

PNM RESOURCES INC
 Form 10-Q
 August 09, 2016
Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

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 YESüNO
PNM YESüNO
TNMP YESüNO

Table of Contents

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	ü			
PNM			ü	
TNMP			ü	

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 ü

As of August 5, 2016, 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 August 5, 2016 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 August 5, 2016 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.

Table of Contents

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

INDEX

	Page No.
<u>GLOSSARY</u>	4
<u>PART I. FINANCIAL INFORMATION</u>	
<u>ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)</u>	
<u>PNM RESOURCES, INC. AND SUBSIDIARIES</u>	
<u>Condensed Consolidated Statements of Earnings</u>	8
<u>Condensed Consolidated Statements of Comprehensive Income</u>	9
<u>Condensed Consolidated Statements of Cash Flows</u>	10
<u>Condensed Consolidated Balance Sheets</u>	12
<u>Condensed Consolidated Statement of Changes in Equity</u>	14
<u>PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES</u>	
<u>Condensed Consolidated Statements of Earnings</u>	15
<u>Condensed Consolidated Statements of Comprehensive Income</u>	16
<u>Condensed Consolidated Statements of Cash Flows</u>	17
<u>Condensed Consolidated Balance Sheets</u>	19
<u>Condensed Consolidated Statement of Changes in Equity</u>	21
<u>TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES</u>	
<u>Condensed Consolidated Statements of Earnings</u>	22
<u>Condensed Consolidated Statements of Cash Flows</u>	23
<u>Condensed Consolidated Balance Sheets</u>	24
<u>Condensed Consolidated Statement of Changes in Common Stockholder's Equity</u>	26
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	27
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	73
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	104
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	108
<u>PART II. OTHER INFORMATION</u>	
<u>ITEM 1. LEGAL PROCEEDINGS</u>	108
<u>ITEM 1A. RISK FACTORS</u>	109
<u>ITEM 6. EXHIBITS</u>	110
<u>SIGNATURE</u>	111

Table of Contents

GLOSSARY

Definitions:

Afton	Afton Generating Station
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
AMI	Advanced Metering Infrastructure
AMS	Advanced Meter System
AOCI	Accumulated Other Comprehensive Income
APS	Arizona Public Service Company, the operator and a co-owner of PVNGS and Four Corners
ASU	Accounting Standards Update
BACT	Best Available Control Technology
BART	Best Available Retrofit Technology
BDT	Balanced Draft Technology
BHP	BHP Billiton, Ltd
Board	Board of Directors of PNMR
BTMU	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
BTMU Term Loan Agreement	NM Capital's \$125.0 Million Unsecured Term Loan
BTU	British Thermal Unit
CAA	Clean Air Act
CCB	Coal Combustion Byproducts
CCN	Certificate of Convenience and Necessity
CO ₂	Carbon Dioxide
CSA	Coal Supply Agreement
CTC	Competition Transition Charge
DC 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
EIP	Eastern Interconnection Project
EIS	Environmental Impact Study
EPA	United States Environmental Protection Agency
ESA	Endangered Species Act
Exchange Act	Securities Exchange Act of 1934
Farmington	The City of Farmington, New Mexico
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
FTY	Future Test Year
GAAP	Generally Accepted Accounting Principles in the United States of America
GHG	Greenhouse Gas Emissions
GWh	Gigawatt hours
IRP	Integrated Resource Plan

Table of Contents

IRS	Internal Revenue Service
ISFSI	Independent Spent Fuel Storage Installation
KW	Kilowatt
KWh	Kilowatt Hour
La Luz	La Luz Generating Station
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.
NEE	New Energy Economy
NEPA	National Environmental Policy Act
NERC	North American Electric Reliability Corporation
New Mexico Wind	New Mexico Wind Energy Center
NM Capital	NM Capital Utility Corporation, an unregulated wholly-owned subsidiary of PNMR
NM Supreme Court	New Mexico Supreme Court
NMED	New Mexico Environment Department
NMIEC	New Mexico Industrial Energy Consumers Inc.
NMMD	The Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department
NMPRC	New Mexico Public Regulation Commission
NOx	Nitrogen Oxides
NOPR	Notice of Proposed Rulemaking
NPDES	National Pollutant Discharge Elimination System
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
PCRBs	Pollution Control Revenue Bonds
PNM	Public Service Company of New Mexico and Subsidiaries, a wholly-owned subsidiary of PNMR
PNM 2016 Term Loan Agreement	PNM's \$175.0 Million Unsecured Term Loan
PNM Multi-draw Term Loan	PNM's \$125.0 Million Unsecured Multi-draw Term Loan Facility
	PNM's \$50.0 Million Unsecured Revolving Credit Facility

