derivatives designated as normal purchases and normal sales, are recorded at fair value on the Condensed Consolidated Balance Sheets. The following table details the changes in PNMR's net asset or liability balance sheet position for mark-to-market energy transactions:

	Three Months Ended March 31,	
	2013	2012
Economic Hedges	(In thousands)	
Sources of fair value gain (loss):		
Net fair value at beginning of period	$ 1,204	$ (356)
Amount realized on contracts delivered during period	(1,055)	(1,112)
Changes in fair value	(3,847)	4,614
Net mark-to-market change recorded in earnings	(4,902)	3,502
Net change recorded as regulatory assets and liabilities	(105)	(81)
Net fair value at end of period	$ (3,803)	$ 3,065

The following table provides the maturity of PNMR's net assets (liabilities) other than cash flow hedges, giving an indication of the calendar year in which these mark-to-market amounts will settle and generate (use) cash.

Fair Value of Mark-to-Market Instruments at March 31, 2013

	Settlement Dates			
	2013	2014	2015	2016
Economic hedges				
Prices actively quoted	$ —	$ —	$ —	$ —
Prices provided by other external sources	(1,835)	(995)	(646)	(327)
Prices based on models and other valuations	—	—	—	—
Total	$ (1,835)	$ (995)	$ (646)	$ (327)

PNM measures the market risk of its long-term contracts and wholesale activities using a Monte Carlo VaR simulation model to report the possible loss in value from price movements and is not a measure of the potential accounting mark-to-market loss. The quantitative risk information is limited by the parameters established in creating the model. The Monte Carlo VaR methodology employs the following critical parameters: historical volatility estimates, market values of all contractual commitments, a three-day holding period, seasonally adjusted and cross-commodity correlation estimates, and a 95% confidence

level. The instruments being evaluated may trigger a potential loss in excess of calculated amounts if changes in commodity prices exceed the confidence level of the model used.

PNM measures VaR for the positions in its wholesale portfolio that are not covered by a FPPAC. For the three months ended March 31, 2013, the high, low, and average VaR amounts were $1.2 million, $0.6 million, and $0.9 million. For the year ended December 31, 2012, the high, low, and average VaR amounts were $1.4 million, $0.3 million, and $0.6 million. At March 31, 2013 and December 31, 2012, the VaR amounts for the PNM wholesale portfolio were $1.2 million and $0.5 million.

The VaR limits, which were not exceeded during the three months ended March 31, 2013 or the year ended December 31, 2012, represent an estimate of the potential gains or losses that could be recognized on the Company's portfolios, subject to market risk, given current volatility in the market, and are not necessarily indicative of actual results that may occur, since actual future gains and losses will differ from those estimated. Actual gains and losses may differ due to actual fluctuations in market prices, operating exposures, and the timing thereof, as well as changes to the underlying portfolios during the year.

Credit Risk

The Company is exposed to credit risk from its retail and wholesale customers, as well as counterparties to derivative instruments. The Company conducts counterparty risk analysis across business segments and uses a credit management process to assess the financial conditions of counterparties.

The following table provides information related to PNMR's credit exposure by the credit worthiness (credit rating) and concentration of credit risk for counterparties to derivative transactions. All credit exposures at March 31, 2013 will mature in less than two years.

Schedule of Credit Risk Exposure
March 31, 2013

Rating [1]	Credit Risk Exposure[2]	Number of Counter-parties >10%	Net Exposure of Counter-parties >10%
	(Dollars in thousands)		
External ratings:			
Investment grade	$ 5,735	2	$ 5,345
Non-investment grade	134	—	—
Split ratings	116		
Internal ratings:			
Investment grade	866	—	—
Non-investment grade	493	—	—
Total	$ 7,344		$ 5,345

(1) The rating "Investment Grade" is for counterparties, or a guarantor, with a minimum S&P rating of BBB- or Moody's rating of Baa3. The category "Internal Ratings - Investment Grade" includes those counterparties that are internally rated as investment grade in accordance with the guidelines established in the Company's credit policy.

