

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)

	Financial Position	
	March 31, 2020	December 31, 2019
	(In thousands)	
Current assets	\$ 12,848	\$ 7,187
Net property, plant, and equipment	137,763	132,772
Non-current assets	<u>1,548</u>	<u>—</u>
Total assets	152,159	139,959
Current liabilities	1,392	9,640
Non-current liabilities	<u>362</u>	<u>—</u>
Owners' equity	<u>\$ 150,405</u>	<u>\$ 130,319</u>

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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 791,000 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 three key strategic goals:

- Earning authorized returns on regulated businesses
- Delivering at or above industry-average earnings and dividend growth
- Maintaining investment grade credit ratings

In conjunction with these goals, PNM and TNMP are dedicated to:

- Maintaining strong employee safety, plant performance, and system reliability
- Delivering a superior customer experience
- Demonstrating environmental stewardship in business operations, including transitioning to an emissions-free generating portfolio by 2040
- Supporting the communities in their service territories

Earning Authorized Returns on Regulated Businesses

PNMR's success in accomplishing its strategic goals is highly dependent on two key factors: fair and timely regulatory treatment for its utilities and the utilities' 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, interim cost of service filings, and various rate riders.

Fair and timely rate treatment from regulators is crucial to PNM and TNMP in earning their allowed returns and critical for PNMR to achieve its strategic goals. PNMR believes that earning allowed returns is viewed positively by credit rating agencies and that improvements in the Company's ratings could lower costs to utility customers.

Additional information about rate filings is provided in Note 17 of the Notes to Consolidated Financial Statements in the 2019 Annual Reports on Form 10-K and in Note 12.

State Regulation

The rates PNM and TNMP charge retail customers are subject to traditional rate regulation by the NMPRC, FERC, and the PUCT.

New Mexico 2015 Rate Case – On September 28, 2016, the NMPRC issued an order that authorized PNM to implement an increase in base non-fuel rates of \$61.2 million for New Mexico retail customers, effective for bills sent after September 30, 2016. This order was on PNM's application for a general increase in retail electric rates (the "NM 2015 Rate Case") filed in August 2015. The NMPRC's order included a determination that PNM was imprudent in purchasing certain leased capacity in PVNGS Unit 2, extending other PVNGS leased capacity, and installing BDT environmental controls equipment on SJGS.

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PNM appealed the NMPRC's imprudence findings to the NM Supreme Court. Specifically, PNM appealed the NMPRC's determination that PNM was imprudent in certain matters in the case, including the disallowance of the full purchase price of 64.1 MW of capacity in PVNGS Unit 2, the undepreciated costs of capitalized improvements made during the period the 64.1 MW of capacity was leased by PNM, the costs of converting SJGS Units 1 and 4 to BDT, and future contributions for PVNGS decommissioning attributable to 64.1 MW of purchased capacity and the 114.6 MW of capacity under the extended leases.

In May 2019, the NM Supreme Court issued its decision on the matters that had been appealed in the NM 2015 Rate Case. The NM Supreme Court upheld all of the decisions in the NMPRC's order except for their decision to permanently disallow recovery of future decommissioning costs related to the purchased and extended leases because PNM was deprived of its rights to due process of law and remanded the case to the NMPRC for further proceedings. In January 2020, the NMPRC issued its order in response to the NM Supreme Court's remand that reaffirmed its September 2016 order except for the decision to permanently disallow recovery of certain future decommissioning costs related to PVNGS Units 1 and 2. The NMPRC indicated that PNM's ability to recover these costs will be addressed in a future proceeding and closed the NM 2015 Rate Case docket.

As a result of the NM Supreme Court's ruling, PNM recorded a pre-tax impairment of \$149.3 million as of June 30, 2019 which is reflected as regulatory disallowances and restructuring costs in the Condensed Consolidated Statements of Earnings. This amount reflects capital costs not previously impaired during the pendency of the appeal related to PNM's purchase of 64.1 MW, in PVNGS Unit 1, undepreciated capital improvements made during the period such interests had been leased, and investments in BDT environmental controls equipment on SJGS Units 1 and 4. The impairment was offset by tax impacts of \$45.7 million which are reflected as income taxes on the Condensed Consolidated Statements of Earnings.

New Mexico 2016 Rate Case – In January 2018, the NMPRC approved a settlement agreement that authorized PNM to implement an increase in base non-fuel rates of \$10.3 million, which includes a reduction to reflect the impact of the decrease in the federal corporate income tax rate and updates to PNM's cost of debt (aggregating \$47.6 million annually). This order was on PNM's application for a general increase in retail electric rates filed in December 2016 (the "NM 2016 Rate Case"). The key terms of the order include:

- A ROE of 9.575%
- A requirement to return to customers over a three-year period the benefit of the reduction in the New Mexico corporate income tax rate to the extent attributable to PNM's retail operations (Note 14)
- A disallowance of PNM's ability to collect an equity return on certain investments aggregating \$148.1 million at Four Corners, but allowing recovery of a debt-only return
- An agreement to not implement non-fuel base rate changes, other than changes related to PNM's rate riders, with an effective date prior to January 1, 2020
- A requirement to consider the prudence of PNM's decision to continue its participation in Four Corners in PNM's next general rate case filing

PNM implemented 50% of the approved increase for service rendered beginning February 1, 2018 and implemented the rest of the increase for service rendered beginning January 1, 2019. This matter is now concluded.

TNMP 2018 Rate Case – On December 20, 2018, the PUCT approved a settlement stipulation allowing TNMP to increase annual base rates by \$10.0 million based on a ROE of 9.65%, a cost of debt of 6.44%, and a capital structure comprised of 55% debt and 45% equity. In addition, the approved settlement stipulation allows TNMP to refund the regulatory liability recorded at December 31, 2017 related to federal tax reform to customers and reflects the reduction in the federal corporate income tax rate to 21%. New rates under the TNMP 2018 Rate Case became effective January 1, 2019.

Advanced Metering – TNMP completed its mass deployment of advanced meters across its service territory in 2016 and has installed more than 242,000 advanced meters. Beginning in 2019 the majority of costs associated with TNMP's AMS program are being recovered through base rates.

In February 2016, PNM filed an application with the NMPRC requesting approval of a project to replace its existing customer metering equipment with Advanced Metering Infrastructure ("AMI"), which was denied. As ordered by the NMPRC, PNM's 2020 filing for energy efficiency programs to be offered in 2021, 2022, and 2023 includes a proposal for an AMI pilot project.

Rate Riders and Interim Rate Relief – 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. The NMPRC has approved PNM recovering fuel costs through the FPPAC, as well as rate riders for renewable energy and energy efficiency. These mechanisms

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allow for more timely recovery of investments.

On April 6, 2020, TNMP filed its first application for a periodic distribution rate adjustment (the "2020 DCOS"). TNMP's 2020 DCOS application requests an increase in annual distribution revenues of \$14.7 million and that new rates go into effect beginning in September 2020. See Note 12. TNMP cannot predict the outcome of this matter.

FERC Regulation

Rates PNM charges wholesale transmission customers and wholesale generation customers are subject to traditional rate regulation by FERC. Rates charged to wholesale electric transmission customers are based on a formula rate mechanism pursuant to which rates for wholesale transmission service are calculated annually in accordance with an approved formula. The 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 transmission capital projects to be placed into service in the following year. The projections included are subject to true-up. 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.

In May 2019, PNM filed an application with FERC requesting approval to purchase a new 165-mile long 345-kV transmission line and related facilities (the "Western Spirit Line"). Under related agreements, PNM will provide transmission service to approximately 800 MW of new wind generation to be located in eastern New Mexico beginning in 2021 using an incremental rate. All necessary regulatory approvals for PNM to purchase and provide transmission service from the Western Spirit Line have been obtained.

PNM has no full-requirements wholesale generation customers.

Delivering At or Above Industry-Average Earnings and Dividend Growth

PNMR's strategic goal to deliver at or above industry-average earnings and dividend growth enables investors to realize the value of their investment in the Company's business. PNMR's current target is 5% to 6% earnings and dividend growth for the period 2020 through 2023. Earnings growth is based on ongoing earnings, which is a non-GAAP financial measure that excludes from GAAP earnings certain non-recurring, infrequent, and other items that are not indicative of fundamental changes in the earnings capacity of the Company's operations. PNMR uses ongoing earnings to evaluate the operations of the Company and to establish goals, including those used for certain aspects of incentive compensation, for management and employees.

PNMR targets a dividend payout ratio in the 50% to 60% range of its ongoing earnings. PNMR expects to provide at or above industry-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. The Board approved the following increases in the indicated annual common stock dividend:

Approval Date	Percent Increase
December 2017	9%
December 2018	9%
December 2019	6%

Maintaining Investment Grade Credit Ratings

The Company is committed to maintaining investment grade credit ratings in order to reduce the cost of debt financing and to help ensure access to credit markets, when required. 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. On April 6, 2020, S&P downgraded the ratings for PNMR, PNM, and TNMP one notch and affirmed TNMP's first mortgage bond rating. All of the credit ratings issued by both Moody's and S&P on the Company's debt continue to be investment grade.

Business and Strategic Focus

PNMR strives to create enduring value for customers, communities, and shareholders. PNMR's strategy and decision-making are focused on safely providing reliable, affordable, and environmentally responsible power. The Company works closely with its stakeholders to ensure that resource plans and infrastructure investments benefit from robust public dialogue and balance the diverse needs of our communities. Equally important is the focus of PNMR's utilities on customer satisfaction and community engagement.

Safe, Reliable, and Affordable Power

PNMR and its utilities are aware of the important roles they play in enhancing economic vitality in their service territories. Management believes that maintaining strong and modern electric infrastructure is critical to ensuring reliability and supporting economic growth. When contemplating expanding or relocating their operations, 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 safe and superior customer experience. 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 safe and reliable electric service.

In early 2020, the novel coronavirus ("COVID-19"), resulted in President Trump declaring a pandemic in the U.S. The Company is closely monitoring developments and is taking steps to mitigate the potential risks related to the COVID-19 pandemic. The Company has assessed and updated its existing business continuity plans in response to the impacts of the pandemic through crisis team meetings and working with other utilities and operators. It has identified its critical workforce, staged backups and limited access to control rooms and critical assets. The Company has worked to protect the safety of its employees using a number of measures, including minimizing exposure to other employees and the public and mandating work-from-home and flexible arrangements for all applicable job functions. The Company is also working with its suppliers to understand the potential impacts to its supply chain and remains focused on the integrity of its information systems and other technology systems used to run its business. However, the Company cannot predict the extent or duration of the outbreak, its effects on the global, national or local economy, or on the Company's financial position, results of operations, and cash flows. The Company will continue to monitor developments related to COVID-19 and will remain focused on protecting the health and safety of its customers, employees, contractors, and other stakeholders, and on its objective to provide safe, reliable, affordable and environmentally responsible power. As discussed in Note 12, both PNM and TNMP have suspended disconnecting certain customers for past due bills and waived late fees during the pandemic and are seeking or have been provided regulatory mechanisms to recover these and other costs resulting from COVID-19. See additional discussion below regarding the Company's customer, community, and stakeholder engagement in response to COVID-19 and in Item 1A. Risk Factors.

Utility Plant and Strategic Investments

| Utility Plant Investments – During the 2017 to 2019 period, PNM and TNMP together invested \$1.5 billion in utility plant, including substations, power plants, nuclear fuel, and transmission and distribution systems. During 2018 and 2019, PNM constructed an additional 50 MW of PNM-owned solar-PV facilities, which were approved by the NMPRC in PNM's 2018 renewable energy procurement plan. On May 1, 2019, PNM executed an agreement to purchase the Western Spirit Line, which has been approved by FERC and the NMPRC. Under the agreement, subject to certain conditions being met prior to closing, PNM will purchase the Western Spirit Line upon its expected commercial operation date in 2021 at a net cost of approximately \$285 million, including customer reimbursements. PNM's SJGS Abandonment Application requests NMPRC approval of a replacement resource scenario that would result in PNM investing approximately \$298 million to construct and own a new 280 MW gas-fired generation facility to be located at the existing SJGS site, 70 MW of battery storage facilities, and other transmission upgrades to replace PNM's capacity in SJGS. See the subheading Capital Requirements included in the full discussion of Liquidity and Capital Resources below for additional discussion of the Company's projected capital requirements.

Strategic Investments – In 2017, PNMR Development and AEP OnSite Partners created NMRD to pursue the acquisition, development, and ownership of renewable energy generation projects, primarily in the state of New Mexico. Abundant renewable resources, large tracts of affordable land, and strong government and community support make New Mexico a favorable location for renewable generation. New Mexico ranks 3rd in the nation for energy potential from solar power according to the Nebraska Department of Energy & Energy Sun Index and ranks 3rd in the nation for land-based wind capacity according to the U.S. Office of Energy Efficiency and Renewable Energy. PNMR Development and AEP OnSite Partners each have a 50% ownership interest in NMRD. Through NMRD, PNMR anticipates being able to provide additional renewable generation solutions to customers within and surrounding its regulated jurisdictions through partnering with a subsidiary of one of the United States' largest electric utilities. As of March 31, 2020, NMRD's renewable energy capacity in operation was 85.1 MW, which includes 80 MW of solar-PV facilities to supply energy to the Facebook data center located within PNM's service territory, 1.9 MW to supply energy to Columbus Electric Cooperative located in southwest New Mexico, 2.0 MW to supply energy to the Central New Mexico Electric Cooperative, and 1.2 MW of solar-PV facilities to supply energy to the City of Rio Rancho, New Mexico. The NMPRC has approved PNM's request to enter into an additional 25-year PPA to purchase renewable energy and RECs from an aggregate of approximately 50 MW of capacity from solar-PV facilities to be constructed by NMRD to supply power to the Facebook data center. These facilities are expected to begin commercial operation by June 2020. NMRD actively explores opportunities for additional renewable projects, including large-scale projects to serve future data centers and other customer needs.

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 2017 IRP on July 3, 2017. The 2017 IRP analyzed several scenarios utilizing assumptions that PNM continues service from its SJGS capacity beyond mid-2022 and that PNM retires its capacity after mid-2022. Key findings of the 2017 IRP included, among other things, that retiring PNM's share of SJGS in 2022 and exiting ownership in Four Corners in 2031 would provide long-term cost savings for PNM's customers and that the best mix of new resources to replace the retired coal generation would include solar energy and flexible natural gas-fired peaking capacity as well as energy storage, if the economics support it, and wind energy provided additional transmission capacity becomes available. The 2017 IRP also indicated that PNM should retain the currently leased capacity in PVNGS. See additional discussion regarding PNM's leased capacity in PVNGS in Note 13, including PNM's June 15, 2020 deadline to provide irrevocable notice of its intent to purchase or return the assets underlying the extended PVNGS Units 1 and 2 leases, as well as PNM's 2017 IRP and the SJGS Abandonment Application in Note 12.