PNM New Mexico Credit
Facility

5

Table of Contents

PNM Revolving Credit Facility	PNM's \$400.0 Million Unsecured Revolving Credit Facility
PNMR	PNM Resources, Inc. and Subsidiaries
PNMR 2015 Term Loan Agreement	PNMR's \$150.0 Million Three-Year Unsecured Term Loan
PNMR Development	PNMR Development and Management Company, an unregulated wholly-owned subsidiary of PNMR
PNMR Revolving Credit Facility	PNMR's \$300.0 Million Unsecured Revolving Credit Facility
PNMR Term Loan Agreement	PNMR's \$150.0 Million One-Year Unsecured Term Loan
PPA	Power Purchase Agreement
PSA	Power Sales Agreement
PSD	Prevention of Significant Deterioration
PUCT	Public Utility Commission of Texas
PV	Photovoltaic
PVNGS	Palo Verde Nuclear Generating Station
RA	San Juan Project Restructuring Agreement
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
ROE	Return on Equity
RPS	Renewable Energy Portfolio Standard
S&P	Standard and Poor's Ratings Services
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
TECA	Texas Electric Choice Act
Tenth Circuit	United States Court of Appeals for the Tenth Circuit
TNMP	Texas-New Mexico Power Company and Subsidiaries, a wholly-owned subsidiary of TNP
TNMP 2015 Bond Purchase Agreement	TNMP's \$60.0 Million First Mortgage Bonds
TNMP Revolving Credit Facility	TNMP's \$75.0 Million Secured Revolving Credit Facility
TNP	TNP Enterprises, Inc. and Subsidiaries, a wholly-owned subsidiary of PNMR
Tucson	Tucson Electric Power Company
UG-CSA	Underground Coal Sales Agreement
US Supreme Court	Supreme Court of the United States
Valencia	Valencia Energy Facility
VaR	Value at Risk

Table of Contents

VIE	Variable Interest Entity
WACC	Weighted Average Cost of Capital
WEG	WildEarth Guardians
Westmoreland	Westmoreland Coal Company
Westmoreland Loan	\$125.0 Million of funding provided by NM Capital to WSJ
WSJ	Westmoreland San Juan, LLC, an indirect wholly-owned subsidiary of Westmoreland

7

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	(In thousands, except per share amounts)			
Electric Operating Revenues	\$315,391	\$352,887	\$626,352	\$685,755
Operating Expenses:				
Cost of energy	81,363	114,038	173,732	229,683
Administrative and general	45,160	39,928	92,270	83,787
Energy production costs	37,881	44,790	80,567	87,459
Regulatory disallowances and restructuring costs	—	1,529	774	1,744
Depreciation and amortization	50,955	46,049	100,784	91,510
Transmission and distribution costs	17,315	16,868	33,909	33,354
Taxes other than income taxes	17,895	17,271	37,987	36,234
Total operating expenses	250,569	280,473	520,023	563,771
Operating income	64,822	72,414	106,329	121,984
Other Income and Deductions:				
Interest income	10,194	1,941	13,815	3,691
Gains on available-for-sale securities	4,631	5,556	10,849	9,580
Other income	4,265	5,717	8,530	10,679
Other (deductions)	(4,105)	(3,707)	(7,104)	(7,370)
Net other income and deductions	14,985	9,507	26,090	16,580
Interest Charges	33,221	28,913	64,712	59,186
Earnings before Income Taxes	46,586	53,008	67,707	79,378
Income Taxes	15,634	17,353	22,790	25,870
Net Earnings	30,952	35,655	44,917	53,508
(Earnings) Attributable to Valencia Non-controlling Interest	(3,744)	(3,850)	(7,031)	(7,231)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)	(264)	(264)
Net Earnings Attributable to PNMR	\$27,076	\$31,673	\$37,622	\$46,013
Net Earnings Attributable to PNMR per Common Share:				
Basic	\$0.34	\$0.40	\$0.47	\$0.58
Diluted	\$0.34	\$0.40	\$0.47	\$0.57
Dividends Declared per Common Share	\$0.22	\$0.20	\$0.44	\$0.40

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

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands)			
Net Earnings	\$30,952	\$35,655	\$44,917	\$53,508
Other Comprehensive Income (Loss):				
Unrealized Gains on Available-for-Sale Securities:				
Unrealized holding gains (losses) arising during the period, net of income tax (expense) benefit of \$2,791, \$266, \$661 and \$(2,413)	(4,362)	(413)	(1,034)	3,744
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of \$(2,404), \$3,278, \$1,970 and \$4,913	3,757	(5,087)	(3,079)	(7,624)
Pension Liability Adjustment:				
Reclassification adjustment for amortization of experience losses recognized as net periodic benefit cost, net of income tax expense (benefit) of \$(537), \$(583), \$(1,074) and \$(1,166)	839	905	1,678	1,810
Fair Value Adjustment for Cash Flow Hedges:				
Change in fair market value, net of income tax (expense) benefit of \$178, \$0, \$681 and \$0	(279)	—	(1,065)	—
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of \$(88), \$0, \$(145) and \$0	137	—	226	—
Total Other Comprehensive Income (Loss)	92	(4,595)	(3,274)	(2,070)
Comprehensive Income	31,044	31,060	41,643	51,438
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,744)	(3,850)	(7,031)	(7,231)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)	(264)	(264)
Comprehensive Income Attributable to PNMR	\$27,168	\$27,078	\$34,348	\$43,943