(2) The Credit Risk Exposure is the gross credit exposure, including long-term contracts (other than firm-requirements wholesale customers), forward sales, and short-term sales. The exposure captures the amounts from receivables/payables for realized transactions, delivered and unbilled revenues, and mark-to-market gains/losses. Gross exposures can be offset according to legally enforceable netting arrangements but are not reduced by posted credit collateral. At March 31, 2013, PNMR held no credit collateral to offset its credit exposure.

The Company provides for losses due to market and credit risk. Net credit risk for the Company's largest counterparty as of March 31, 2013 was $6.2 million, which is due from a firm-requirements wholesale customer.

The PVNGS lessor notes are not exposed to credit risk, since the notes are repaid as PNM makes payments on the underlying leases. Other investments have no significant counterparty credit risk.

Interest Rate Risk

The majority of the Company's long-term debt is fixed-rate debt and does not expose earnings to a major risk of loss due to adverse changes in market interest rates. However, the fair value of PNMR's consolidated long-term debt instruments would increase by 2.5%, or $48.9 million, if interest rates were to decline by 50 basis points from their levels at March 31, 2013. In general, an increase in fair value would impact earnings and cash flows to the extent not recoverable in rates if all or a portion of debt instruments were acquired in the open market prior to their maturity. TNMP has long-term debt of $50.0 million that bears interest at a variable rate. However, TNMP has also entered into a hedging arrangement that effectively results in this debt bearing interest at a fixed rate, thereby eliminating interest rate risk. At May 1, 2013, PNMR, PNM, and TNMP had $60.3 million, $16.2 million, and $30.0 million of short term debt outstanding under their revolving credit facilities, which allow for a maximum aggregate borrowing capacity of $300.0 million for PNMR, $400.0 million for PNM, and $75.0 million for TNMP. These facilities bear interest at variable rates, which averaged 1.70% for PNMR, 1.45% for PNM, and 1.83% for TNMP on May 1, 2013 borrowings. At May 1, 2013, PNMR had outstanding borrowings of $100.0 million under the PNMR Term Loan Agreement and PNM had outstanding borrowings of $75.0 million under the PNM Term Loan Agreement. The term loans bear interest at variable rates, which were 1.325% for PNMR and 1.45% for PNM at May 1, 2013. The Company is exposed to interest rate risk to the extent of future increases in variable interest rates.

The investments held by PNM in trusts for decommissioning and reclamation had an estimated fair value of $201.4 million at March 31, 2013, of which 45.8% were fixed-rate debt securities that subject PNM to risk of loss of fair value with movements in market interest rates. If interest rates were to increase by 50 basis points from their levels at March 31, 2013, the decrease in the fair value of the fixed-rate securities would be 2.5%, or $2.3 million.

PNM does not directly recover or return through rates any losses or gains on the securities, including equity investments discussed below, in the trusts for nuclear decommissioning and reclamation. However, the overall performance of these trusts does enter into the periodic determinations of expense and funding levels, which are factored into the ratemaking process to the extent applicable to regulated operations. PNM is at risk for shortfalls in funding of obligations due to investment losses, including those from the equity market risks discussed below to the extent not ultimately recovered through rates charged to customers.

Equity Market Risk

The NDT and the trust for post-term reclamation of the coal mines serving SJGS hold certain equity securities at March 31, 2013. These equity securities expose PNM to losses in fair value should the market values of the underlying securities decline. At March 31, 2013, these equity securities were valued at $105.3 million. A hypothetical 10% decrease in equity prices would reduce the fair values of these funds by $10.5 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As of the end of the period covered by this quarterly report, each of PNMR, PNM, and TNMP conducted an evaluation under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer of each of PNMR, PNM, and TNMP concluded that the disclosure controls and procedures are effective.