In the third quarter of 2019, PNM initiated its 2020 IRP process which will cover the 20-year planning period from 2019 through 2039. Consistent with historical practice, PNM has provided notice to various interested parties and has hosted a series of public advisory presentations. NMPRC rules require PNM to file its 2020 IRP in July 2020. In March 2020, PNM filed a request to extend the deadline to file its 2020 IRP until six months after the NMPRC issues a final order approving replacement resources PNM's SJGS Abandonment Application. In April 2020, the NMPRC approved PNM's request for extension. PNM will continue to seek input from interested parties as a part of this process. PNM cannot predict the outcome of this matter.

Environmentally Responsible Power

PNMR has a long-standing record of environmental stewardship. PNM's environmental focus is in three key areas:

- Developing strategies to provide reliable and affordable power while transitioning to a 100% emissions-free generating portfolio by 2040
- Preparing PNM's system to meet New Mexico's increasing renewable energy requirements as cost-effectively as possible
- Increasing energy efficiency participation

PNMR's Sustainability Portal provides key environmental and sustainability information related to PNM's and TNMP's operations and is available at <http://www.pnmresources.com/about-us/sustainability-portal.aspx>. The portal also contains a Climate Change Report, which outlines plans for PNM to be coal-free by 2031 (subject to regulatory approval) and to have an emissions-free generating portfolio by 2040.

The Energy Transition Act ("ETA")

On June 14, 2019, Senate Bill 489, known as the ETA, became effective. Prior to the enactment of the ETA, the REA established a mandatory RPS requiring utilities to acquire a renewable energy portfolio equal to 10% of retail electric sales by 2011, 15% by 2015, and 20% by 2020. The ETA amends the REA and requires utilities operating in New Mexico to have renewable portfolios equal to 20% by 2020, 40% by 2025, 50% by 2030, 80% by 2040, and 100% zero-carbon energy by 2045. The ETA also amends sections of the REA to allow for the recovery of undepreciated investments and decommissioning costs related to qualifying EGUs that the NMPRC has required be removed from retail jurisdictional rates, provided replacement resources to be included in retail rates have lower or zero-carbon emissions. The ETA provides for a transition from fossil-fueled generating resources to renewable and other carbon-free resources by allowing utilities to issue securitized bonds, or "energy transition bonds," related to the retirement of certain coal-fired generating facilities to qualified investors. See additional discussion of the ETA in Note 16 of the Notes to Consolidated Financial Statements in the 2019 Annual Reports on Form 10-K and below in PNM's SJGS Abandonment Application.

PNM expects the ETA will have a significant impact on PNM's future generation portfolio, including PNM's planned retirement of SJGS in 2022. PNM cannot predict the full impact of the ETA or the outcome of its pending and potential future generating resource abandonment and replacement filings with the NMPRC.

SJGS

SJGS Abandonment Application – As discussed in Note 12, on July 1, 2019, PNM filed a Consolidated Application for the Abandonment and Replacement of SJGS and Related Securitized Financing Pursuant to the ETA (the "SJGS Abandonment

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Application"). The SJGS Abandonment Application seeks NMPRC approval to retire PNM's share of SJGS in mid-2022, and for approval of replacement resources and the issuance of approximately \$361 million of energy transition bonds as provided by the ETA. The application includes several replacement resource scenarios including PNM's recommended replacement scenario, which is consistent with PNM's goal of having a 100% emissions-free generating portfolio by 2040 and would provide cost savings to customers while preserving system reliability. The application includes three other replacement resource scenarios that would place a greater amount of resources in the San Juan area, or result in no new fossil-fueled generating facilities, or no battery storage facilities being added to PNM's portfolio. When compared to PNM's recommended replacement resource scenario, the three alternative resource scenarios are expected to result in increased costs to customers and the two alternative resource scenarios that result in no new fossil-fueled generating facilities are expected to not provide adequate system reliability.

The NMPRC issued an order requiring the SJGS Abandonment Application be considered in two proceedings: one addressing SJGS abandonment and related financing and the other addressing replacement resources but did not definitively indicate if the abandonment and financing proceedings would be evaluated under the requirements of the ETA. The NMPRC's July 10, 2019 order also extended the deadline to issue the abandonment and financing order to nine months and to issue the replacement resources order to 15 months. After several requests for clarification and legal challenges, in January 2020, the NM Supreme Court ruled the NMPRC is required to apply the ETA to all aspects of PNM's SJGS Abandonment Application, and that any previous NMPRC orders inconsistent with their ruling should be vacated. Hearings on the abandonment and securitized financing proceedings were held in December 2019 and hearings on replacement resources were held in January 2020.

In February 2020, the Hearing Examiners issued two recommended decisions recommending approval of PNM's proposed abandonment of SJGS, subject to approval of the separate replacement resources proceeding, and approval of PNM's proposed financing order to issue Securitized Bonds. The Hearing Examiners recommended, among other things, that PNM be authorized to abandon SJGS by June 30, 2022, to issue Securitized Bonds of up to \$361 million, and to establish a rate rider to collect non-bypassable customer charges for repayment of the bonds (the "Energy Transition Charge"). The Hearing Examiners recommended an interim rate rider adjustment upon the start date of the Energy Transition Charge to provide immediate credits to customers for the full value of PNM's revenue requirement related to SJGS until those reductions are reflected in base rates. In addition, the Hearing Examiners recommended PNM be granted authority to establish regulatory assets to recover costs that PNM will pay prior to the issuance of the Securitized Bonds, including costs associated with the bond issuances as well as for severances, job training, and economic development funds.

On February 21, 2020, the Hearing Examiners recommended the NMPRC approve PNM's proposed abandonment of SJGS, subject to approval of the replacement resources and financing orders to issue Securitized Bonds. On March 27, 2020, the Hearing Examiners issued a partial recommended decision related to PNM's requested replacement resources. The Hearing Examiners recommended the NMPRC approve PNM's requested PPA replacement resources related to 350 MW of solar-PV facilities and 60 MW of battery storage facilities. On April 1, 2020, the NMPRC unanimously approved the Hearing Examiners' recommended decisions regarding the abandonment of SJGS and the Securitized Bonds. On April 29, 2020, the NMPRC issued an order declining to bifurcate a determination on replacement resources and deferring final consideration until the issuance of a comprehensive recommended decision addressing the entire portfolio of replacement resources. The NMPRC is required to issue an order on the SJGS replacement resources by September 2020. PNM cannot predict the outcome of its request for NMPRC approval of replacement resources.

Pursuant to the NMPRC's April 1, 2020 order approving the abandonment of SJGS and the related issuance of Securitized Bonds, PNMR recorded obligations totaling \$38.1 million for estimated severances and other costs resulting from the planned retirement of SJGS in 2022, and for expected funding to state agencies for economic development and workforce training upon the issuance of the Securitized Bonds. This obligation is reflected in other deferred credits and as a corresponding deferred regulatory asset on PNMR's Condensed Consolidated Balance Sheets as of March 31, 2020. These estimates may be adjusted in future periods as the Company refines its expectations. See additional discussion of PNM's SJGS Abandonment Application and the related challenges filed with the NM Supreme Court in Note 12.

Other Environmental Matters – In addition to the regional haze rule and the ETA, SJGS and Four Corners may be required to comply with other rules that affect coal-fired generating units. In March 2017, President Trump issued an Executive Order on Energy Independence. The order sets out two general policies: promote clean and safe development of energy resources, while avoiding regulatory burdens, and ensure electricity is affordable, reliable, safe, secure, and clean. On June 19, 2019, EPA released the final Affordable Clean Energy rule. EPA is taking three separate actions in the final rule: (1) repealing the Clean Power Plan; (2) promulgating the Affordable Clean Energy rule; and (3) revising the implementing regulations for all emission guidelines issued under Clean Air Act Section 111(d) which, among other things, extends the deadline for state plans and the timing of EPA's approval process. EPA set the Best System of Emissions Reduction ("BSER") for existing coal-fired power plants as heat rate efficiency improvements based on a range of "candidate technologies" that can be applied inside the fence-line. Rather than setting a specific numerical standard of performance, EPA's rule directs states to determine which of

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the candidate technologies to apply to each coal-fired unit and establish standards of performance based on the degree of emission reduction achievable based on the application of BSER. The final rule requires states to submit a plan to EPA by July 8, 2022 and then EPA has one year to approve the plan. If states do not submit a plan or their submitted plan is not acceptable, EPA will have two years to develop a federal plan. The rule is not expected to impact SJGS since EPA's final approval of a state SIP would occur after the planned shutdown of SJGS in 2022 (subject to NMPRC approval). The Company is reviewing the rule with respect to impacts to Four Corners. See Note 11.

On December 20, 2018, EPA published in the Federal Register a proposed rule that would revise the Carbon Pollution Standards rule issued in October 2015 for certain fossil-fueled power plants. The proposal would revise the emissions standards for new, reconstructed, or modified coal-fired EGUs to make them less stringent. PNM does not expect SJGS or Four Corners will be subject to the Carbon Pollution Standards rule that EPA has proposed to revise.

PNM's review of the GHG emission reductions standards under the Affordable Clean Energy rule and the revised proposed Carbon Pollution Standards rule is ongoing. The Affordable Clean Energy rule has been challenged by several parties and may be impacted by further litigation. As discussed above, SJGS may also be required to comply with additional CO₂ emissions restrictions issued by the New Mexico Environmental Improvement Board pursuant to the recently enacted ETA. PNM cannot predict the impact these standards may have on its operations or a range of the potential costs of compliance, if any.

Renewable Energy

PNM's renewable procurement strategy includes utility-owned solar capacity, as well as wind and geothermal energy purchased under PPAs. As of March 31, 2020, PNM has 157 MW of utility-owned solar capacity in operation. In addition, PNM purchases power from a customer-owned distributed solar generation program that had an installed capacity of 133.0 MW at March 31, 2020. PNM also owns the 500 KW PNM Prosperity Energy Storage Project. The project was one of the first combinations of battery storage and solar-PV energy in the nation and involved extensive research and development of advanced grid concepts. The facility also was the nation's first solar storage facility fully integrated into a utility's power grid. PNM also purchases the output from New Mexico Wind, a 204 MW wind facility, and the output of Red Mesa Wind, an existing 102 MW wind energy center. PNM's 2020 renewable energy procurement plan was approved by the NMPRC in January 2020 and includes a PPA to procure 140 MW of renewable energy and RECs from La Joya Wind beginning in 2021. The majority of these renewable resources are key means for PNM to meet the RPS and related regulations that require PNM to achieve prescribed levels of energy sales from renewable sources, including those set by the recently enacted ETA, without exceeding cost requirements. If approved by the NMPRC, PNM's recommended resource scenario to replace the planned retirement of SJGS would result in PNM executing PPAs to purchase renewable energy and RECs from a total of 350 MW of solar-PV facilities and to procure energy from and construct a total of 130 MW of battery storage facilities.

As discussed in Strategic Investments above, PNM is currently purchasing the output of 80 MW of solar capacity from NMRD that is used to serve the Facebook data center. PNM has entered into three separate 25-year PPAs to purchase renewable energy and RECs to be used by PNM to supply additional renewable power to the Facebook data center. These PPAs include the purchase of power and RECs from a 50 MW wind project, which was placed in commercial operation in November 2018, a 166 MW wind project to be operational in November 2020, and a 50 MW solar-PV project to be operational in December 2021. In August 2018, the NMPRC approved PNM's request to enter into two additional 25-year PPAs to purchase renewable energy and RECs from an aggregate of approximately 100 MW of capacity from two solar-PV facilities to be constructed by NMRD to supply power to Facebook, Inc. The first 50 MW of these facilities began commercial operations in November 2019 and the remaining capacity is expected to begin commercial operation by June 2020.

On May 31, 2019, PNM filed an application with the NMPRC for approval of a program under which qualified governmental and large commercial customers could participate in a voluntary renewable energy procurement program ("PNM Solar Direct"). The costs of the program would be recovered directly from subscribing customers through a rate rider, including the costs to procure renewable energy from 50 MW of solar-PV facilities under a 15-year PPA. These facilities are expected to be placed in commercial operation by March 31, 2021. In March 2020, the NMPRC approved PNM's application, including the rate rider and PPA.

PNM will continue to procure renewable resources while balancing the impact to customers' electricity costs in order to meet New Mexico's escalating RPS and carbon-free resource requirements.

Energy Efficiency

Energy efficiency plays a significant role in helping to keep customers' electricity costs low while meeting their energy needs and is one of the Company's approaches to supporting environmentally responsible power. PNM's and TNMP's energy efficiency and load management portfolios continue to achieve robust results. In 2019, incremental energy saved as a result of new participation in PNM's portfolio of energy efficiency programs is estimated to be approximately 65 GWh. This is equivalent to the annual consumption of approximately 9,500 homes in PNM's service territory. PNM's load management and

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annual energy efficiency programs also help lower peak demand requirements. In 2019, TNMP's incremental energy saved as a result of new participation in TNMP's energy efficiency programs is estimated to be approximately 16 GWh. This is equivalent to the annual consumption of approximately 1,285 homes in TNMP's service territory. In April 2018, TNMP received the "Partner of the Year Energy Efficiency Delivery Award" for its High-Performance Homes Program. As discussed above, in April 2020, PNM filed an application for energy efficiency and load management programs to be offered in 2021, 2022, and 2023. The proposed program also requests an AMI pilot program. PNM cannot predict the outcome of this matter.

Water Conservation and Solid Waste Reduction

PNM continues its efforts to reduce the amount of fresh water used to make electricity (about 35% more efficient than in 2007). Continued growth in PNM's fleet of solar and wind energy sources, energy efficiency programs, and innovative uses of gray water and air-cooling technology have contributed to this reduction. Water usage has continued to decline as PNM has substituted less fresh-water-intensive generation resources to replace SJGS Units 2 and 3 starting in 2018, as water consumption at that plant has been reduced by approximately 50%. Focusing on responsible stewardship of New Mexico's scarce water resources improves PNM's water-resilience in the face of persistent drought and ever-increasing demands for water to spur the growth of New Mexico's economy.