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

Table of Contents

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

	Six Months Ended June 30,	
	2016	2015
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	\$44,917	\$53,508
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	116,785	108,891
Deferred income tax expense	22,869	26,675
Net unrealized (gains) losses on commodity derivatives	5,219	6,127
Realized (gains) on available-for-sale securities	(10,849)	(9,580)
Stock based compensation expense	3,543	2,761
Regulatory disallowances and restructuring costs	774	1,744
Other, net	(207)	(1,926)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	3,770	(20,899)
Materials, supplies, and fuel stock	(1,382)	(8,285)
Other current assets	(27,342)	16,342
Other assets	885	8,062
Accounts payable	(3,984)	(20,777)
Accrued interest and taxes	(4,283)	(4,380)
Other current liabilities	(23,255)	(10,195)
Other liabilities	(5,419)	(38,394)
Net cash flows from operating activities	122,041	109,674
Cash Flows From Investing Activities:		
Additions to utility and non-utility plant	(378,574)	(232,964)
Proceeds from sales of available-for-sale securities	194,014	94,522
Purchases of available-for-sale securities	(195,619)	(94,905)
Return of principal on PVNGS lessor notes	8,547	14,188
Westmoreland Loan	(122,250)	—
Other, net	167	2,694
Net cash flows from investing activities	(493,715)	(216,465)

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

Table of Contents

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

	Six Months Ended	
	June 30,	
	2016	2015
	(In thousands)	
Cash Flows From Financing Activities:		
Revolving credit facilities borrowings, net	150,800	82,000
Long-term borrowings	357,500	214,300
Repayment of long-term debt	(126,156)	(158,066)
Proceeds from stock option exercise	6,569	7,347
Awards of common stock	(14,367)	(18,814)
Dividends paid	(35,312)	(32,125)
Valencia's transactions with its owner	(7,394)	(7,614)
Other, net	(1,077)	(2,107)
Net cash flows from financing activities	330,563	84,921
Change in Cash and Cash Equivalents	(41,111)	(21,870)
Cash and Cash Equivalents at Beginning of Period	46,051	28,274
Cash and Cash Equivalents at End of Period	\$4,940	\$6,404
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	\$56,397	\$56,309
Income taxes paid (refunded), net	\$850	\$(1,231)
Supplemental schedule of noncash investing activities:		
(Increase) decrease in accrued plant additions	\$25,488	\$743

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

Table of Contents

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

	June 30, 2016 (In thousands)	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents \$	4,940	\$ 46,051
Accounts receivable, net of allowance for uncollectible accounts of \$1,407 and \$1,397	75,598	98,699
Unbilled revenues	69,834	52,012
Other receivables	17,066	28,590
Current portion of Westmoreland Loan	48,175	—
Materials, supplies, and fuel stock	68,769	67,386
Regulatory assets	10,180	1,070
Commodity derivative instruments	4,053	3,813
Income taxes receivable	6,773	5,845
Other current assets	103,483	82,104
Total current assets	408,871	385,570
Other Property and Investments:		
Long-term portion of Westmoreland Loan	75,820	—
Available-for-sale securities	264,669	259,042
Other investments	440	604
Non-utility property	3,404	3,404
Total other property and investments	344,333	263,050
Utility Plant:		
Plant in service, held for future use, and to be abandoned	6,774,773	6,307,261
Less accumulated depreciation and amortization	2,279,853	2,058,772
	4,494,920	4,248,489
Construction work in progress	211,919	204,766
Nuclear fuel, net of accumulated amortization	83,391	82,117

of \$44,139 and \$44,455		
Net utility plant	4,790,230	4,535,372
Deferred Charges and Other Assets:		
Regulatory assets	464,291	470,664
Goodwill	278,297	278,297
Commodity derivative instruments	1,332	2,622
Other deferred charges	73,102	73,753
Total deferred charges and other assets	817,022	825,336
	\$ 6,360,456	\$ 6,009,328