Changes in internal controls

There have been no changes in each of PNMR's, PNM's, and TNMP's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, each of PNMR's, PNM's, and TNMP's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Notes 9 and 10 for information related to the following matters, for PNMR, PNM, and TNMP, incorporated in this item by reference.

Note 9

- The Clean Air Act - Regional Haze - SJGS
- The Clean Air Act - Regional Haze - Four Corners
- The Clean Air Act - Four Corners BART FIP Challenge
- The Clean Air Act - Regional Haze Challenges
- The Clean Air Act - SJGS Operating Permit Challenge
- The Clean Air Act - Citizen Suit Under the Clean Air Act
- The Clean Air Act - Navajo Nation Environmental Issues
- The Clean Air Act - Four Corners Clean Air Act Lawsuit
- Endangered Species Act
- Santa Fe Generating Station
- PVNGS Water Supply Litigation
- San Juan River Adjudication
- Complaint Against Southwestern Public Service Company
- Navajo Nations Allottee Matters
- TGP Complaint

Note 10

- PNM - Renewable Portfolio Standard
- PNM - Renewable Energy Rider
- PNM - Energy Efficiency and Load Management
- PNM - 2011 Integrated Resource Plan
- PNM - Emergency FFPAC
- PNM - Application for Approvals to Purchase Delta
- PNM - Application for Approval of La Luz Generating Station
- PNM - Transmission Rate Case
- PNM - Formula Transmission Rate Case
- PNM - Tri-State Complaint
- PNM - Firm-Requirements Wholesale Customers
- TNMP - Advance Meter System Deployment and Surcharge Request
- TNMP - Transmission Cost of Service Rates

See also Climate Change Issues under Other Issues Facing the Company in MD&A. The second, third, fourth, fifth, and sixth paragraphs under State and Regional Activity are incorporated in this item by reference.

ITEM 1A. RISK FACTORS

As of the date of this report, there have been no material changes with regard to the Risk Factors disclosed in PNMR's, PNM's, and TNMP's Annual Reports on Form 10-K for the year ended December 31, 2012.

ITEM 6. EXHIBITS

3.1	PNMR	Articles of Incorporation of PNMR, as amended to date (incorporated by reference to Exhibit 3.1 to PNMR's Current Report on Form 8-K filed November 21, 2008)
3.2	PNM	Restated Articles of Incorporation of PNM, as amended through May 31, 2002 (incorporated by reference to Exhibit 3.1.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002)
3.3	TNMP	Articles of Incorporation of TNMP, as amended through July 7, 2005 (incorporated by reference to Exhibit 3.1.2 to TNMP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005)
3.4	PNMR	Bylaws of PNMR. with all amendments to and including December 8, 2009 (incorporated by reference to Exhibit 3.1 to PNMR's Current Report on Form 8-K filed December 11, 2009)
3.5	PNM	Bylaws of PNM with all amendments to and including May 31, 2002 (incorporated by reference to Exhibit 3.1.2 to PNM's Report on Form 10-Q for the fiscal quarter ended June 30, 2002)
3.6	TNMP	Bylaws of TNMP, as amended effective June 26, 2011 (incorporated by reference to Exhibit 3.6 to TNMP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011)
10.1	PNMR	PNM Resources, Inc. 2013 Officer Annual Incentive Plan dated March 29, 2013
10.2	PNMR	PNM Resources, Inc. 2013 Long-Term Incentive Plan dated March 29, 2013
12.1	PNMR	Ratio of Earnings to Fixed Charges
12.2	PNM	Ratio of Earnings to Fixed Charges
12.3	TNMP	Ratio of Earnings to Fixed Charges
31.1	PNMR	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	PNMR	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	PNM	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4	PNM	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.5	TNMP	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.6	TNMP	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	PNMR	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	PNM	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.3	TNMP	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	PNMR, PNM, and TNMP	XBRL Instance Document
101.SCH	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Schema Document
101.CAL	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	PNMR, PNM, and TNMP	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

PNM RESOURCES, INC.
PUBLIC SERVICE COMPANY OF NEW MEXICO
TEXAS-NEW MEXICO POWER COMPANY

(Registrants)

Date: May 6, 2013

/s/ Thomas G. Sategna

Thomas G. Sategna
Vice President and Corporate Controller
(Officer duly authorized to sign this report)

PNM Schedule Q-5

Form 1 reports.