In addition to the above areas of focus, the Company is working to reduce the amount of solid waste going to landfills through increased recycling and reduction of waste. In 2019, 16 of the Company's 23 facilities met the solid waste diversion goal of a 65% diversion rate. The Company expects to continue to do well in this area in the future.

Customer, Stakeholder, and Community Engagement

The Company strives to deliver a superior customer experience. Through outreach, collaboration, and various community-oriented programs, the Company has demonstrated a commitment to building productive relationships with stakeholders, including customers, community partners, regulators, intervenors, legislators, and shareholders. PNM continues to focus its efforts to enhance the customer experience through customer service improvements, including enhanced customer service engagement options, strategic customer outreach, and improved communications. These efforts are supported by market research to understand the varying needs of customers, identifying and establishing valued services and programs, and proactively communicating and engaging with customers.

The Company has leveraged a number of communications channels and strategic content to better serve and engage its many stakeholders. PNM's website www.pnm.com, provides the details of major regulatory filings, including general rate requests, as well as the background on PNM's efforts to maintain reliability, keep prices affordable, and protect the environment. The Company's website is also a resource for information about PNM's operations and community outreach efforts, including plans for building a sustainable energy future for New Mexico and to transition to an emissions-free generating portfolio by 2040. PNM has also leveraged social media in communications with customers on various topics such as education, outage alerts, safety, customer service, and PNM's community partnerships in philanthropic projects. As discussed above, PNMR also has a dedicated Sustainability Portal on its corporate website, www.pnmresources.com, to provide additional information regarding the Company's environmental and other sustainability efforts.

With reliability being the primary role of a transmission and distribution service provider in Texas' deregulated market, TNMP continues to focus on keeping end-users updated about interruptions and to encourage consumer preparation when severe weather is forecasted.

Local relationships and one-on-one communications remain two of the most valuable ways both PNM and TNMP connect with their stakeholders. Both companies maintain long-standing relationships with governmental representatives and key electricity consumers to ensure that these stakeholders are updated on Company investments and initiatives. Key electricity consumers also have dedicated Company contacts that support their important service needs.

PNMR has a long tradition of supporting the communities it serves in New Mexico and Texas. The Company demonstrates its core value of caring through the PNM Resources Foundation, corporate giving, employee volunteerism, and PNM's low-income assistance programs. In addition to the extensive engagement both PNM and TNMP have with nonprofit organizations in their communities, the PNM Resources Foundation provides more than \$1 million in grant funding each year across New Mexico and Texas. These grants help nonprofits innovate or sustain programs to grow and develop business, develop and implement environmental programs, and provide educational opportunities. Beginning in 2020, the PNM Resources Foundation will fund grants with a three-year focus on decreasing homelessness, increasing access to affordable housing, reducing carbon emissions, and community safety with an emphasis on COVID-19 programs in 2020.

During the three years ending December 2019, the Company has contributed approximately \$6.2 million to civic, educational, environmental, low income, and economic development organizations. PNMR is proud to support programs and organizations that enrich the quality of life for the people in its service territories and communities. One of PNM's most

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important outreach programs is tailored for low-income customers. In 2019, PNM hosted 46 community events throughout its service territory to connect low-income customers with nonprofit community service providers offering support and help with such needs as water and gas utility bills, food, clothing, medical programs, and services for seniors. Additionally, through its Good Neighbor Fund, PNM provided \$0.4 million of assistance with electric bills to 3,734 families in 2019 and offered financial literacy training to further support customers. In response to the recent COVID-19 crisis, in early 2020 the PNM Resources Foundation awarded \$0.4 million to nonprofits in New Mexico and Texas to assist with work being done on the front lines of the pandemic, with a focus on helping people currently experiencing homelessness during the shelter-in-place directives and seniors.

Volunteerism is an important facet of the PNMR culture. The mission of the PNMR Corporate Volunteer Group is to help make the communities PNMR serves safer, stronger, smarter, and more vibrant. In 2019, PNM and TNMP employees and retirees contributed over 13,300 volunteer hours serving their local communities by supporting at least 250 organizations. Company volunteers participate in an annual Day of Service at nonprofits across New Mexico and Texas. Employees and retirees also participate on a variety of nonprofit boards and independent volunteer activities throughout the year. PNMR employees want to make the Company the best place to work by connecting and growing with others to realize their objectives. By doing this the Company hopes to increase customer satisfaction. To assist with COVID-19 efforts, PNMR donated to the Emergency Action Fund in partnership with Albuquerque Community Foundation and United Way of Central New Mexico to benefit approximately twenty nonprofits and small businesses facing challenges due to cancelled fundraising events. In addition, PNM and TNMP Community Crews have assisted in efforts to safely deliver food and other supplies to assist teachers and others providing continued education at home, especially to those without access to computers and the internet.

Economic Factors

PNM – In the three months ended March 31, 2020, PNM experienced an increase in weather-normalized retail load of 1.1% compared to 2019. PNM did not experience significant impacts in customer usage during the first quarter of 2020 as a result of COVID-19. PNM expects to see increased residential customer usage offset by a decrease in the commercial customer class when compared to 2019 as a result of New Mexico state restrictions related to COVID-19 and does not currently expect significant impacts to its other customer classes.

TNMP – In the three months ended March 31, 2020, TNMP experienced a decrease in volumetric weather-normalized retail load of 0.2% compared to 2019. Weather-normalized demand-based load, excluding retail transmission customers, increased 2.7% in the three months ended March 31, 2020 compared to 2019. TNMP expects to see increased volumetric usage related to residential consumers offset by decreases in its demand based commercial consumer class as a result of impacts related to COVID-19.

The Company is unable to determine the duration or final impacts from COVID-19 as discussed in more detail in Item 1A. Risk Factors. The Company expects that some of the negative impacts to customer usage at PNM and TNMP will be offset by reduced operations and maintenance expenses resulting from the Company's efforts to maintain social distancing and that these costs could be further reduced if the economic impacts of COVID-19 persist into the summer. However, if current economic conditions extend through the summer and beyond, the Company may be required to implement additional measures such as further reducing or delaying operating and maintenance expenses and planned capital expenditures.

Results of Operations

Net earnings (loss) attributable to PNMR were \$(15.3) million, or \$(0.19) per diluted share in the three months ended March 31, 2020 compared to \$18.7 million, or \$0.23 per diluted share in 2019. Among other things, earnings in the three months ended March 31, 2020 benefited from higher earnings on PNM's renewable rate rider, higher customer usage at PNM, including the leap-year impact, higher transmission rates and demand-based usage at TNMP, lower operational and maintenance expenses, including lower employee related expense at PNM and TNMP, and lower plant maintenance costs at PNM, and lower interest charges at TNMP. These increases were more than offset by milder weather conditions at PNM and TNMP, increased depreciation and property taxes due to increased plant in service at PNM and TNMP, and losses on PNM's PVNGS and coal mine reclamation investment securities. Additional information on factors impacting results of operations for each segment is discussed below under Results of Operations.

Liquidity and Capital Resources

PNMR and PNM have revolving credit facilities with capacities of \$300.0 million and \$400.0 million that currently expire in October 2023. Both facilities provide for short-term borrowings and letters of credit and can be extended through October 2024, subject to approval by a majority of the lenders. In addition, PNM has a \$40.0 million revolving credit facility with banks having a significant presence in New Mexico, which expires in December 2022, and TNMP has a \$75.0 million revolving credit facility, which expires in September 2022. PNMR Development has a revolving credit facility with a capacity of \$40.0 million, with the option to further increase the capacity up to \$50.0 million upon 15-days advance notice, that expires in February 2021. The PNMR Development Revolving Credit Facility bears interest at a variable rate and contains terms similar to the PNMR Revolving Credit Facility. Total availability for PNMR on a consolidated basis was \$670.0 million at

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May 1, 2020. 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.

PNMR projects that its consolidated capital requirements, consisting of construction expenditures, capital contributions for PNMR Development's 50% ownership interest in NMRD, and dividends, will total \$4.4 billion for 2020 - 2024, including amounts expended through March 31, 2020. The construction expenditures include estimated amounts for an anticipated expansion of PNM's transmission system, including the planned purchase of the Western Spirit Line, and proposed replacement generation resources included in PNM's SJGS Abandonment Application.

In January 2020, PNMR entered into agreements to sell approximately 6.2 million shares of PNMR common stock under forward purchase arrangements (the "PNMR 2020 Forward Equity Sale Agreements"). Under the PNMR 2020 Forward Equity Sale Agreements, PNMR has the option to physically deliver, cash settle, or net share settle all or a portion of PNMR common stock on or before a date that is 12 months from their effective dates. PNMR did not initially receive any proceeds upon execution of these agreements. The initial forward sales price of \$47.21 per share is subject to adjustments based on net interest rate factor and by expected future dividends on PNMR's common stock. PNMR expects to physically settle all shares under the agreements on or before January 7, 2021. See Note 9.

On April 15, 2020, PNM entered into the PNM 2020 Term Loan and used the proceeds to prepay the PNM 2019 \$250.0 million Term Loan, without penalty. As discussed below, on April 30, 2020, PNM used \$100.0 million of proceeds from the PNM 2020 SUNs to prepay without penalty an equal amount of the PNM 2020 Term Loan.

On April 24, 2020, TNMP entered into the TNMP 2020 Bond Purchase Agreement with institutional investors for the sale of \$185.0 million aggregate principal amount of four series of TNMP first mortgage bonds (the "TNMP 2020 Bonds") offered in private placement transactions. TNMP issued \$110.0 million of TNMP 2020 Bonds on April 24, 2020 and used the proceeds to repay borrowings under the TNMP Revolving Credit Facility and for other corporate purposes. TNMP will issue the remaining \$75.0 million of TNMP 2020 Bonds on or before July 15, 2020 and will use the proceeds from that issuance to repay borrowings under the TNMP Revolving Credit Facility and for other corporate purposes.

On April 30, 2020, PNM issued \$200.0 million aggregate principal amount of PNM 2020 SUNs offered in private placement transactions. PNM used \$100.0 million of proceeds from the PNM 2020 SUNs to repay an equal amount of the PNM 2020 Term Loan. The remaining \$100.0 million of the PNM 2020 SUNs were used to repay borrowings on the PNM Revolving Credit Facility and for other corporate purposes.

See discussion of the NMPRC's April 1, 2020 approval of PNM's request to issue approximately \$361 million of Securitized Bonds upon the retirement of SJGS in 2022, and the related appeal of that order to the NM Supreme Court in Note 12.

After considering the effects of these financings and the Company's short-term liquidity position as of May 1, 2020, the Company has consolidated maturities of long-term and short-term debt aggregating approximately \$718 million through May 31, 2021. 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 2020-2024 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 for at least the next twelve months. The Company is in compliance with its debt covenants.

RESULTS OF OPERATIONS

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.

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A summary of net earnings attributable to PNMR is as follows:

	Three Months Ended March 31,			Change
	2020	2019		
	(In millions, except per share amounts)			
Net earnings (loss) attributable to PNMR	\$ (15.3)	\$ 18.7	\$ (34.0)	
Average diluted common and common equivalent shares ⁽¹⁾	79.9	80.0	(0.1)	
Net earnings attributable to PNMR per diluted share	\$ (0.19)	\$ 0.23	\$ (0.42)	

(1) Excludes anti-dilutive shares for the three months ending March 31, 2020.

The components of the change in net earnings attributable to PNMR are:

	Three Months Ended March 31, 2020	
	(In millions)	
PNM	\$ (35.1)	
TNMP	3.0	
Corporate and Other	(1.9)	
Net change	\$ (34.0)	

Information regarding the factors impacting PNMR's operating results by segment are set forth below.

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.

PNM

PNM defines utility margin as electric operating revenues less cost of energy, which consists primarily of fuel and purchase power costs. PNM believes that utility margin provides a more meaningful basis for evaluating operations than electric operating revenues since substantially all fuel and purchase power costs are offset in revenues as those costs are passed through to customers under PNM's FPPAC. Utility margin is not a financial measure required to be presented under GAAP and is considered a non-GAAP measure.

The following table summarizes the operating results for PNM:

	Three Months Ended March 31,		
	2020	2019	Change
	(In millions)		
Electric operating revenues	\$ 248.1	\$ 269.3	\$ (21.2)
Cost of energy	74.5	99.3	(24.8)
Utility margin	173.6	170.0	3.6
Operating expenses	98.6	106.5	(7.9)
Depreciation and amortization	41.4	39.2	2.2
Operating income	33.6	24.3	9.3
Other income (deductions)	(30.5)	18.0	(48.5)
Interest charges	(17.6)	(18.4)	0.8
Segment earnings (loss) before income taxes	(14.6)	23.9	(38.5)
Income (taxes) benefit	2.4	(2.0)	4.3
Valencia non-controlling interest	(3.7)	(2.8)	(0.9)
Preferred stock dividend requirements	(0.1)	(0.1)	—
Segment earnings	\$ (16.1)	\$ 19.0	\$ (35.1)

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The following table shows total GWh sales, including the impacts of weather, by customer class and average number of customers:

	Three Months Ended March 31,		Percentage Change
	2020	2019	
(Gigawatt hours, except customers)			
Residential	768.2	795.5	(3.4) %
Commercial	838.7	828.2	1.3
Industrial	334.3	250.0	33.7
Public authority	48.5	49.6	(2.2)
Economy energy service (1)	166.5	156.9	6.1
Other sales for resale	605.2	874.7	(30.8)
	2,761.4	2,954.9	(6.5) %
Average retail customers (thousands)	533.0	529.1	0.8 %

(1) PNM purchases energy for a large customer on the customer's behalf and delivers the energy to the customer's location through PNM's transmission system. PNM charges the customer for the cost of the energy as a direct pass through to the customer with only a minor impact in utility margin resulting from providing ancillary services.