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

Table of Contents

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

	June 30, 2016	December 31, 2015
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	\$401,400	\$ 250,600
Current installments of long-term debt	106,910	124,979
Accounts payable	70,948	100,419
Customer deposits	11,783	12,216
Accrued interest and taxes	54,951	58,306
Regulatory liabilities	3,852	15,591
Commodity derivative instruments	4,746	1,859
Dividends declared	132	17,656
Other current liabilities	48,194	59,494
Total current liabilities	702,916	641,120
Long-term Debt, net of Unamortized Premiums, Discounts, and Debt Issuance Costs	2,217,114	1,966,969
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	905,439	877,393
Regulatory liabilities	466,312	467,413
Asset retirement obligations	116,716	111,895
Accrued pension liability and postretirement benefit cost	66,506	73,097
Commodity derivative instruments	1,588	—
Other deferred credits	133,925	133,692
Total deferred credits and other liabilities	1,690,486	1,663,490
Total liabilities	4,610,516	4,271,579
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 (no par value; 120,000,000 shares authorized; issued and outstanding 79,653,624 shares)	1,162,195	1,166,465
Accumulated other comprehensive income (loss), net of income taxes	(74,706	) (71,432
Retained earnings	579,878	559,780
Total PNMR common stockholders' equity	1,667,367	1,654,813
Non-controlling interest in Valencia	71,044	71,407
Total equity	1,738,411	1,726,220
	\$6,360,456	\$ 6,009,328

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

Table of Contents

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

	Attributable to PNMR			Total PNMR Common Stockholders' Equity	Non- controlling Interest in Valencia	Total Equity
	Common Stock	AOCI	Retained Earnings			
	(In thousands)					
Balance at December 31, 2015	\$1,166,465	\$(71,432)	\$559,780	\$1,654,813	\$71,407	\$1,726,220
Net earnings before subsidiary preferred stock dividends	—	—	37,886	37,886	7,031	44,917
Total other comprehensive income (loss)	—	(3,274)	—	(3,274)	—	(3,274)
Subsidiary preferred stock dividends	—	—	(264)	(264)	—	(264)
Dividends declared on common stock	—	—	(17,524)	(17,524)	—	(17,524)
Proceeds from stock option exercise	6,569	—	—	6,569	—	6,569
Awards of common stock	(14,367)	—	—	(14,367)	—	(14,367)
Excess tax (shortfall) from stock-based payment arrangements	(15)	—	—	(15)	—	(15)
Stock based compensation expense	3,543	—	—	3,543	—	3,543
Valencia's transactions with its owner	—	—	—	—	(7,394)	(7,394)
Balance at June 30, 2016	\$1,162,195	\$(74,706)	\$579,878	\$1,667,367	\$71,044	\$1,738,411

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

Table of Contents

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		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	(In thousands)			
Electric Operating Revenues	\$233,346	\$275,450	\$468,952	\$537,390
Operating Expenses:				
Cost of energy	61,367	95,728	133,811	193,594
Administrative and general	39,152	36,956	81,181	76,524
Energy production costs	37,881	44,790	80,567	87,459
Regulatory disallowances and restructuring costs	—	1,529	774	1,744
Depreciation and amortization	32,602	29,002	64,466	57,405
Transmission and distribution costs	10,241	10,272	20,557	21,040
Taxes other than income taxes	10,343	9,994	22,540	20,790
Total operating expenses	191,586	228,271	403,896	458,556
Operating income	41,760	47,179	65,056	78,834
Other Income and Deductions:				
Interest income	5,518	1,946	7,040	3,717
Gains on available-for-sale securities	4,631	5,556	10,849	9,580
Other income	2,953	4,901	6,339	8,292
Other (deductions)	(3,202)	(3,011)	(4,863)	(4,615)
Net other income and deductions	9,900	9,392	19,365	16,974
Interest Charges	22,690	19,681	44,281	39,640
Earnings before Income Taxes	28,970	36,890	40,140	56,168
Income Taxes	9,177	11,527	12,788	17,302
Net Earnings	19,793	25,363	27,352	38,866
(Earnings) Attributable to Valencia Non-controlling Interest	(3,744)	(3,850)	(7,031)	(7,231)
Net Earnings Attributable to PNM	16,049	21,513	20,321	31,635
Preferred Stock Dividends Requirements	(132)	(132)	(264)	(264)
Net Earnings Available for PNM Common Stock	\$15,917	\$21,381	\$20,057	\$31,371

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

Table of Contents

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,	
	2016	2015	2016	2015
	(In thousands)			
Net Earnings	\$19,793	\$25,363	\$27,352	\$38,866
Other Comprehensive Income (Loss):				
Unrealized Gains on Available-for-Sale Securities:				
Unrealized holding gains (losses) arising during the period, net of income tax (expense) benefit of \$2,791, \$266, \$661 and \$(2,413)	(4,362)	(413)	(1,034)	3,744
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of \$(2,404), \$3,278, \$1,970 and \$4,913	3,757	(5,087)	(3,079)	(7,624)
Pension Liability Adjustment:				
Reclassification adjustment for amortization of experience losses recognized as net periodic benefit cost, net of income tax (benefit) of \$(537), \$(583), \$(1,074) and \$(1,166)	839	905	1,678	1,810
Total Other Comprehensive Income (Loss)	234	(4,595)	(2,435)	(2,070)
Comprehensive Income	20,027	20,768	24,917	36,796
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,744)	(3,850)	(7,031)	(7,231)
Comprehensive Income Attributable to PNM	\$16,283	\$16,918	\$17,886	\$29,565