Pursuant to 17.9.530.14.Q.5:

" (a) To satisfy the requirements of this schedule the applicant shall submit a copy of the latest Form 1 report required to be on file at the New Mexico Public Service Commission [New Mexico Public Regulation Commission]. Where the applicant has duly filed such report with the New Mexico Public Service Commission [New Mexico Public Regulation Commission], notice herein of the fact will satisfy the requirements of this schedule"

PNM is providing administrative notice that the latest Form 1 was filed with the Commission on April 30, 2014 in lieu of a hard copy as allowed by the requirement cited above.

This schedule is sponsored by PNM Witness Lisa Eden.

PNM Schedule Q-6

Opinion of independent public accountants.

KPMG LLP
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

Independent Accountants' Review Report

The Board of Directors
Public Service Company of New Mexico:

We have reviewed the accompanying consolidated balance sheet of Public Service Company of New Mexico (the Company) as of June 30, 2014, and the related consolidated statement of earnings, and consolidated statement of cash flows for the twelve months then ended, appearing in schedules I-1, I-2, and I-3 in the Company's rate filing with the New Mexico Public Regulation Commission (NMPRC). A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles for the special purpose of inclusion in the Company's rate filing with the NMPRC and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with U.S. generally accepted accounting principles for the special purpose of inclusion in the Company's rate filing with the NMPRC.

Our review of the following supplemental information included the historical book amounts in the regulatory-basis schedules applicable to the base period, as of June 30, 2014 and for the twelve months then ended, in compliance with the Uniform System of Accounts prescribed by the NMPRC. Our review did not include any consideration or tests of the adjustments made to these amounts for rate-making purposes or any other financial data that relate solely to rate fundamentals.

Our review extended to the following supplemental regulatory-basis schedules that are included in the Company's rate filing with the NMPRC:

Schedule A-5: *Summary of Total Capitalization and the Weighted Average Cost of Capital.* Our review procedures were limited to the book amounts in the column titled "Total Capitalization Base Period."

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

Schedule B-1: *Original Cost of Plant in Service by Primary Account.* Our review procedures were limited to the book amounts in the column titled "Base Period Ending Balance Jun-14."

Schedule B-2: *Original Cost of Plant in Service by Detail Account.* Our review procedures were limited to the book amounts in the column titled "Base Period Ending Balance Jun-14."

Schedule B-3: *Original Cost of Plant in Service by Monthly Balances.* Our review procedures were limited to the book amounts in the column titled "Base Period Ending Balance Jun-14."

Schedule B-4: *Construction Work in Progress.* Our review procedures were limited to the book amounts in the column titled "Base Period Ending Balance Jun-14."

Schedule B-6: *Original Cost of Plant in Service – Plant Held for Future Use.* Our review procedures were limited to the book amounts in the column titled "Base Period Balance Jun-14."

Schedule B-7: *Nuclear Fuel Inventory.* Our review procedures were limited to the book amounts in the column titled "Base Period Ending Balance Jun-14."

Schedule C-1: *Accumulated Provision for Depreciation and Amortization by Functional Classification.* Our review procedures were limited to the book amounts in the column titled "Base Period Ending Balance Jun-14."

Schedule E-2: *Materials, Supplies, Prepayments, and Deferred Charges.* Our review procedures were limited to the book amounts on lines 11, 24, and 27 in the column titled "Base Period Ending Balance Jun-14."