Operating Results – Three Months Ended March 31, 2020 compared to 2019

The following table summarizes the significant changes to utility margin:

	Three Months Ended March 31, 2020	Change
	(In millions)	
<i>Utility margin:</i>		
<i>Retail customer usage/load</i> – Weather normalized KWh sales increased 1.1%, due to increased sales to industrial customers	\$ 0.6	
<i>Weather</i> – Colder weather in 2019; heating degree days were 10.8% lower in 2020	(2.2)	
<i>Leap Year</i> – Increase in revenue due to additional day in 2020	1.8	
<i>Transmission</i> – Increase primarily due to the addition of new customers	0.8	
<i>Rate riders</i> – Includes energy efficiency and the renewable energy rider, which is partially offset in depreciation and amortization below	2.1	
<i>Other</i>	0.5	
Net Change	\$ 3.6	

The following tables summarize the primary drivers for changes in operating expenses, depreciation and amortization, other income (deductions), interest charges, and income taxes:

	Three Months Ended March 31, 2020	Change
	(In millions)	
<i>Operating expenses:</i>		
Lower plant maintenance costs at SJGS, PVNGS, and gas-fired plants, partially offset by higher costs at Four Corners	\$ (1.6)	
Regulatory disallowance resulting from the NMPRC's September 28, 2016 order in	(1.3)	

Lower employee related, and outside service expenses (4.5)

Other	(0.5)
Net Change	\$ (7.9)
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	Three Months Ended March 31, 2020 Change
	(In millions)
<i>Depreciation and amortization:</i>	
Increased utility plant in service, including solar facilities under the renewable rider	\$ 2.0
Other	0.2
Net Change	<u><u>\$ 2.2</u></u>
<i>Other income (deductions):</i>	
Lower gains on investment securities in the NDT and coal mine reclamation trusts	\$ (46.9)
Lower equity AFUDC	(0.8)
Lower interest income related to investment securities in the NDT and coal mine reclamation trusts	(0.1)
Higher pension and OPEB non-service cost expense	<u>(0.7)</u>
Net Change	<u><u>\$ (48.5)</u></u>
<i>Interest charges:</i>	
Lower interest on term loan agreements	\$ 0.2
Interest on deposit by PNMR Development for transmission interconnections, which is offset in Corporate and Other	0.9
Other	<u>(0.3)</u>
Net Change	<u><u>\$ 0.8</u></u>
<i>Income (taxes) benefits:</i>	
Lower segment earnings before income taxes	\$ 10.0
Changes in the anticipated effective tax rate, including amortization of excess deferred income taxes (Note 14)	(5.8)
Other	<u>0.1</u>
Net Change	<u><u>\$ 4.3</u></u>

TNMP defines utility margin as electric operating revenues less cost of energy, which consists of costs charged by third-party transmission providers. TNMP believes that utility margin provides a more meaningful basis for evaluating operations than electric operating revenues since all third-party transmission costs are passed on to consumers through a transmission cost recovery factor. Utility margin is not a financial measure required to be presented under GAAP and is considered a non-GAAP measure.

The following table summarizes the operating results for TNMP:

	Three Months Ended March 31,		
	2020		Change
	(In millions)		
Electric operating revenues	\$ 85.5	\$ 80.3	\$ 5.2
Cost of energy	24.2	22.3	1.9
Utility margin	61.3	58.0	3.3
Operating expenses	25.1	25.2	(0.1)
Depreciation and amortization	21.8	20.2	1.6
Operating income	14.3	12.6	1.7
Other income (deductions)	0.6	0.6	—
Interest charges	(7.2)	(8.8)	1.6
Segment earnings before income taxes	7.7	4.4	3.3
Income (taxes)	(0.6)	(0.3)	(0.3)
Segment earnings	\$ 7.1	\$ 4.1	\$ 3.0

The following table shows total sales, including the impacts of weather, by retail tariff consumer class and average number of consumers:

	Three Months Ended March 31,		Percentage Change	
	2020	2019		
Volumetric load ⁽¹⁾ (GWh)				
Residential	598.7	618.7	(3.2)	%
Commercial and other	8.0	7.9	1.3	%
Total volumetric load	606.7	626.6	(3.2)	%
Demand-based load ⁽²⁾ (MW)	4,896.5	4,721.9	3.7	%
Average retail consumers (thousands) ⁽³⁾	257.1	253.8	1.3	%

⁽¹⁾ Volumetric load consumers are billed on KWh usage.

⁽²⁾ Demand-based load includes consumers billed on monthly KW peak and also includes retail transmission customers that are primarily billed under TNMP's rate riders.

⁽³⁾ TNMP provides transmission and distribution services to REPs that provide electric service to their 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.

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Operating Results – Three Months Ended March 31, 2020 compared to 2019

The following table summarizes the significant changes to utility margin:

	Three Months Ended March 31, 2020	Change
	(In millions)	
<i>Utility margin:</i>		
<i>Rate relief</i> – Transmission cost of service rate increases in March 2019, September 2019, and March 2020	\$	4.0
<i>Retail customer usage/load</i> – Weather normalized KWh sales decreased 0.2%, offset by an increase of 1.3% in the average number of retail consumers and the leap-year impact	—	—
<i>Demand-based customer usage/load</i> – Higher demand-based revenues for large commercial and industrial customers; weather normalized billed demand excluding retail transmission customers increased 2.7%	0.7	0.7
<i>Weather</i> – Milder weather in 2020; heating degree days were 23.4% lower in 2020	(1.0)	(1.0)
<i>Rate Riders</i> – Impacts of rate riders, including the CTC surcharge, energy efficiency rider, rate case expense rider, and transmission cost recovery factor	(0.2)	(0.2)
<i>Other</i>	(0.2)	(0.2)
Net Change	<u>\$</u>	<u>3.3</u>

The following tables summarize the primary drivers for changes in operating expenses, depreciation and amortization, other income (deductions), interest charges, and income taxes:

	Three Months Ended March 31, 2020	Change
	(In millions)	
<i>Operating expenses:</i>		
Lower employee related expenses	\$	(0.9)
Higher vegetation management expenses	0.2	0.2
Lower capitalization of administrative and general and other expenses due to lower construction expenditures	0.1	0.1
Higher property taxes due to increased utility plant in service	0.5	0.5
Net Change	<u>\$</u>	<u>(0.1)</u>
<i>Depreciation and amortization:</i>		
Increased utility plant in service	\$	1.7
Net Change	<u>\$</u>	<u>1.7</u>
<i>Other income (deductions):</i>		

Lower equity AFUDC	\$	(0.1)
Other		0.1
Net Change	\$	—

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	Three Months Ended March 31, 2020	Change
	(In millions)	
<i>Interest charges:</i>		
Repayment of \$172.3 million 9.50% first mortgage bonds in April 2019	\$ 4.3	
Issuance of \$225.0 million first mortgage bonds in March 2019	(2.2)	
Issuance of \$80.0 million first mortgage bonds in July 2019	(0.7)	
Repayment of \$35.0 million term loan in December 2019	0.3	
Lower debt AFUDC	(0.1)	
Net Change	\$ 1.6	

Income (taxes) benefits:

Higher segment earnings before income taxes	\$ (0.6)	
Other	0.3	
Net Change		
	\$ (0.3)	

Corporate and Other

The table below summarizes the operating results for Corporate and Other:

	Three Months Ended March 31,		
	2020	2019	Change
(In millions)			
Electric operating revenues	\$ —	\$ —	\$ —
Cost of energy	—	—	—
Utility margin	—	—	—
Operating expenses	(5.5)	(5.8)	0.3
Depreciation and amortization	5.7	5.9	(0.2)
Operating income (loss)	(0.2)	(0.2)	—
Other income (deductions)	(0.6)	(0.8)	0.2
Interest charges	(5.6)	(4.5)	(1.1)
Segment earnings (loss) before income taxes	(6.5)	(5.4)	(1.1)
Income (taxes) benefit	0.2	1.0	(0.8)
Segment earnings (loss)	\$ (6.3)	\$ (4.4)	\$ (1.9)

Corporate and Other operating expenses shown above are net of amounts allocated to PNM and TNMP under shared services agreements. Substantially all depreciation and amortization expense and other income (deductions) are offset in operating expenses as a result of allocation of these costs to other business segments.

Operating Results – Three Months Ended March 31, 2020 compared to 2019

The following tables summarize the primary drivers for changes in other income (deductions), interest charges, and income taxes:

	Three Months Ended March 31, 2020		
	Change	(In millions)	
<i>Other income (deductions):</i>			
Higher equity method investment income from NMRD	\$ 0.1		

Other		0.1
Net Change		0.2

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	Three Months Ended March 31, 2020	Change
	(In millions)	
<i>Interest charges:</i>		
Lower interest on term loans	\$ 0.5	
Higher short-term borrowings	(0.7)	
Elimination of intercompany interest	(0.9)	
Net Change	<u><u>\$ (1.1)</u></u>	
<i>Income (taxes) benefits:</i>		
Impact of difference in effective tax rates used by PNMR and its subsidiaries in the calculation of income taxes in interim periods	\$ (1.3)	
Higher segment loss before income taxes	0.3	
Other	0.2	
Net Change	<u><u>\$ (0.8)</u></u>	

LIQUIDITY AND CAPITAL RESOURCES

Statements of Cash Flows

The changes in PNMR's cash flows for the three months ended March 31, 2020 compared to March 31, 2019 are summarized as follows:

	Three Months Ended March 31,		
	2020	2019	Change
	(In millions)		
Net cash flows from:			
Operating activities	\$ 93.8	\$ 104.7	\$ (10.9)
Investing activities	(152.8)	(151.9)	(0.9)
Financing activities	71.5	225.2	(153.7)
Net change in cash and cash equivalents	<u><u>\$ 12.4</u></u>	<u><u>\$ 178.0</u></u>	<u><u>\$ (165.6)</u></u>

Cash Flows from Operating Activities

Changes in PNMR's cash flow from operating activities result from net earnings, adjusted for items impacting earnings that do not provide or use cash. See Results of Operations above. Certain changes in assets and liabilities resulting from normal operations, including the effects of the seasonal nature of the Company's operations, also impact operating cash flows.

Cash Flows from Investing Activities

The changes in PNMR's cash flows from investing activities relate primarily to changes in utility plant additions. Cash flows from investing activities include purchases and sales of investment securities in the NDT and coal mine reclamation trusts as well as activity related to NMRD. Major components of PNMR's cash inflows and (outflows) from investing activities are shown below:

	Three Months Ended March 31,		
	2020	2019	Change
	(In millions)		
Cash (Outflows) for Utility Plant Additions			
PNM:			
Generation	\$ (11.5)	\$ (22.1)	\$ 10.6
Renewables	—	(18.5)	18.5
Transmission and distribution	(50.2)	(29.2)	(21.0)
Nuclear fuel	(8.9)	(6.1)	(2.8)
	<u>(70.6)</u>	<u>(75.9)</u>	<u>5.3</u>
TNMP:			
Transmission	(16.3)	(27.5)	11.2
Distribution	(44.1)	(31.1)	(13.0)
	<u>(60.4)</u>	<u>(58.6)</u>	<u>(1.8)</u>
Corporate and Other:			
Computer hardware and software	(9.2)	(7.4)	(1.8)
Total cash (outflows) for additions to utility plant	\$ (140.2)	\$ (141.9)	\$ 1.7
Other Cash Flows from Investing Activities			
Proceeds from sales of investment securities	\$ 149.4	\$ 74.5	\$ 74.9
Purchases of investment securities	(152.1)	(77.4)	(74.7)
Investments in NMRD	(10.0)	(7.0)	(3.0)
Other, net	0.1	(0.1)	0.2
Total cash (outflows) from investing activities	<u>\$ (152.8)</u>	<u>\$ (151.9)</u>	<u>\$ (0.9)</u>

Cash Flow from Financing Activities

The changes in PNMR's cash flows from financing activities include:

- Short-term borrowings increased \$115.5 million in 2020 compared to a decrease of \$12.1 million in 2019, resulting in a net increase in cash flows from financing activities of \$127.6 million
- In 2019, PNM borrowed \$250.0 million under the PNM 2019 Term Loan and used the proceeds to repay the \$200.0 million PNM 2017 Term Loan
- In 2019, TNMP issued \$225.0 million of TNMP 2019 Bonds

Financing Activities

See Note 7 of the Notes to Consolidated Financial Statements in the 2019 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

The Company is closely monitoring developments and is taking steps to mitigate the potential risks related to COVID-19. The Company currently believes it has adequate liquidity but cannot predict the extent or duration of the outbreak, its effects on the global, national

or local economy, including the Company's ability to access capital in the financial markets, or on the Company's financial position, results of operations, and cash flows.

Each of the Company's revolving credit facilities and term loans contain a single financial covenant that requires the maintenance of a debt-to-capitalization ratio. For the PNMR and PNMR Development agreements, this ratio must be maintained at less than or equal to 70%, and for the PNM and TNMP agreements this ratio must be maintained at less than or equal to 65%. The Company's revolving credit facilities and term loans generally also contain customary covenants, events of default, cross-default provisions, and change-of-control provisions. The Company is in compliance with its debt covenants.

On October 21, 2016, PNMR entered into letter of credit arrangements with JPMorgan Chase Bank, N.A. (the "JPM LOC Facility") under which letters of credit aggregating \$30.3 million were issued to facilitate the posting of reclamation

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bonds, which WSJ LLC is required to post in connection with permits relating to the operation of the San Juan mine. See Notes 10 and 11.

As discussed in Note 9, in January 2020, PNMR entered into forward sale agreements to sell approximately 6.2 million shares of PNMR common stock. The initial forward sale price of \$47.21 per share is subject to adjustments based on a net interest rate factor and by expected future dividends paid on PNMR common stock as specified in the forward sale agreements. PNMR did not initially receive any proceeds upon the execution of these agreements and, except in certain specified circumstances, has the option to elect physical, cash, or net share settlement on or before the date that is 12 months from their effective dates. PNMR expects to physically settle all shares under the agreements on or before January 7, 2021.

In April 2020, PNM entered into the \$250.0 million PNM 2020 Term Loan and used the proceeds to prepay the PNM 2019 \$250.0 million Term Loan, without penalty. As discussed below, on April 30, 2020, PNM used \$100.0 million of proceeds from the PNM 2020 SUNs to prepay without penalty an equal amount of the PNM 2020 Term Loan.

On April 24, 2020, TNMP entered into the TNMP 2020 Bond Purchase Agreement with institutional investors for the sale of \$185.0 million aggregate principal amount of four series of TNMP first mortgage bonds (the "TNMP 2020 Bonds") offered in private placement transactions. TNMP issued \$110.0 million of TNMP 2020 Bonds on April 24, 2020 and used the proceeds to repay borrowings under the TNMP Revolving Credit Facility and for other corporate purposes. TNMP will issue the remaining \$75.0 million of TNMP 2020 Bonds on or before July 15, 2020 and will use the proceeds from that issuance to repay borrowings under the TNMP Revolving Credit Facility and for other corporate purposes. The issuance of the remaining TNMP 2020 Bonds is subject to the satisfaction of customary conditions, and the TNMP 2020 Bonds are subject to continuing compliance with the representations, warranties and covenants of the TNMP 2020 Bond Purchase Agreement. The terms of the TNMP 2020 Bond Purchase Agreement include customary covenants, including a covenant that requires TNMP to maintain a debt-to-capitalization ratio of less than or equal to 65%, customary events of default, a cross-default provision, and a change-of-control provision. TNMP will have the right to redeem any or all of the TNMP 2020 Bonds prior to their respective maturities, subject to payment of a customary make-whole premium.

