

**PNM Exhibit PJO-2**  
**Annual Avoided Energy and Carbon Prices**

<b>NGCC Fuel and Variable O&amp;M Pricing</b>							
Updated 7/20/2012							
<b>Assumptions</b> On Peak Marginal Energy from PNM's Combined Cycle Plants							
<b>Carbon Intensity (lb/MWh)</b>	786	Average carbon intensity rate for Afton & Luna					
<b>Heatrate (Btu/kWh)</b>	7,500	Average heat rate for Afton & Luna used in 2011 IRP					
<b>Fuel Price (\$/MMBtu)</b>	NYMEX	Delivered average annual price for Luna & Afton, July 20, 2012					
<b>Fuel Escalation Rate</b>	3.5%	Escalation beginning in 2017. Rate is consistent with 2011 IRP.					
<b>CO2 Price (\$/ton)</b>	\$10.00	Cost per metric ton of CO2 emitted, beginning in 2018					
<b>Carbon Escalation Rate</b>	2.5%	Escalation beginning in 2019.					
<b>Variable O&amp;M</b>	Projected O&M rates are based on variable charge plus escalation to equal \$4.057M in 2012 at Afton. The 2012 rate is escalated at 2.5% beginning 2013.						
Year	Fuel A (\$/MMBtu)	Heatrate B (Btu/kWh)	Fuel Costs C = (A * B)/1000 (\$/MWh)	Variable O&M D (\$/MWh)	Fuel and O&M E = C + D (\$/MWh)	Carbon Adder F (\$/MWh)	Total G = E + F (\$/MWh)
2012	\$3.26	7,500	\$24.48	\$1.97	\$26.45		\$26.45
2013	\$3.80	7,500	\$28.46	\$2.02	\$30.48		\$30.48
2014	\$4.20	7,500	\$31.51	\$2.07	\$33.58		\$33.58
2015	\$4.42	7,500	\$33.16	\$2.12	\$35.28		\$35.28
2016	\$4.61	7,500	\$34.54	\$2.18	\$36.72		\$36.72
2017	\$4.76	7,500	\$35.74	\$2.23	\$37.97		\$37.97
2018	\$4.93	7,500	\$36.97	\$2.29	\$39.26	\$3.56	\$42.82
2019	\$5.10	7,500	\$38.25	\$2.34	\$40.60	\$3.65	\$44.25
2020	\$5.28	7,500	\$39.58	\$2.40	\$41.98	\$3.74	\$45.72
2021	\$5.46	7,500	\$40.95	\$2.46	\$43.41	\$3.84	\$47.25
2022	\$5.65	7,500	\$42.37	\$2.52	\$44.89	\$3.93	\$48.83
2023	\$5.85	7,500	\$43.84	\$2.59	\$46.43	\$4.03	\$50.46
2024	\$6.05	7,500	\$45.36	\$2.65	\$48.01	\$4.13	\$52.15
2025	\$6.26	7,500	\$46.94	\$2.72	\$49.65	\$4.24	\$53.89
2026	\$6.48	7,500	\$48.57	\$2.78	\$51.35	\$4.34	\$55.69
2027	\$6.70	7,500	\$50.25	\$2.85	\$53.11	\$4.45	\$57.56
2028	\$6.93	7,500	\$52.00	\$2.93	\$54.92	\$4.56	\$59.48
2029	\$7.17	7,500	\$53.80	\$3.00	\$56.80	\$4.68	\$61.48
2030	\$7.42	7,500	\$55.67	\$3.07	\$58.75	\$4.79	\$63.54
2031	\$7.68	7,500	\$57.61	\$3.15	\$60.76	\$4.91	\$65.67

  

<b>Four Corners Fuel and Variable O&amp;M Pricing</b>							
Source: PNM 2011 IRP							
<b>Assumptions</b> Off Peak Marginal Energy from Four Corners Power Plant							
<b>Carbon Intensity (lb/MWh)</b>	1955	Carbon intensity rate for Four Corners					
<b>Heatrate (Btu/kWh)</b>	9,960	Heat rate for Four Corners used in 2011 IRP					
<b>Fuel Price (\$/MMBtu)</b>		Four Corners Fuel Price from 2011 IRP					
<b>Fuel Escalation Rate</b>	2.5%	2011 IRP assumption.					
<b>CO2 Price (\$/ton)</b>	\$10.00	Cost per metric ton of CO2 emitted, beginning in 2018					
<b>Carbon Escalation Rate</b>	2.5%	Escalation beginning in 2019.					
<b>Variable O&amp;M</b>	Variable O&M negligible						
Year	Fuel A (\$/MMBtu)	Heatrate B (Btu/kWh)	Fuel Costs C = (A * B)/1000 (\$/MWh)	Variable O&M D (\$/MWh)	Fuel and O&M E = C + D (\$/MWh)	Carbon Adder F (\$/MWh)	Total G = E + F (\$/MWh)
2012	\$1.75	9,960	\$17.43	\$0.00	\$17.43		\$17.43
2013	\$1.80	9,960	\$17.93	\$0.00	\$17.93		\$17.93
2014	\$1.87	9,960	\$18.63	\$0.00	\$18.63		\$18.63
2015	\$1.91	9,960	\$19.02	\$0.00	\$19.02		\$19.02
2016	\$2.02	9,960	\$20.12	\$0.00	\$20.12		\$20.12
2017	\$2.34	9,960	\$23.31	\$0.00	\$23.31		\$23.31
2018	\$2.39	9,960	\$23.80	\$0.00	\$23.80	\$8.87	\$32.67
2019	\$2.44	9,960	\$24.30	\$0.00	\$24.30	\$9.09	\$33.39
2020	\$2.50	9,960	\$24.90	\$0.00	\$24.90	\$9.32	\$34.22
2021	\$2.55	9,960	\$25.40	\$0.00	\$25.40	\$9.55	\$34.95
2022	\$2.61	9,960	\$26.00	\$0.00	\$26.00	\$9.79	\$35.79
2023	\$2.67	9,960	\$26.59	\$0.00	\$26.59	\$10.04	\$36.63
2024	\$2.73	9,960	\$27.19	\$0.00	\$27.19	\$10.29	\$37.48
2025	\$2.79	9,960	\$27.79	\$0.00	\$27.79	\$10.54	\$38.33
2026	\$2.85	9,960	\$28.39	\$0.00	\$28.39	\$10.81	\$39.19
2027	\$2.91	9,960	\$28.98	\$0.00	\$28.98	\$11.08	\$40.06
2028	\$2.97	9,960	\$29.58	\$0.00	\$29.58	\$11.35	\$40.94
2029	\$3.04	9,960	\$30.28	\$0.00	\$30.28	\$11.64	\$41.92
2030	\$3.11	9,960	\$30.98	\$0.00	\$30.98	\$11.93	\$42.91
2031	\$3.19	9,960	\$31.75	\$0.00	\$31.75	\$12.23	\$43.98