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

Table of Contents

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,	
	2016	2015
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	\$27,352	\$38,866
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	80,688	73,701
Deferred income tax expense	13,180	18,464
Net unrealized (gains) losses on commodity derivatives	5,219	6,127
Realized (gains) on available-for-sale securities	(10,849)	(9,580)
Regulatory disallowances and restructuring costs	774	1,744
Other, net	(221)	(2,958)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	8,572	(15,283)
Materials, supplies, and fuel stock	(4,924)	(7,860)
Other current assets	(18,964)	15,882
Other assets	6,582	7,568
Accounts payable	822	(21,315)
Accrued interest and taxes	736	412
Other current liabilities	(15,511)	(3,259)
Other liabilities	(6,871)	(34,729)
Net cash flows from operating activities	86,585	67,780
Cash Flows From Investing Activities:		
Utility plant additions	(302,721)	(172,937)
Proceeds from sales of available-for-sale securities	194,014	94,522
Purchases of available-for-sale securities	(195,619)	(94,905)
Return of principal on PVNGS lessor notes	8,547	14,188
Other, net	167	2,859
Net cash flows from investing activities	(295,612)	(156,273)

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

Table of Contents

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,	
	2016	2015
	(In thousands)	
Cash Flows From Financing Activities:		
Revolving credit facilities borrowings, net	126,000	51,100
Long-term borrowings	175,000	64,300
Repayment of long-term debt	(125,000)	(39,300)
Equity contribution from parent	4,142	—
Valencia's transactions with its owner	(7,394)	(7,614)
Dividends paid	(4,406)	(264)
Other, net	(369)	(1,659)
Net cash flows from financing activities	167,973	66,563
Change in Cash and Cash Equivalents	(41,054)	(21,930)
Cash and Cash Equivalents at Beginning of Period	43,138	25,480
Cash and Cash Equivalents at End of Period	\$2,084	\$3,550
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	\$40,838	\$36,977
Income taxes paid (refunded), net	\$—	\$(1,450)
Supplemental schedule of noncash investing activities:		
(Increase) decrease in accrued plant additions	\$21,157	\$(2,813)

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

Table of Contents

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

	June 30, 2016 (In thousands)	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents \$	2,084	\$ 43,138
Accounts receivable, net of allowance for uncollectible accounts of \$1,407 and \$1,397	52,491	78,291
Unbilled revenues	58,360	42,641
Other receivables	14,953	24,725
Affiliate receivables	10,422	15,105
Materials, supplies, and fuel stock	65,402	60,477
Regulatory assets	3,421	—
Commodity derivative instruments	4,053	3,813
Income taxes receivable	14,970	14,577
Other current assets	96,625	74,990
Total current assets	322,781	357,757
Other Property and Investments:		
Available-for-sale securities	264,669	259,042
Other investments	202	366
Non-utility property	96	96
Total other property and investments	264,967	259,504
Utility Plant:		
Plant in service, held for future use, and to be abandoned	5,258,713	4,833,303
Less accumulated depreciation and amortization	1,765,392	1,569,549
	3,493,321	3,263,754
Construction work in progress	156,801	172,238
Nuclear fuel, net of accumulated amortization of \$44,139 and \$44,455	83,391	82,117
Net utility plant	3,733,513	3,518,109

Deferred Charges and Other Assets:			
Regulatory assets	334,871	342,910	
Goodwill	51,632	51,632	
Commodity derivative instruments	1,332	2,622	
Other deferred charges	66,385	66,810	
Total deferred charges and other assets	454,220	463,974	
	\$ 4,775,481	\$ 4,599,344	

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

Table of Contents

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

	June 30, 2016	December 31, 2015
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	\$ 126,000	\$ —
Current installments of long-term debt	56,814	124,979
Accounts payable	52,051	72,386
Affiliate payables	19,933	14,318
Customer deposits	11,783	12,216
Accrued interest and taxes	34,314	33,189
Regulatory liabilities	3,852	15,591
Commodity derivative instruments	4,746	1,859
Dividends declared	132	132
Other current liabilities	33,070	42,251
Total current liabilities	342,695	316,921
Long-term Debt, net of Unamortized Premiums, Discounts, and Debt Issuance Costs	1,574,760	1,455,698
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	715,168	696,384
Regulatory liabilities	432,572	434,863
Asset retirement obligations	115,835	111,049
Accrued pension liability and postretirement benefit cost	59,980	66,285
Commodity derivative instruments	1,588	—
Other deferred credits	114,755	117,275
Total deferred credits and liabilities	1,439,898	1,425,856
Total liabilities	3,357,353	3,198,475
Commitments and Contingencies (See Note 11)		
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)	1,240,918	1,236,776
Accumulated other comprehensive income (loss), net of income taxes	(73,911	) (71,476)
Retained earnings	168,548	152,633
Total PNM common stockholder's equity	1,335,555	1,317,933
Non-controlling interest in Valencia	71,044	71,407
Total equity	1,406,599	1,389,340
	\$4,775,481	\$4,599,344