On April 30, 2020, PNM issued \$200.0 million aggregate principal amount of PNM 2020 SUNs offered in private placement transactions. PNM used \$100.0 million of proceeds from the PNM 2020 SUNs to repay an equal amount of the PNM 2020 Term Loan. The remaining \$100.0 million of the PNM 2020 SUNs was used to repay borrowings on the PNM Revolving Credit Facility and for other corporate purposes. The PNM 2020 Note Purchase Agreement includes customary covenants, including a covenant that requires PNM to maintain a debt-to-capitalization ratio of less than or equal to 65%, customary events of default, including a cross-default provision, and covenants regarding parity of financial covenants, liens and guarantees with respect to PNM's material credit facilities. In the event of a change of control, PNM will be required to offer to prepay the PNM 2020 SUNs at par. PNM has the right to redeem any or all of the PNM 2020 SUNs prior to their maturities, subject to payment of a customary make-whole premium.

See discussion of the NMPRC's April 1, 2020 approval of PNM's request to issue up to \$361 million of Securitized Bonds in the SJGS Abandonment Application, and the related appeal to the NM Supreme Court in Note 12.

In 2017, PNMR entered into three separate four-year hedging agreements whereby it effectively established fixed interest rates on three separate tranches, each of \$50.0 million, of its variable rate debt. The hedging agreements effectively fix interest rates on the aggregate \$150.0 million of short-term debt at rates of 1.926%, 1.823%, and 1.629%, plus customary spreads over LIBOR, and are subject to changes if there is a change in PNMR's credit rating.

Capital Requirements

PNMR's total capital requirements consist of construction expenditures, cash dividend requirements for PNMR common stock and PNM preferred stock, and capital contributions for PNMR Development's 50% ownership interest in NMRD. Key activities in PNMR's current construction program include:

- Upgrading and replacing generation resources and for renewable energy resources
- Expanding the electric transmission and distribution systems
- Purchasing nuclear fuel

Projected capital requirements, including amounts expended through March 31, 2020, are:

	2020	2021-2024	Total
(In millions)			
Construction expenditures	\$ 826.4	\$ 3,004.6	\$ 3,831.0
Capital contributions to NMRD	27.0	—	27.0
Dividends on PNMR common stock	98.0	422.3	520.3
Dividends on PNM preferred stock	0.5	2.1	2.6
Total capital requirements	\$ 951.9	\$ 3,429.0	\$ 4,380.9

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 \$91.8 million in 2020-2021 for anticipated expansions of PNM's transmission system and a net investment of approximately \$285 million resulting from PNM's agreement to purchase the Western Spirit Line, subject to certain conditions being met prior to closing. Also included in the table above are approximately \$298 million in 2020-2022 for PNM's recommended SJGS replacement resource scenario included in the SJGS Abandonment Application as discussed in Note 12. Not included in the table above are potential incremental expenditures for new customer growth in New Mexico and Texas, and other transmission and renewable energy expansion in New Mexico. The ability of PNMR to pay dividends on its common stock is dependent upon the ability of PNM and TNMP to pay dividends to PNMR. Note 6 of the Notes to Consolidated Financial Statements in the 2019 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, 2020, PNMR met its capital requirements and construction expenditures through cash generated from operations, as well as its liquidity arrangements and the borrowings discussed in Financing Activities above.

In addition to the capital requirements for construction expenditures and dividends, the Company has long-term debt and term loans that must be paid or refinanced at maturity. PNM has \$100.3 million of long-term debt that must be repriced by June 2020. In addition, the \$90.0 million PNMR Development Term Loan matures in November 2020, the \$50.0 million PNMR 2018 Two-Year Term Loan matures in December 2020, and the \$300.0 million PNMR 2018 SUNs mature on March 9, 2021. Note 7 of the Notes to Consolidated Financial Statements in the 2019 Annual Reports on Form 10-K contains additional information about the maturities of long-term debt. The Company anticipates that funds to repay long-term debt maturities and term loans will come from entering into new arrangements similar to the existing agreements, borrowing under the revolving credit facilities, issuance of new long-term debt or equity in the public or private capital markets, or a combination of these sources. The Company has from time to time refinanced or repurchased portions of its outstanding debt before scheduled maturity. PNM has \$36.0 million of PCRBS that became callable at par on January 1, 2020 and an additional \$266.5 million of PCRBS that will become callable at par on June 1, 2020. Depending on market conditions, the Company may refinance these debt issuances or make additional debt repurchases in the future.

Liquidity

PNMR's liquidity arrangements include the PNMR Revolving Credit Facility, the PNM Revolving Credit Facility, and the TNMP Revolving Credit Facility. The PNMR and PNM facilities currently expire in October 2023 but can be extended through October 2024, subject to approval by a majority of the lenders. The \$75.0 million TNMP Revolving Credit Facility matures in September 2022. PNM also has the \$40.0 million PNM 2017 New Mexico Credit Facility that expires in December 2022. PNMR Development has a \$40.0 million revolving credit facility that expires on February 23, 2021. PNMR Development has the option to further increase the capacity of this facility to \$50.0 million upon 15-days advanced notice. The PNMR Development Revolving Credit Facility bears interest at a variable rate and contains terms similar to the PNMR Revolving Credit Facility. PNMR has guaranteed the obligations of PNMR Development under the facility. PNMR Development uses the facility to finance its participation in NMRD and for other activities. See Note 16. 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. Variable interest rates under these facilities are based on LIBOR but contain provisions which allow for the replacement of LIBOR with other widely accepted interest rates. The Company expects that it will be able to extend or replace these credit facilities under similar terms and conditions prior to their expirations.

The revolving credit facilities and the PNM 2017 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

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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.

Information regarding the range of borrowings for each facility is as follows:

Range of Borrowings	Three Months Ended March 31, 2020	
	Low	High (In millions)
PNM:		
PNM Revolving Credit Facility	\$ 30.0	\$ 63.2
PNM 2017 New Mexico Credit Facility	10.0	30.0
TNMP Revolving Credit Facility	16.6	70.0
PNMR Revolving Credit Facility	110.5	188.6

At March 31, 2020, the average interest rates were 2.15% for the PNMR Revolving Credit Facility, 2.35% for the PNM Revolving Credit Facility, 2.12% for the PNM 2017 New Mexico Credit Facility, and 1.74% for the TNMP Revolving Credit Facility. There were no borrowings outstanding under the PNMR Development Revolving Credit Facility at March 31, 2020.

The Company currently believes that its capital requirements for at least the next twelve months can be met through internal cash generation, existing, extended, or new credit arrangements, and access to public and private capital markets. As discussed above and in Note 9, in January 2020, PNMR entered into the PNMR 2020 Equity Forward Sale Agreements for 6.2 million shares of PNMR common stock. In April 2020, PNM executed the \$250.0 million PNM 2020 Term Loan and used the proceeds to pay off the PNM 2019 \$250.0 Million Term Loan, and issued \$200.0 million of PNM 2020 SUNs and used a portion of the proceeds to repay \$100.0 million under the PNM 2020 Term Loan without penalty. In addition, in April 2020, TNMP entered into the TNMP 2020 Bond Purchase Agreement, under which TNMP agreed to issue a total of \$185.0 million of first mortgage bonds. Under that agreement, TNMP issued \$110.0 million of first mortgage bonds on April 24, 2020 and will issue the remaining \$75.0 million on or before July 15, 2020. The Company anticipates that it will be necessary to obtain additional long-term financing to fund its capital requirements and to balance its capital structure during the 2020-2024 period, including interim financing to fund construction of replacement resources prior to the issuance of the energy transition bonds included in PNM's SJGS Abandonment Application. See Note 12. This could include new debt and/or equity issuances, including instruments such as mandatory convertible securities beginning in 2021. 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 or other short-term loans. However, if difficult market conditions persist or worsen, the Company may not be able to access the capital markets or renew credit facilities when they expire or the cost of these facilities and debt issuances may increase. Should that occur, the Company would seek to improve cash flows by reducing capital expenditures and exploring other available alternatives.

As of May 1, 2020, ratings on the Company's securities were as follows:

	PNMR	PNM	TNMP
S&P			
Issuer rating	BBB	BBB	BBB+
Senior secured debt	*	*	A
Senior unsecured debt	BBB-	BBB	*
Preferred stock	*	BB+	*
Moody's			
Issuer rating	Baa3	Baa2	A3
Senior secured debt	*	*	A1
Senior unsecured debt	Baa3	Baa2	*
* Not applicable			

Currently, all of the credit ratings issued by both Moody's and S&P on the Company's debt are investment grade. On June 29, 2018, Moody's changed the ratings outlook for PNMR and PNM from positive to stable, maintained the stable outlook for TNMP, and affirmed the long-term credit ratings of each entity. In August 2019, Moody's affirmed the credit rating and stable outlook for PNMR, PNM and TNMP. On April 6, 2020, S&P reduced the issuer credit ratings for PNMR, PNM, and

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TNMP by one notch, reduced the senior unsecured debt ratings for PNMR and PNM by one notch, affirmed TNMP's senior secured debt rating, and issued a stable outlook for each entity. In addition, S&P reduced PNM's preferred stock rating to BB+. Investors are cautioned that a security rating is not a recommendation to buy, sell, or hold securities, that each rating is subject to revision or withdrawal at any time by the rating organization, and that each rating should be evaluated independently of any other rating.

A summary of liquidity arrangements as of May 1, 2020 is as follows:

	PNM	TNMP	PNMR Separate (In millions)	PNMR Development	PNMR Consolidated
Financing capacity:					
Revolving credit facility	\$ 400.0	\$ 75.0	\$ 300.0	\$ 40.0	\$ 815.0
PNM 2017 New Mexico Credit Facility	40.0	—	—	—	40.0
Total financing capacity	\$ 440.0	\$ 75.0	\$ 300.0	\$ 40.0	\$ 855.0
Amounts outstanding as of May 1, 2020:					
Revolving credit facility	\$ 15.0	\$ —	\$ 132.7	\$ —	\$ 147.7
PNM 2017 New Mexico Credit Facility	30.0	—	—	—	30.0
Letters of credit	2.5	0.1	4.7	—	7.3
Total short-term debt and letters of credit	47.5	0.1	137.4	—	185.0
Remaining availability as of May 1, 2020	\$ 392.5	\$ 74.9	\$ 162.6	\$ 40.0	\$ 670.0
Invested cash as of May 1, 2020	\$ 1.9	\$ 21.9	\$ 0.9	\$ —	\$ 24.7

In addition to the above, PNMR has \$30.3 million of letters of credit outstanding under the JPM LOC Facility. The above table excludes intercompany debt. As of May 1, 2020, neither PNM, TNMP, nor PNMR Development had any intercompany borrowings from PNMR. 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 has an automatic shelf registration that provides for the issuance of various types of debt and equity securities that expires in March 2021. PNM has a shelf registration statement for up to \$475.0 million of senior unsecured notes that expires on May 17, 2020.

Off-Balance Sheet Arrangements

PNMR has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Commitments and Contractual Obligations

PNMR, PNM, and TNMP have contractual obligations for long-term debt, leases, construction expenditures, purchase obligations, and certain other long-term obligations. See MD&A – Commitments and Contractual Obligations in the 2019 Annual Reports on Form 10-K.

Contingent Provisions of Certain Obligations

As discussed in the 2019 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. As discussed above, in April 2020, S&P downgraded PNMR's and PNM's senior unsecured debt ratings which triggered pricing changes in the PNMR and PNM Revolving Credit Facilities. No other conditions have occurred that would result in any of the above contingent provisions being implemented.

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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 lease obligations as debt.

	March 31, 2020	December 31, 2019
PNMR		
PNMR common equity	35.0 %	35.8 %
Preferred stock of subsidiary	0.2	0.2
Long-term debt	64.8	64.0
Total capitalization	100.0 %	100.0 %
PNM		
PNM common equity	44.1 %	45.2 %
Preferred stock	0.4	0.4
Long-term debt	55.5	54.4
Total capitalization	100.0 %	100.0 %
TNMP		
Common equity	52.8 %	52.9 %
Long-term debt	47.2	47.1
Total capitalization	100.0 %	100.0 %

OTHER ISSUES FACING THE COMPANY

Climate Change Issues

Background

For the past several years, management has identified multiple risks and opportunities related to climate change, including potential environmental regulation, technological innovation, and availability of fuel and water for operations, as among the most significant risks facing the Company. Accordingly, these risks are overseen by the Board in order to facilitate more integrated risk and strategy oversight and planning. Board oversight includes understanding the various challenges and opportunities presented by these risks, including the financial consequences that might result from enacted and potential federal and/or state regulation of GHG; plans to mitigate these risks; and the impacts these risks may have on the Company's strategy. In addition, the Board approves certain procurements of environmental equipment, grid modernization technologies, and replacement generation resources.

Management is also responsible for assessing significant risks, developing and executing appropriate responses, and reporting to the Board on the status of risk activities. For example, management periodically updates the Board on the implementation of corporate environmental policy, and the Company's environmental management systems, including the promotion of energy efficiency programs, and the use of renewable resources. The Board is also informed of the Company's practices and procedures to assess the impacts of operations on the environment. The Board considers issues associated with climate change, the Company's GHG exposures, and the financial consequences that might result from enacted and potential federal and/or state regulation of GHG. Management has published, with Board oversight, a Climate Change Report available at <http://www.pnmresources.com/about-us/sustainability-portal.aspx>, that details the Company's efforts to transition to an emissions-free generating portfolio by 2040.

As part of management's continuing effort to monitor climate-related risks and assess opportunities, the Company has advanced its understanding of climate change by participating in the "2 Degree Scenario" planning by participating in the Electric Power Research Institute ("EPRI") Understanding Climate Scenarios & Goal Setting Activities program. The program is focused on characterizing and analyzing the relationship of individual electric utility company's carbon emissions and global temperature goals. Activities include analyzing the current scientific understanding of global emissions pathways that are consistent with limiting global warming and providing insight to assist companies in developing approaches to climate scenario planning. As PNM expands its sustainability efforts, EPRI's program has also been useful in gaining a better understanding of the Task Force on Climate-Related Financial Disclosures' ("TCFD") recommendations for sustainability reporting. On November 19, 2019, TCFD announced the formation of the TCFD Advisory Group on Climate-Related Guidance. EPRI was

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invited to participate as one of seven members of the group that will provide guidance on implementing scenario analysis at the utility company level and to assist in understanding how climate-related issues affect business strategies.