Schedule E-3: *Fuel Inventories by Plant.* Our review procedures were limited to the book amounts on line 5 in the column titled "Base Period Ending Balance Jun-14."

Schedule F-1: *Other Property and Investments.* Our review procedures were limited to the book amounts on lines 5, 6, and 10 in the column titled "Base Period Ending Balance Jun-14."

Schedule G-1: *Capitalization, the Cost of Capital, and the Overall Rate of Return.* Our review procedures were limited to the book amounts in the column titled "Total Capitalization Base Period."

Schedule G-3: *Embedded Cost of Borrowed Capital with Term of Maturity in Excess of One Year from Date of Issue.* Our review procedures were limited to the book amounts in the column titled "Principal Outstanding."

Schedule G-5: *Embedded Cost of Preferred Stock Capital.* Our review procedures were limited to the book amounts in the column titled "Principal Outstanding."

Schedule G-6: *Ratio of Earnings to Fixed Charges.* Our review procedures were limited to the book amounts on lines (1) through (18) in the column titled "Base Period Jul-13 – Jun-14" excluding Line 5e, "Estimated Interest Factor of Lease Rental Charges."

KPMG

Schedule G-9: *Historical Activity in Common Stock, Paid-in-Capital and Retained Earnings.* Our review procedures were limited to the book amounts on lines 4, 8, 12, and 16 in the column titled "Base Period Ending 06/30/2014."

Schedule H-1: *Operations and Maintenance Expense.* Our review procedures were limited to the book amounts in the column titled "Base Period Total."

Schedule H-4: *Payroll Distribution and Associated Payroll Taxes.* Our review procedures were limited to the book amounts on lines 8, 13, 21, and 26 in the column titled "Base Period."

Schedule H-7: *Depreciation and Amortization Expense.* Our review procedures were limited to the book amounts in the column titled "Base Period Expense."

Schedule H-8: *Taxes Other Than Income Taxes.* Our review procedures were limited to the book amounts in the column titled "Base Period."

Schedule H-13: *Investment Tax Credits.* Our review procedures were limited to the book amounts in the column titled "Unadjusted Base Period."

Schedule H-15: *Expenses Associated with Non-Utility Services.* Our review procedures were limited to the book amounts in the column titled "Base Period Total."

Schedule I-1: *Consolidated Condensed Balance Sheet.* Our review procedures were limited to the book amounts in the column titled "Books and Records 6/30/2014."

Schedule I-2: *Consolidated Statement of Earnings.* Our review procedures were limited to the book amounts in the column titled "Per Financial Statements 12 months ending 6/30/2014."

Schedule I-3: *Consolidated Condensed Statement of Cash Flows.* Our review procedures were limited to the book amounts in the column titled "Books and Records."

The supplemental regulatory-basis schedules listed above were prepared on the regulatory basis of accounting as set forth in the Uniform System of Accounts prescribed by the NMPRC, which is a comprehensive basis of accounting other than generally accepted accounting principles. Certain supplemental regulatory-basis schedules were prepared pursuant to Rule 530 of the NMPRC, and are not intended to be a complete presentation of the Company's regulatory-basis historical book amounts.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the consolidated financial statements in order for them to be in conformity with U.S. generally accepted accounting principles for the special purpose of inclusion in the Company's rate filing with NMPRC. The supplemental regulatory-basis schedules are prepared on the regulatory basis of accounting and are presented for purposes of additional analysis, and are not a required part of the consolidated financial statements. The historical book amounts, as of June 30, 2014 and for the twelve months then ended, included in such information has been subjected to the inquiry and analytical procedures applied in the review of the consolidated financial statements, and we did not become aware of any material modifications that should be made to such information for the special purpose of inclusion in the Company's rate filing with the NMPRC.

KPMG

This report is intended solely for the information and use of the board of directors and management of Public Service Company of New Mexico and the New Mexico Public Regulation Commission, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 8, 2014