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

Table of Contents

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			Total PNM Common Stockholder's Equity	Non- controlling Interest in Valencia	Total Equity
	Common Stock (In thousands)	AOCI	Retained Earnings			
Balance at December 31, 2015	\$1,236,776	\$(71,476)	\$152,633	\$1,317,933	\$71,407	\$1,389,340
Net earnings	—	—	20,321	20,321	7,031	27,352
Total other comprehensive income (loss)	—	(2,435)	—	(2,435)	—	(2,435)
Dividends declared on preferred stock	—	—	(264)	(264)	—	(264)
Equity contribution from parent	4,142	—	—	4,142	—	4,142
Dividends declared on common stock	—	—	(4,142)	(4,142)	—	(4,142)
Valencia's transactions with its owner	—	—	—	—	(7,394)	(7,394)
Balance at June 30, 2016	\$1,240,918	\$(73,911)	\$168,548	\$1,335,555	\$71,044	\$1,406,599

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

Table of Contents

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

	Three Months		Six Months Ended	
	Ended June 30,		June 30,	
	2016	2015	2016	2015
	(In thousands)			
Electric Operating Revenues	\$82,045	\$77,437	\$157,400	\$148,365
Operating Expenses:				
Cost of energy	19,996	18,310	39,921	36,089
Administrative and general	10,204	8,042	19,794	17,875
Depreciation and amortization	14,897	13,591	29,406	27,049
Transmission and distribution costs	7,074	6,596	13,352	12,314
Taxes other than income taxes	6,499	6,169	12,998	12,378
Total operating expenses	58,670	52,708	115,471	105,705
Operating income	23,375	24,729	41,929	42,660
Other Income and Deductions:				
Other income	1,031	792	1,624	2,332
Other (deductions)	(354)	) 1	(339)	) (248)
Net other income and deductions	677	793	1,285	2,084
Interest Charges	7,473	6,856	14,841	13,781
Earnings before Income Taxes	16,579	18,666	28,373	30,963
Income Taxes	6,071	6,801	10,408	11,404
Net Earnings	\$10,508	\$11,865	\$17,965	\$19,559

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

Table of Contents

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,	
	2016	2015
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	\$17,965	\$19,559
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	30,270	27,839
Deferred income tax expense	(22)	) 6,175
Other, net	14	(90)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(4,802)	) (5,616)
Materials and supplies	3,542	(425)
Other current assets	(6,941)	) (1,264)
Other assets	(6,297)	) 68
Accounts payable	(2,986)	) 385
Accrued interest and taxes	5,275	(173)
Other current liabilities	1,279	2,530
Other liabilities	(6)	) (4,132)
Net cash flows from operating activities	37,291	44,856
Cash Flows From Investing Activities:		
Utility plant additions	(59,795)	) (50,256)
Net cash flows from investing activities	(59,795)	) (50,256)
Cash Flow From Financing Activities:		
Revolving credit facilities borrowings (repayments), net	(29,000)	) 24,000
Short-term borrowings (repayments) – affiliate, net	(300)	) (18,600)
Long-term borrowings	60,000	—
Dividends paid	(7,456)) —
Other, net	(740)) —
Net cash flows from financing activities	22,504	5,400
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	\$13,118	\$12,990
Income taxes paid (refunded), net	\$850	\$950
Supplemental schedule of noncash investing activities:		
(Increase) decrease in accrued plant additions	\$2,681	\$2,311

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

Table of Contents

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

	June 30, 2016	December 31, 2015
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1	\$ 1
Accounts receivable	23,107	20,408
Unbilled revenues	11,474	9,371
Other receivables	896	811
Materials and supplies	3,367	6,909
Regulatory assets	6,759	1,070
Other current assets	2,205	1,053
Total current assets	47,809	39,623
Other Property and Investments:		
Other investments	238	238
Non-utility property	2,240	2,240
Total other property and investments	2,478	2,478
Utility Plant:		
Plant in service and plant held for future use	1,321,689	1,285,727
Less accumulated depreciation and amortization	425,862	406,516
	895,827	879,211
Construction work in progress	32,435	16,561
Net utility plant	928,262	895,772
Deferred Charges and Other Assets:		
Regulatory assets	129,420	127,754
Goodwill	226,665	226,665
Other deferred charges	4,891	4,847
Total deferred charges and other assets	360,976	359,266
	\$ 1,339,525	\$ 1,297,139