The Company cannot anticipate or predict the potential long-term effects of climate change or climate change related regulation on its results of operations, financial position, or cash flows.

Greenhouse Gas Emissions Exposures

In 2019, GHG associated with PNM's interests in its fossil-fueled generating plants included approximately 5.7 million metric tons of CO₂, which comprises the vast majority of PNM's GHG.

As of December 31, 2019, approximately 63% of PNM's generating capacity, including resources owned, leased, and under PPAs, all of which is located within the U.S., consisted of coal or gas-fired generation that produces GHG. This reflects the retirement of SJGS Units 2 and 3 that occurred in December 2017 and the restructuring of ownership in SJGS Unit 4. These events reduced PNM's entitlement in SJGS from 783 MW to 562 MW and caused the Company's output of GHG to decrease when compared to 2017. Many factors affect the amount of GHG emitted, including total electricity sales, plant performance, economic dispatch, and the availability of renewable resources. For example, between 2007 and 2018, production from PNM's largest single renewable energy resource, New Mexico Wind, has varied from a high of 580 GWh in 2011 to a low of 405 GWh in 2015. Variations are primarily due to how much and how often the wind blows. In addition, if PVNGS experienced prolonged outages or if PNM's entitlement from PVNGS were reduced, PNM might be required to utilize other power supply resources such as gas-fired generation, which could increase GHG.

PNM has several programs underway to reduce or offset GHG from its generation resource portfolio, thereby reducing its exposure to climate change regulation. As described in Note 16 of the Notes to Consolidated Financial Statements in the 2019 Annual Reports on Form 10-K, PNM received approval for the December 31, 2017 shutdown of SJGS Units 2 and 3 as part of its strategy to address the regional haze requirements of the CAA. The shutdown of SJGS Units 2 and 3 resulted in a reduction of GHG for the entire station of approximately 54% for 2018, reflecting a reduction of 32% of GHG from the Company's owned interests in SJGS, below 2005 levels. PNM's 2017 IRP indicates that retiring PNM's share of SJGS in 2022 and exiting ownership in Four Corners in 2031 would provide long-term cost savings to its customers. See additional discussion of PNM's 2017 IRP and the SJGS Abandonment Application in Note 12. If approved by the NMPRC, retiring PNM's share of SJGS and exiting participation in Four Corners would further reduce PNM's GHG.

As of December 31, 2019, PNM owns or procures power under PPAs from 608 MW of capacity from renewable generation resources, which include solar-PV, wind, and geothermal facilities including 50 MW of new solar-PV capacity to serve retail customers and 50 MW of new solar-PV capacity to serve a data center located in PNM's service territory. In addition, the NMPRC has granted PNM authority to procure an aggregate of 316 MW of additional renewable energy and RECs from solar-PV and wind facilities to serve a data center located in PNM's service territory. PNM's 2020 renewable energy procurement plan, which was approved by the NMPRC in January 2020, includes a PPA for an additional 140 MW of wind energy to serve retail customers beginning in 2021 and PNM's SJGS Abandonment Application, which was filed with the NMPRC on July 1, 2019, includes a request to replace SJGS capacity with 350 MW of solar-PV, 130 MW of battery storage facilities, and 280 MW of new gas-fired peaking capacity. If approved, these resources would result in PNM owning, leasing, or procuring through PPAs capacity from renewable resources and battery storage facilities totaling 1,544 MW and capacity from emissions-free resources totaling 1,946 MW.

PNM also has a customer distributed solar generation program that represented 133.0 MW at March 31, 2020. PNM's distributed solar programs will reduce PNM's annual production from fossil-fueled electricity generation by about 266.0 GWh. PNM has offered its customers a comprehensive portfolio of energy efficiency and load management programs since 2007. PNM's cumulative savings from these programs was approximately 4,504 GWh of electricity through 2019. Over the next 20 years, PNM projects energy efficiency and load management programs will provide the equivalent of approximately 8,756 GWh of electricity, which will avoid at least 4.7 million metric tons of CO₂ based upon projected emissions from PNM's system-wide resources. These estimates are subject to change because of the uncertainty of many of the underlying variables, including changes in PNM's generation portfolio, demand for electricity, energy efficiency, and complex relationships between those variables.

Because of PNM's dependence on fossil-fueled generation, 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 any such costs 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 could adversely impact PNM.

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Other Climate Change Risks

PNM's generating stations are located in the arid southwest. Access to water for cooling for some of these facilities is critical to continued operations. Forecasts for the impacts of climate change on water supply in the southwest range from reduced precipitation to changes in the timing of precipitation. In either case, PNM's generating facilities requiring water for cooling will need to mitigate the impacts of climate change through adaptive measures. Current measures employed by PNM generating stations such as air cooling, use of grey water, improved reservoir operations, and shortage sharing arrangements with other water users will continue to be important to sustain operations.

PNM's service areas occasionally experience periodic high winds and severe thunderstorms. TNMP has operations in the Gulf Coast area of Texas, which experiences periodic hurricanes and other extreme weather conditions. In addition to potentially causing physical damage to Company-owned facilities, which disrupts the ability to transmit and/or distribute energy, weather and other events of nature can temporarily reduce customers' usage and demand for energy. In addition, other events influenced by climate change, such as wildfires, could disrupt Company operations or result in third-party claims against the Company.

EPA Regulation

In April 2007, the US 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 for GHG from new motor vehicles, stating that the atmospheric concentrations of six key greenhouse gases (CO₂, 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 Prevention of Significant Deterioration ("PSD") and Title V Greenhouse Gas 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, the PSD construction permit and Title V operating permit programs, to avoid impacting millions of small GHG emitters. On June 23, 2014, the US Supreme Court found EPA lacked authority to "tailor" the CAA's unambiguous numerical thresholds of 100 or 250 tons per year, and thus held EPA may not require a source to obtain a PSD permit solely on the basis of its potential GHG. However, the court upheld EPA's authority to apply the PSD program for GHG to "anyway" sources - those sources that have to comply with the PSD program for other non-GHG pollutants.

On June 25, 2013, then President Obama announced his Climate Action Plan, which outlined how his administration planned 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 proposed actions that would lead to the reduction of GHG by 17% below 2005 levels by 2020.

On August 3, 2015, EPA responded to the Climate Action Plan by issuing three separate but related actions, which were published in October 2015: (1) the Carbon Pollution Standards for new, modified, and reconstructed power plants (under Section 111(b)); (2) the Clean Power Plan for existing power plants (under Section 111(d)); and (3) a proposed federal plan associated with the Clean Power Plan.

EPA's Carbon Pollution Standards for new sources (those constructed after January 8, 2014) established separate standards for gas and coal-fired units. The standards reflect the degree of emission limitation achievable through the application of what EPA determined to be the BSER demonstrated for each type of unit. For newly constructed and reconstructed base load natural gas-fired stationary combustion turbines, EPA finalized a standard based on efficient natural gas combined cycle technology. The final standards for coal-fired power plants vary depending on whether the unit is new, modified, or reconstructed, but the new unit standards were based on EPA's determination that the BSER for new units was partial carbon capture and sequestration. The Clean Power Plan established numeric "emission standards" for existing electric generating units - one for "fossil-steam" units (coal and oil-fired units) and one for natural gas-fired units (combined cycle only). The emission standards were based on emission reduction opportunities that EPA deemed achievable using technical assumptions for three "building blocks": efficiency improvements at coal-fired EGUs, displacement of affected EGUs with renewable energy, and displacement of coal-fired generation with natural gas-fired generation.

Multiple states, utilities, and trade groups filed petitions for review in the DC Circuit to challenge both the Carbon Pollution Standards for new sources and the Clean Power Plan for existing sources. Numerous parties also simultaneously filed motions to stay the Clean Power Plan during the litigation. The DC Circuit refused to stay the rule, but 29 states and state agencies successfully petitioned the US Supreme Court for a stay, which was granted on February 9, 2016, thus halting implementation of the Clean Power Plan. With the US Supreme Court stay in place, the DC Circuit heard oral arguments on the merits of the Clean Power Plan on September 27, 2016 in front of a 10-judge *en banc* panel. However, before the DC Circuit could issue an opinion, President Trump took office and his administration asked the court to hold the case in abeyance while the rule was re-evaluated, which the court granted. In addition, the DC Circuit issued a similar order in connection with a

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motion filed by EPA to hold cases challenging the NSPS in abeyance. On September 17, 2019, the DC Circuit issued an order that granted motions by various petitioners, including industry groups and EPA, to dismiss the cases challenging the Clean Power Plan as moot due to EPA's issuance of the Affordable Clean Energy rule, which repeals the Clean Power Plan.

On March 28, 2017, President Trump issued an Executive Order titled "Promoting Energy Independence and Economic Growth." Among its goals are to "promote clean and safe development of our Nation's vast energy resources, while at the same time avoiding regulatory burdens that unnecessarily encumber energy production, constrain economic growth, and prevent job creation." The order rescinds several key pieces of the Obama Administration's climate agenda, including the Climate Action Plan and the Final Guidance on Consideration of Climate Change in NEPA Reviews. It directs agencies to review and suspend, revise or rescind any regulations or agency actions that potentially burden the development or use of domestically produced energy resources. Most notably, the order directed EPA to immediately review and, if appropriate and consistent with law, suspend, revise, or rescind (1) the Carbon Pollution Standards for new, reconstructed or modified electric utilities, (2) the Clean Power Plan, (3) the Proposed Clean Power Plan Model Trading Rules, and (4) the Legal Memorandum supporting the Clean Power Plan. In response, EPA signed a NOPR to repeal the Clean Power Plan on October 10, 2017. The notice proposed a legal interpretation concluding that the Clean Power Plan exceeded EPA's statutory authority. On June 19, 2019, EPA released the final version of the Affordable Clean Energy rule. EPA takes three actions in the final rule: (1) repealing the Clean Power Plan; (2) promulgating the Affordable Clean Energy rule; and (3) revising the implementing regulations for all emission guidelines issued under CAA Section 111(d) which, among other things, extends the deadline for state plans and extends the timing of EPA's approval process. EPA set the BSER for existing coal-fired power plants as heat rate efficiency improvements based on a range of "candidate technologies" that can be applied inside the fence-line. Rather than setting a specific numerical standard of performance, EPA's rule directs states to determine which of the candidate technologies to apply to each coal-fired unit and establish standards of performance based on the degree of emission reduction achievable based on the application of BSER. The final rule requires states to submit a plan to EPA by July 8, 2022 and then EPA has one year to approve the plan. If states do not submit a plan or their submitted plan is not acceptable, EPA will have two years to develop a federal plan. The Affordable Clean Energy rule is not expected to impact SJGS since EPA's final approval of a state SIP would occur after the planned shutdown of SJGS in 2022 (subject to NMPRC approval).

While corresponding NSR reform regulations were proposed as part of the proposed Affordable Clean Energy rule, the final rule did not include such reform measures. EPA has indicated that it plans to finalize the proposed NSR reform in 2020. Unrelated to the Affordable Clean Energy rule, EPA issued a proposed rule on August 1, 2019 to clarify one aspect of the pre-construction review process for evaluating whether the NSR permitting program would apply to a proposed project at an existing source of emissions. The proposed rule clarifies that both emissions increases and decreases resulting from projects are to be considered in determining whether the proposed project will result in an increase in air emissions.

On December 20, 2018, EPA published in the Federal Register a proposed rule that would revise the Carbon Pollution Standards rule published in October 2015 for new, reconstructed, or modified coal-fired EGUs. The proposed rule would revise the standards for new coal-fired EGUs based on the revised BSER as the most efficient demonstrated steam cycle (e.g., supercritical steam conditions for large units and subcritical steam conditions for small units), instead of partial carbon capture and sequestration. As a result, the proposed rule contains less stringent CO₂ emission performance standards for new units. EPA has also proposed revisions to the standards for reconstructed and modified fossil-fueled power plants to align with the proposed standards for new units. EPA is not proposing any changes nor reopening the standards of performance for newly constructed or reconstructed stationary combustion turbines. The 2018 proposed Carbon Pollution Standards rule could also impact PNM's generation fleet to the extent any EGUs qualify as new, reconstructed, or modified, although that rule remains under review by EPA. Comments on the proposal were due on March 18, 2019 and a final rule is expected in 2020.

The Affordable Clean Energy rule has been challenged by several parties and may be impacted by further litigation. The results of additional judicial review and the outcome of those proceedings cannot be predicted.

Federal Legislation

Prospects for enactment in Congress of legislation imposing a new or enhanced regulatory program to address climate change are highly unlikely in 2020. Although the democratic leadership in the U.S. House of Representatives may soon begin to reconsider proposals for legislation aimed at addressing climate change, such legislation is unlikely to pass the republican controlled U.S. Senate or be signed by the President.

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

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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 CO₂ 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 evolving 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. Although these prices may not reflect the costs that ultimately will be incurred, PNM is required to use these prices for purposes of its IRP. In its 2017 IRP, PNM analyzed resource portfolio plans for scenarios that assumed SJGS will operate beyond the end of the current coal supply agreement that runs through June 30, 2022 and for scenarios that assumed SJGS will cease operations by the end of 2022 as discussed in Note 12. The key findings of the 2017 IRP include that exiting SJGS in 2022 would provide long-term economic benefits to PNM's customers and that PNM exiting its ownership interest in Four Corners in 2031 would also save customers money. The materials presented in the IRP process are available at www.pnm.com\irp.

Senate Bill 489, known as the Energy Transition Act ("ETA") was signed into New Mexico state law and became effective on June 14, 2019. The ETA, among other things, requires that investor-owned utilities obtain specified percentages of their energy from renewable and carbon-free resources. Prior to the enactment of the ETA, the REA established a mandatory RPS requiring utilities to acquire a renewable energy portfolio equal to 10% of retail electric sales by 2011, 15% by 2015, and 20% by 2020. The ETA amends the REA and requires utilities operating in New Mexico to have renewable portfolios equal to 20% by 2020, 40% by 2025, 50% by 2030, 80% by 2040, and 100% zero-carbon energy by 2045. The ETA provides for a transition from coal-fired generating resources to carbon-free resources by allowing investor-owned utilities to issue securitized bonds, or "energy transition bonds," related to the retirement of coal-fired generating facilities to qualified investors. Proceeds from the energy transition bonds must be used only for purposes related to providing utility service to customers and to pay "financing costs" (as defined by the ETA). These costs may include coal mine decommissioning, plant decommissioning, and other costs that have not yet been charged to customers or disallowed by the NMPRC or by a court order. Proceeds provided by energy transition bonds may also be used to pay for severances for employees of the retired coal-fired generating facility and related coal mine, as well as to pay for job training, education, and economic development. Energy transition bonds must be issued under an NMPRC financing order and are paid by a non-bypassable charge paid by all customers of the issuing utility. The ETA also amends sections of the REA to allow for the recovery of undepreciated investments and decommissioning costs related to qualifying EGUs that the NMPRC has required be removed from retail jurisdictional rates, provided replacement resources to be included in retail rates have lower or zero-carbon emissions. The ETA requires the NMPRC to prioritize replacement resources in a manner intended to mitigate the economic impact to communities affected by these plant retirements. PNM expects the ETA will have a significant impact on PNM's future generation portfolio, including PNM's planned retirement of SJGS in 2022. The NMPRC had not definitively indicated its intent to apply the requirements of the ETA to PNM's SJGS Abandonment Application and several parties to that case questioned whether the ETA violated the New Mexico State constitution. In December 2019, the Governor of the State of New Mexico, the President of the Navajo Nation and other parties filed a *writ of mandamus* requesting the NM Supreme Court require the NMPRC to apply the ETA to PNM's application. On January 29, 2020, the NM Supreme Court ruled that the NMPRC is required to apply the ETA to all of PNM's SJGS Abandonment Application and denied petitions for a stay. In February 2020, the Hearing Examiners assigned to the SJGS abandonment and financing proceedings issued recommended decisions recommending approval of PNM's abandonment application and for the issuance of Securitized Bonds consistent with the requirements of the ETA. On April 1, 2020, the NMPRC approved the Hearing Examiners' recommendation to approve PNM's application to retire its share of SJGS in 2022 and for the issuances of Securitized Bonds. See additional discussion of PNM's SJGS Abandonment Application in Note 12. PNM cannot predict the full impact of the ETA or the outcome of its existing and potential future generating resource abandonment filings with the NMPRC.

International Accords

The United Nations Framework Convention on Climate Change ("UNFCCC") is an international environmental treaty that was negotiated at the 1992 United Nations Conference on Environment and Development (informally known as the Earth Summit) and entered into force in March 1994. The objective of the treaty is to "stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system." Parties to the UNFCCC, including the U.S., have been meeting annually in Conferences of the Parties ("COP") to assess progress in meeting the objectives of the UNFCCC.

On December 12, 2015, the Paris Agreement was finalized during the 2015 COP. The aim of the Paris Agreement is to limit global temperature rise to two degrees Celsius above pre-industrial levels. The agreement, which was agreed to by approximately 200 parties, requires that countries submit Intended Nationally Determined Contributions ("INDCs"). INDCs reflect national targets and actions that arise out of national policies and elements relating to oversight, guidance and

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coordination of actions to reduce emissions by all countries. In November 2014, then President Obama announced the United States' commitment to reduce GHG, on an economy-wide basis, by 26%-28% from 2005 levels by the year 2025. The U.S. INDC was part of an overall effort by the former administration to have the U.S. achieve economy-wide reductions of around 80% by 2050. The former administration's GHG reduction target for the electric utility industry was a key element of its INDC and was based on EPA's GHG regulations for new, existing, and modified and reconstructed sources at that time. Thresholds for the number of countries necessary to ratify or accede to the Paris Agreement and total global GHG percentage were achieved on October 5, 2016 and the Paris Agreement entered into force on November 4, 2016. On June 1, 2017, President Trump announced that the U.S. would withdraw from the Paris Agreement. In his public statement, he indicated that the U.S. would "begin negotiations to reenter either the Paris Accord or a new transaction on terms that are fair to the U.S., its businesses, its workers, its people, its taxpayers." On November 4, 2019, President Trump announced that the U.S. has officially notified the United Nations that the U.S. will withdraw from the Paris Agreement. The rules of the Paris Agreement impose a one-year waiting period after official notice of withdrawal. As a result of the President's notice to the United Nations, the U.S. will officially be able to withdraw from the Paris Agreement on November 4, 2020. A future administration would have an opportunity to rejoin the Agreement. It is uncertain if the U.S. will ultimately choose to pursue a transition to a low-carbon economy using a pathway that aligns with the Paris Agreement to keep global temperature rise to below two degrees Celsius (the "2 Degree Scenario") above pre-industrial levels or in connection with other regulation or legislation. PNM has calculated GHG reductions that would result from implementation of the 2017 IRP scenarios that assume PNM would retire its share of the SJGS in 2022 and would exit from Four Corners in 2031 and PNM has set a goal to have a 100% emissions-free generating portfolio by 2040. While the Company has not conducted an independent 2 Degree Scenario analysis, our commitment to becoming 100% emissions-free by 2040 produces a carbon emissions reduction pathway that tracks within the ranges of climate scenario pathways that are consistent with limiting the global warming average to less than 2 degrees Celsius. In addition, as an investor-owned utility operating in the state of New Mexico, PNM is required to comply with the recently enacted ETA, which requires utilities' generating portfolio be 100% carbon-free by 2045. The requirements of the ETA and the Company's goal compare favorably to the 26% - 28% by 2025 U.S. INDC and the former administration's effort to achieve an 80% reduction in carbon emissions by 2050. As discussed in Note 12, on April 1, 2020, the NMPRC approved PNM's application to retire its share of SJGS in 2022. PNM will file for abandonment of Four Corners at an appropriate time in the future.

PNM will continue to monitor the United States' and other parties' involvement in international accords, but the potential impact that such accords may have on the Company cannot be determined at this time.

Assessment of Legislative/Regulatory Impacts

The Company has assessed, and continues to assess, the impacts of climate change legislation and 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 specific GHG limits; the timing of implementation of these limits; the possibility of a market-based trading program, including the associated costs and the availability of emission credits or allowances; the development of emission reduction and/or renewable energy technologies; 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 are, at best, preliminary and speculative. However, based upon these assumptions, the enactment of climate change legislation or regulation 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 Notes 11 and 12. While PNM currently expects the retirement of SJGS in 2022 will provide savings to customers, the ultimate consequences of climate change and environmental regulation 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 evolving and is too speculative at this time for a meaningful prediction of the long-term financial impact.

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 U.S. 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 has elected the end-user exception to the mandatory clearing requirement. PNM expects to be in compliance with the Dodd-Frank Reform Act and related rules within the time frames required by the CFTC.

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However, as a result of implementing and complying with the Dodd-Frank Reform Act and related rules, PNM's swap activities could be subject to increased costs, including from higher margin requirements. The Trump Administration has indicated that the provisions of the Dodd-Frank Reform Act will be reviewed and certain regulations may be rolled back, but no formal action has been taken yet. 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 11 and 12 herein and Notes 16 and 17 of the Notes to Consolidated Financial Statements in the 2019 Annual Reports on Form 10-K 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 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, 2020, there have been no significant changes with regard to the critical accounting policies disclosed in PNMR's, PNM's, and TNMP's 2019 Annual Reports on Forms 10-K. The policies disclosed included regulatory accounting, impairments, decommissioning and reclamation costs, pension and other postretirement benefits, accounting for contingencies, and income taxes.

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 the impacts of the NMPRC orders in PNM's NM 2015 Rate Case, the NM Supreme Court's decisions in the appeal of that order, the NM 2016 Rate Case and related deferral of the issue of the prudence of PNM's decision to continue participation in Four Corners to PNM's next general rate case and recovery of PNM's investments and other costs associated with that plant, and any actions resulting from the pending appeal of the NMPRC's approval of PNM's request to issue Securitized Bonds and the NMPRC's future actions regarding replacement resources in PNM's SJGS Abandonment Application (collectively, the "Regulatory Proceedings") and the impact on service levels for PNM customers if the ultimate outcomes do not provide for the recovery of costs and operating and capital expenditures, as well as other impacts of federal or state regulatory and judicial actions
- The ability of the Company to successfully forecast and manage its operating and capital expenditures, including aligning expenditures with the revenue levels resulting from the ultimate outcomes of the Regulatory Proceedings, or

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- resulting from potential mid-term or long-term impacts related to COVID-19, and supporting forecasts utilized in FTY rate proceedings
- Uncertainty regarding what actions PNM may take with respect to the generating capacity in PVNGS Units 1 and 2 that is under lease at the expiration of the lease terms in 2023 and 2024, including PNM's decisions related to purchasing or returning the assets underlying the leases, or upon the occurrence of certain specific events, as well as the related treatment for ratemaking purposes by the NMPRC
- Uncertainty surrounding the status of PNM's participation in jointly-owned generation projects, including the 2022 scheduled expiration of the operational and fuel supply agreements for SJGS, the results of PNM's 2017 IRP filing, which indicates that PNM's customers would benefit from PNM's exit from Four Corners in 2031, including regulatory recovery of undepreciated investments and other costs in the event the NMPRC orders generating facilities be retired, and the impacts of the ETA
- Uncertainty regarding the requirements and related costs of decommissioning power plants and reclamation of coal mines supplying certain power plants, as well as the ability to recover those costs from customers, including the potential impacts of the ultimate outcomes of the Regulatory Proceedings
- The impacts on the electricity usage of customers and consumers due to performance of state, regional, and national economies, energy efficiency measures, weather, seasonality, alternative sources of power, advances in technology, the impacts of COVID-19 on customer usage, and other changes in supply and demand
- The Company's ability to access the financial markets in order to provide financing to repay or refinance debt as it comes due, as well as for ongoing operations and construction expenditures, including disruptions in the capital or credit markets, actions by ratings agencies, and fluctuations in interest rates, including any negative impacts that could result from the ultimate outcomes of the Regulatory Proceedings or from the economic impacts of COVID-19
- The risks associated with completion of generation, transmission, distribution, and other projects, including uncertainty related to regulatory approvals and cost recovery, and the ability of counterparties to meet their obligations under certain arrangements, and supply chain or other outside support services that may be disrupted by the impacts of COVID-19
- The potential unavailability of cash from PNMR's subsidiaries due to regulatory, statutory, or contractual restrictions or subsidiary earnings or cash flows
- The performance of generating units, transmission systems, and distribution systems, which could be negatively affected by operational issues, fuel quality and supply issues, unplanned outages, extreme weather conditions, wildfires, terrorism, cybersecurity breaches, and other catastrophic events, including the impacts of COVID-19, as well as the costs the Company may incur to repair its facilities and/or the liabilities the Company may incur to third parties in connection with such issues
- State and federal regulation or legislation relating to environmental matters and renewable energy requirements, the resultant costs of compliance, and other impacts on the operations and economic viability of PNM's generating plants
- State and federal regulatory, legislative, executive, and judicial decisions and actions on ratemaking, and taxes, including guidance related to the Tax Act, and other matters
- Risks related to climate change, including potential financial risks resulting from climate change litigation and legislative and regulatory efforts to limit GHG, including the impacts of the recently enacted ETA
- Employee workforce factors, including cost control efforts and issues arising out of collective bargaining agreements and labor negotiations with union employees
- 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
- Regulatory, financial, and operational risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainties
- The impacts of decreases in the values of marketable securities maintained in trusts to provide for decommissioning, reclamation, pension benefits, and other postretirement benefits, including potential increased volatility resulting from international developments and the impacts of COVID-19, as well as PNM's ability to recover future decommissioning and reclamation costs from customers
- Uncertainty surrounding counterparty performance and credit risk, including the ability of counterparties to supply fuel and perform reclamation activities and impacts to financial support provided to facilitate the coal supply at SJGS
- The effectiveness of risk management regarding commodity transactions and counterparty risk
- 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 2019 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 will not receive information that was not requested and can unsubscribe at any time.

Our corporate internet addresses are:

- PNMR: www.pnmresources.com
- PNM: www.pnm.com
- TNMP: www.tnmp.com

The PNMR website includes a link to PNMR's Sustainability Portal, www.pnmresources.com/about-us/sustainability-portal.aspx. This portal provides access to key sustainability information, including a Climate Change Report, related to the operations of PNM and TNMP and reflects PNMR's commitment to do business in an ethical, open, and transparent manner, and outlines PNM's plans to exit all coal-fired generation by 2031 (subject to regulatory approval) and to have an emissions-free generating portfolio by 2040.

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. Reports filed with the SEC are available on its website, www.sec.gov. These reports are also available in print upon request from PNMR free of charge.

Also available on the Company's website at <http://www.pnmresources.com/corporate-governance.aspx> and in print upon request from any shareholder are PNMR's:

- 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
- Restated Articles of Incorporation and Bylaws

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 market risk through a comprehensive set of policies and procedures with oversight by senior level management through the Risk Management Committee ("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
- Reporting to the Board's Audit and Finance Committees on these activities

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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 three months ended March 31, 2020 and the year ended December 31, 2019, the Company had no commodity derivative instruments designated as cash flow hedging instruments.

Commodity contracts that meet the definition of a derivative under GAAP, are recorded at fair value on the Condensed Consolidated Balance Sheets. The impact of commodity derivative mark-to-market energy transactions were not material to the Company's financial position, results of operations, or cash flows as of and for the three months ended March 31, 2020 and 2019.

All of the fair values as of March 31, 2020 were determined based on prices provided by external sources other than actively quoted market prices. The net mark-to-market amounts will settle in 2020.

PNM is exposed to changes in the market prices of electricity and natural gas for the positions in its wholesale portfolio not covered by the FPPAC. The Company manages risks associated with these market fluctuations by utilizing various commodity instruments that may qualify as derivatives, including futures, forwards, options, and swaps. PNM uses such instruments to hedge its exposure to changes in the market prices of electricity and natural gas. PNM also uses such instruments under an NMPRC approved hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC.

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) and concentration of credit risk for wholesale counterparties, all of which will mature in less than two years.

Schedule of Credit Risk Exposure

March 31, 2020

Rating ⁽¹⁾	Credit Risk Exposure ⁽²⁾	Number of Counter-parties >10%	Net Exposure of Counter-parties >10%
	(Dollars in thousands)		
External ratings:			
Investment grade	\$ 1,566	1	\$ 1,002
Non-investment grade	—	—	—
Split ratings	—	—	—
Internal ratings:			
Investment grade	861	1	683
Non-investment grade	—	—	—
Total	<u>\$ 2,427</u>		<u>\$ 1,685</u>

⁽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 the Tri-State hazard sharing agreement), forward sales, and short-term sales. The gross 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, 2020, PNMR held \$0.9 million of cash collateral to offset its credit exposure.