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

Table of Contents

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

	June 30, 2016	December 31, 2015
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	\$ 30,000	\$ 59,000
Short-term debt – affiliate	11,500	11,800
Accounts payable	10,338	16,006
Affiliate payables	3,568	3,681
Accrued interest and taxes	38,166	32,891
Other current liabilities	3,433	2,044
Total current liabilities	97,005	125,422
Long-term Debt, net of Unamortized Premiums, Discounts, and Debt Issuance Costs	420,763	361,411
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	232,881	232,791
Regulatory liabilities	33,740	32,550
Asset retirement obligations	724	695
Accrued pension liability and postretirement benefit cost	6,526	6,812
Other deferred credits	3,997	4,078
Total deferred credits and other liabilities	277,868	276,926
Total liabilities	795,636	763,759
Commitments and Contingencies (See Note 11)		
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	404,166
Retained earnings	139,659	129,150
Total common stockholder's equity	543,889	533,380
	\$ 1,339,525	\$ 1,297,139

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

Table of Contents

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	Retained Earnings	Total Common Stockholder's Equity
	(In thousands)			
Balance at December 31, 2015	\$64	\$404,166	\$129,150	\$ 533,380
Net earnings	—	—	17,965	17,965
Dividends declared on common stock	—	—	(7,456)	(7,456)
Balance at June 30, 2016	\$64	\$404,166	\$139,659	\$ 543,889

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

Table of Contents

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, 2016 and December 31, 2015, the consolidated results of operations and comprehensive income for the three and six months ended June 30, 2016 and 2015, and cash flows for the six months ended June 30, 2016 and 2015. 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 2015 Condensed Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2016 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 2015 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 Valencia (Note 5) and, through January 15, 2016, the PVNGS Capital Trust. 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. These services are billed at cost. Other significant intercompany transactions between PNMR, PNM, and TNMP include interest and income tax sharing payments, as well as equity transactions. 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 \$0.22 per share in July 2016 and \$0.20 in July

Table of Contents

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)

2015, which are reflected as being in the second quarter within “Dividends Declared per Common Share” on the PNMR Condensed Consolidated Statements of Earnings.

In the six-months ended June 30, 2016, PNMR made an equity contribution of \$4.1 million to PNM. PNM and TNMP declared and paid cash dividends on common stock to PNMR of \$4.1 million and \$7.5 million in the six-months ended June 30, 2016. PNM and TNMP declared cash dividends on common stock to PNMR of \$20.0 million and \$7.7 million in June 2015 that were paid on July 1, 2015.

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)

In May 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. When it becomes effective, the new standard will replace most existing revenue recognition guidance in GAAP. In August 2015, the FASB issued a one-year deferral in the effective date. Since the issuance of ASU No. 2014-09, the FASB also has issued additional ASUs that clarify implementation guidance regarding principal versus agent considerations, licensing, and identifying performance obligations, as well as adding certain additional practical expedients. The Company must adopt ASU 2014-09 beginning on January 1, 2018. Early adoption would be permitted beginning January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has not yet selected a transition method although it is unlikely the Company would elect to early adopt the new standard. The Company is analyzing the impacts this new standard will have on its consolidated financial statements and related disclosures, but has not determined the effect of the standard on its financial reporting.

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

In August 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 analyzing the impacts of this new standard.

Accounting Standards Update 2016-01 – Financial Instruments (Subtopic 825-10) – Recognition and Measurement of
Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU No. 2016-01, which makes targeted improvements to GAAP regarding financial instruments. The new standard eliminates the requirement to classify investments in equity securities with readily determinable fair values into trading or available-for-sale categories and will require those equity securities to be measured at fair value with changes in fair value recognized in net income rather than in OCI. Also, the new standard will revise certain presentation and disclosure requirements. Under the new standard, accounting for investments in debt securities remains essentially unchanged. The new standard will be effective for the Company beginning on January 1, 2018. Early adoption of the standard is permitted. The Company is in the process of analyzing the impacts of this new standard.

Accounting Standards Update 2016-02 – Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, which will change how lessees account for leases. The ASU will require that a liability be recorded on the balance sheet for all leases based on the present value of future lease obligations. A corresponding right-of-use asset will also be recorded. Amortization of the lease obligation and the right-of-use asset for certain leases, primarily those currently classified as operating leases, will be on a straight-line basis, which is not expected to have a

Table of Contents

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)

significant impact on the statements of earnings or cash flows, whereas other leases will be required to be accounted for as financing arrangements similar to the accounting treatment for capital leases under current GAAP. Also, the new standard will revise certain disclosure requirements. The new standard will be effective for the Company beginning on January 1, 2019. Early adoption of the standard is permitted. At adoption of the ASU, leases will be recognized and measured as of the earliest period presented using a modified retrospective approach. The Company is in the process of analyzing the impacts of this new standard.

Accounting Standards Update 2016-09 – Compensation – Stock Compensation (Topic 718)

In March 2016, the FASB issued ASU No. 2016-09. The ASU simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new standard is effective for the Company beginning on January 1, 2017. Early adoption is permitted in any interim or annual period. The Company is in the process of analyzing the impacts of this new standard.

Accounting Standards Update 2016-13 – Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13. The ASU changes the way entities recognize impairment of many financial assets, including accounts receivable and investments in debt securities, by requiring immediate recognition of estimated credit losses expected to occur over their remaining lives. The new standard is effective for the Company beginning on January 1, 2020. Early adoption is permitted beginning on January 1, 2019. The Company is in the process of analyzing the impacts of this new standard.

(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 June 30, 2016		Six Months Ended June 30, 2015	
	2016	2015	2016	2015
	(In thousands, except per share amounts)			
Net Earnings Attributable to PNMR	\$27,076	\$31,673	\$37,622	\$46,013
Average Number of Common Shares:				
Outstanding during period	79,654	79,654	79,654	79,654
Vested awards of restricted stock	97	99	101	105
Average Shares – Basic	79,751	79,753	79,755	79,759
Dilutive Effect of Common Stock Equivalents:				
Stock options and restricted stock	357	380	381	384

Edgar Filing: PNM RESOURCES INC - Form 10-Q

Average Shares – Diluted	80,108	80,133	80,136	80,143
Net Earnings Per Share of Common Stock:				
Basic	\$0.34	\$0.40	\$0.47	\$0.58
Diluted	\$0.34	\$0.40	\$0.47	\$0.57

Table of Contents

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)

(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 power 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 activities of PNMR Development and NM Capital are also included in Corporate and Other.

Table of Contents

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 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

	PNM	TNMP	Corporate and Other	Consolidated
	(In thousands)			
Three Months Ended June 30, 2016				
Electric operating revenues	\$233,346	\$82,045	\$—	\$315,391
Cost of energy	61,367	19,996	—	81,363
Utility margin	171,979	62,049	—	234,028
Other operating expenses	97,617	23,777	(3,143)	118,251
Depreciation and amortization	32,602	14,897	3,456	50,955
Operating income (loss)	41,760	23,375	(313)	64,822
Interest income	5,518	—	4,676	10,194
Other income (deductions)	4,382	677	(268)	4,791
Net interest charges	(22,690)	(7,473)	(3,058)	(33,221)
Segment earnings before income taxes	28,970	16,579	1,037	46,586
Income taxes	9,177	6,071	386	15,634
Segment earnings	19,793	10,508	651	30,952
Valencia non-controlling interest	(3,744)	—	—	(3,744)
Subsidiary preferred stock dividends	(132)	—	—	(132)
Segment earnings attributable to PNMR	\$15,917	\$10,508	\$651	\$27,076
Six Months Ended June 30, 2016				
Electric operating revenues	\$468,952	\$157,400	\$—	\$626,352
Cost of energy	133,811	39,921	—	173,732
Utility margin	335,141	117,479	—	452,620
Other operating expenses	205,619	46,144	(6,256)	245,507
Depreciation and amortization	64,466	29,406	6,912	100,784
Operating income (loss)	65,056	41,929	(656)	106,329
Interest income	7,040	—	6,775	13,815
Other income (deductions)	12,325	1,285	(1,335)	12,275
Net interest charges	(44,281)	(14,841)	(5,590)	(64,712)
Segment earnings (loss) before income taxes	40,140	28,373	(806)	67,707
Income taxes (benefit)	12,788	10,408	(406)	22,790
Segment earnings (loss)	27,352	17,965	(400)	44,917
Valencia non-controlling interest	(7,031)	—	—	(7,031)
Subsidiary preferred stock dividends	(264)	—	—	(264)
Segment earnings (loss) attributable to PNMR	\$20,057	\$17,965	\$(400)	\$37,622

At June 30, 2016:

Edgar Filing: PNM RESOURCES INC - Form 10-Q

Total Assets	\$4,775,481	\$1,339,525	\$245,450	\$6,360,456
Goodwill	\$51,632	\$226,665	\$—	\$278,297

31

Table of Contents

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 June 30, 2015				
Electric operating revenues	\$275,450	\$77,437	\$—	\$ 352,887
Cost of energy	95,728	18,310	—	114,038
Utility margin	179,722	59,127	—	238,849
Other operating expenses	103,541	20,807	(3,962)	120,386
Depreciation and amortization	29,002	13,591	3,456	46,049
Operating income	47,179	24,729	506	72,414
Interest income	1,946	—	(5)	1,941
Other income (deductions)	7,446	793	(673)	7,566
Net interest charges	(19,681)	(6,856)	(2,376)	(28,913)
Segment earnings (loss) before income taxes	36,890	18,666	(2,548)	53,008
Income taxes (benefit)	11,527	6,801	(975)	17,353
Segment earnings (loss)	25,363	11,865	(1,573)	35,655
Valencia non-controlling interest	(3,850)	—	—	(3,850)
Subsidiary preferred stock dividends	(132)	—	—	(132)
Segment earnings (loss) attributable to PNMR	\$21,381	\$11,865	\$(1,573)	\$ 31,673
Six Months Ended June 30, 2015				
Electric operating revenues	\$537,390	\$148,365	\$—	\$ 685,755
Cost of energy	193,594	36,089	—	229,683
Utility margin	343,796	112,276	—	456,072