Net credit risk for the Company's largest counterparty as of March 31, 2020 was \$1.0 million.

Other investments have no significant counterparty credit 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 2.1%, or \$64.7 million if interest rates were to decline by 50 basis points from their levels at March 31, 2020. 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. The Company is exposed to interest rate risk to the extent of future increases in variable interest rates. However, as discussed in Note 9, PNMR has entered into hedging arrangements to effectively establish fixed interest rates on \$150.0 million of variable rate debt. Variable interest rates under these facilities are based on LIBOR but contain provisions which allow for the replacement of LIBOR with other widely accepted interest rates. The Company expects that it will be able to extend or replace these credit facilities under similar terms and conditions prior to their expirations.

At May 1, 2020, variable rate debt balances and weighted average interest rates were as follows:

Variable Rate Debt	Weighted Average Interest Rate		Balance Outstanding (In thousands)	Capacity
Short-term Debt:				
PNMR Revolving Credit Facility	2.15	%	\$ 132,700	\$ 300,000
PNM Revolving Credit Facility	2.27		15,000	400,000
PNM 2017 New Mexico Credit Facility	2.10		30,000	40,000
TNMP Revolving Credit Facility	—		—	75,000
PNMR-D Revolving Credit Facility	—		—	40,000
			\$ 177,700	\$ 855,000
Long-term Debt:				
PNMR 2018 Two-Year Term Loan	1.79	%	\$ 50,000	
PNMR 2019 Term Loan	1.78		150,000	
PNM 2019 \$40.0 Million Term Loan	1.37		40,000	
PNM 2020 Term Loan	2.70		150,000	
PNMR Development Term Loan	1.79		90,000	
			\$ 480,000	

The investments held by PNM in trusts for decommissioning and reclamation had an estimated fair value of \$353.3 million at March 31, 2020, of which 66.1% were fixed-rate debt securities that subject PNM to risk of loss of fair value with increases in market interest rates. If interest rates were to increase by 50 basis points from their levels at March 31, 2020, the decrease in the fair value of the fixed-rate securities would be 2.4%, or \$5.6 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 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. The NMPRC ruled in the NM 2015 Rate Case that PNM would not be able to include future contributions made by PNM for decommissioning of PVNGS to the extent applicable to certain capacity purchased and leased by PNM in rates charged to retail customers. The NM Supreme Court ruled that the NMPRC's decision to disallow recovery of such future contributions for decommissioning denied PNM due process and remanded the matter back to the NMPRC for further proceedings. See Note 12. 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 March 31, 2020. These equity securities expose PNM to losses in fair value should the market values of the underlying securities decline. Equity securities comprised 29.1% of the securities held by the trusts as of March 31, 2020. A hypothetical 10% decrease in equity prices would reduce the fair values of these funds by \$10.3 million.

ITEM 4. 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

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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 over financial reporting

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, 2020 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

- Navajo Nation Environmental Issues
- Santa Fe Generating Station
- Continuous Highwall Mining Royalty Rate
- PVNGS Water Supply Litigation
- San Juan River Adjudication
- Rights-of-Way Matter
- Navajo Nations Allottee Matters

Note 12

- PNM - New Mexico General Rate Cases
- PNM – Energy Efficiency and Load Management
- PNM – COVID-19 Regulatory Matters
- PNM – Integrated Resource Plans
- PNM – SJGS Abandonment Application
- TNMP – Periodic Distribution Rate Adjustment

ITEM 1A. RISK FACTORS

The outbreak of COVID-19 and its impact on business and economic conditions could negatively affect the Company's business, results of operations, financial condition, cash flows, and the trading value of PNMR's common stock and the Company's debt securities.

The scale and scope of the recent COVID-19 outbreak, the resulting pandemic, and the impact on the economy and financial markets could adversely affect the Company's business, results of operations, financial condition, cash flows, and access to the capital markets. The Company provides critical electricity and electric service and has implemented business continuity and emergency response plans to continue to provide these services to its customers and to support the Company's operations. The Company is also working to ensure the health and safety of its employees is not compromised. These measures include precautions with regard to employee and facility hygiene, travel limitations, directing our employees to work remotely whenever possible, and protocols for required work within customer premises to protect our employees, customers and the public. We are also working with our suppliers to understand the potential impacts to our supply chain and have taken steps to ensure the integrity of our information systems.

However, there is no assurance that the continued spread of COVID-19 and efforts to contain the virus will not adversely impact our business, results of operations, financial condition, cash flows, ability to access the capital markets, and the trading value of the Company's common stock and debt securities. The continued spread of COVID-19 and related efforts to contain the virus could adversely impact the Company by:

- reducing usage and/or demand for electricity by our customers in New Mexico and Texas;
- reducing the availability and productivity of our employees;
- increasing costs as a result of our emergency measures, including costs to ensure the security of our information systems and delayed payments from our customers and uncollectable accounts;

- causing delays and disruptions in the availability of and timely delivery of materials and components used in our operations;
- causing delays and disruptions in the supply chain resulting in disruptions in the commercial operation dates of certain projects;
- causing a deterioration in the credit quality of our counterparties, including power purchase agreement providers, contractors or retail customers, that could result in credit losses;
- causing impairments of goodwill or long-lived assets and adversely impacting the Company's ability to develop, construct and operate facilities;
- impacting the Company's ability to meet the requirements of the covenants in our existing credit facilities, including covenants regarding debt to capitalization;
- causing a deterioration in our financial metrics or the business environment that impacts our credit ratings;
- decreasing the value of our investment securities held in trusts for pension and other postretirement benefits, and for nuclear and coal mine decommissioning, which could lead to increased funding requirements;
- impacting our liquidity position and cost of and ability to access funds from financial institutions and capital markets;
- causing other risks to impact us, such as the risks described in the "Risk Factors" section of the Company's Annual Reports on Form 10-K filed on March 2, 2020; and
- causing other unpredictable events

This continues to be a rapidly evolving situation and the Company cannot predict the extent or duration of the outbreak, the effects of it on the global, national or local economy, including the impacts on the Company's ability to access capital, or its effects on the Company's financial position, results of operations, cash flows, ability to access the capital markets, and value of the Company's stock and debt securities.

ITEM 5. OTHER INFORMATION

April 2020 Offering of PNM Senior Unsecured Notes

On April 30, 2020, PNM entered into the PNM 2020 Note Purchase Agreement with institutional investors for the sale of \$200.0 million aggregate principal amount of senior unsecured notes in the following series and denominations: (i) \$150.0 million aggregate principal amount of its 3.21% Senior Unsecured Notes, Series A, due April 30, 2030 and (ii) \$50.0 million aggregate principal amount of its 3.57% Senior Unsecured Notes, Series B, due April 29, 2039 (the "PNM 2020 SUNs"). The PNM 2020 SUNs were issued on April 30, 2020 in a private placement transaction in reliance on an exemption from registration under the Securities Act of 1933, as amended (the "Securities Act"). Interest on the PNM 2020 SUNs is payable semiannually on April 30 and October 30 of each year, commencing on October 30, 2020.

PNM used \$100.0 million of proceeds from the PNM 2020 SUNs to prepay without penalty an equal amount of the \$250.0 million PNM 2020 Term Loan. The remaining \$100.0 million of the PNM 2020 SUNs were used to repay borrowings on the PNM Revolving Credit Facility and for other corporate purposes

The terms of the PNM 2020 Note Purchase Agreement, which continue to apply so long as any of the PNM 2020 SUNs are outstanding, include customary covenants, including a covenant that requires PNM to maintain a debt-to-capitalization ratio of less than or equal to 65%, customary events of default, including a cross-default provision, and covenants regarding parity of financial covenants, liens and guarantees with respect to PNM's material credit facilities. In the event of a change of control, PNM will be required to offer to prepay the PNM 2020 SUNs at par. PNM has the right to redeem any or all of the PNM 2020 SUNs prior to their maturities, subject to payment of a customary make-whole premium

The above description of the PNM 2020 Note Purchase Agreement and the PNM 2020 SUNs does not purport to be a complete statement of the parties' rights and obligations thereunder.

ITEM 6. EXHIBITS

3.1	PNMR	<u>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)</u>
3.2	PNM	<u>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)</u>
3.3	TNMP	<u>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)</u>
3.4	PNMR	<u>Bylaws of PNMR, with all amendments to and including October 24, 2017 (incorporated by reference to Exhibit 3.1 to PNMR's Current Report on Form 8-K filed October 25, 2017)</u>

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3.5	PNM	<u>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)</u>
3.6	TNMP	<u>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)</u>
10.1	PNM	<u>Amendment No. 2 to Coal Supply Agreement dated as of January 1, 2020 between Westmoreland San Juan Mining LLC and PNM</u>
10.2	PNM	<u>Amendment No. 3 to Coal Supply Agreement dated as of January 1, 2020 between Westmoreland San Juan Mining LLC and PNM</u>
10.3	PNM	<u>Amendment No. 4 to Coal Supply Agreement dated as of January 1, 2020 between Westmoreland San Juan Mining LLC and PNM</u>
10.4	PNMR	<u>Forward Sale Agreement between PNM Resources, Inc. and Citibank, N.A., dated January 7, 2020 (filed as exhibit 10.1 to PNMR's Current Report on Form 8-K filed January 10, 2020)</u>
10.5	PNMR	<u>Forward Sale Agreement between PNM Resources, Inc. and Bank of America, N.A., dated January 7, 2020 (filed as exhibit 10.2 to PNMR's Current Report on Form 8-K filed January 10, 2020)</u>
10.6	PNMR	<u>Additional Forward Sale Agreement between PNM Resources, Inc. and Citibank, N.A., dated January 8, 2020 (filed as exhibit 10.3 to PNMR's Current Report on Form 8-K filed January 10, 2020)</u>
10.7	PNMR	<u>Additional Forward Sale Agreement between PNM Resources, Inc. and Bank of America, N.A., dated January 8, 2020 (filed as exhibit 10.4 to PNMR's Current Report on Form 8-K filed January 10, 2020)</u>
10.8	PNMR	<u>PNMR 2020 Officer Annual Incentive Plan dated March 30, 2020</u>
10.9	PNMR	<u>PNMR 2020 Long-Term Incentive Plan dated March 30, 2020</u>
10.10	PNMR	<u>PNMR Discretionary Award Agreement between PNMR and Charles Eldred effective February 20, 2020</u>
31.1	PNMR	<u>Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	PNMR	<u>Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.3	PNM	<u>Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.4	PNM	<u>Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.5	TNMP	<u>Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.6	TNMP	<u>Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1	PNMR	<u>Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2	PNM	<u>Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.3	TNMP	<u>Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	PNMR, PNM,	XBRL Instance Document - The instance document does not appear in the interactive data file because

	and TNMP	XBRL tags are embedded within the Inline XBRL document
101.SCH	PNMR, PNM, and TNMP	Inline XBRL Taxonomy Extension Schema Document
101.CAL	PNMR, PNM, and TNMP	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	PNMR, PNM, and TNMP	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	PNMR, PNM, and TNMP	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	PNMR, PNM, and TNMP	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	PNMR, PNM, and TNMP	Cover Page Inline XBRL File (included in Exhibits 101)

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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 1, 2020

/s/ Henry E. Monroy

Henry E. Monroy
Vice President and Corporate Controller
(Officer duly authorized to sign this report)

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AMENDMENT NO. 2 TO COAL SUPPLY AGREEMENT

THIS AMENDMENT NO. 2 TO COAL SUPPLY AGREEMENT ("Amendment No. 2"), dated as of January 1, 2020, is by and between WESTMORELAND SAN JUAN MINING LLC, a Delaware limited liability company ("WSJM") and PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation ("Utility" or "PNM"). WSJM and Utility may be referred to herein individually as a "Party" and collectively as the "Parties".

RECITALS

WHEREAS, Westmoreland Coal Company ("Westmoreland") and Utility are the original parties to the Coal Supply Agreement dated as of July 1, 2015 ("CSA"), for the supply of coal for consumption in San Juan Generating Station ("SJGS"), which CSA subsequently was assigned by Westmoreland to its wholly-owned subsidiary San Juan Coal Company ("SJCC");

WHEREAS, Westmoreland Mining LLC ("Westmoreland Mining") and certain of its subsidiaries were assigned various contracts with Utility, including the CSA, due to court-approved asset sales, and court-confirmed plans of reorganization for Westmoreland and certain of its subsidiaries, including SJCC ("Reorganization Plan") arising out of the Chapter 11 bankruptcy filed on October 9, 2018 in U.S. Bankruptcy Court, Southern District of Texas, Bankruptcy Case No. 18-35672;

WHEREAS, pursuant to the Reorganization Plan, Westmoreland Mining's wholly-owned subsidiary WSJM has assumed the obligation to mine and deliver coal to SJGS pursuant to the terms of the CSA;

WHEREAS, the Parties wish to amend the CSA to reflect the change in parties and other related changes arising out of the assignments and obligations assumed in connection with the Reorganization Plan.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Amendments

1.1 Cover Page. The cover page to the CSA is hereby amended by deleting "Westmoreland Coal Company" and inserting "Westmoreland San Juan Mining LLC."

1.2 Exhibits List. The List of Exhibits and Attachments is hereby amended by deleting "Form of Assignment and Assumption of Coal Supply Agreement" and inserting "Not Used."

1.3 Parties and Recitals. The "Parties and Recitals" paragraphs are deleted in their entirety and replaced with the following:

THIS COAL SUPPLY AGREEMENT ("Agreement") is dated July 1, 2015 between WESTMORELAND SAN JUAN MINING LLC, a Delaware limited liability company ("WSJM"), assignee of Westmoreland Coal Company, a Delaware corporation ("Westmoreland") and certain of its affiliates, and PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation ("Utility"), (with WSJM and Utility herein sometimes being referred to herein individually as "Party" and collectively as "Parties").

WHEREAS, pursuant to the SPA (as hereinafter defined), Westmoreland acquired, as of the date of "Closing" under the SPA, one hundred percent (100%) of the issued and outstanding shares of San Juan Coal Company, a Delaware corporation ("SJCC"), and San Juan Transportation Company, a Delaware corporation ("SJTC");

WHEREAS, SJCC held certain coal leases and surface rights known as the Coal Leases which are more particularly described in Exhibit A, which Coal Leases were assigned by SJCC to WSJM pursuant to an Amended Joint Chapter 11 Plan approved by the U.S. Bankruptcy Court, Southern District of Texas, in Case No. 18-35672;

WHEREAS, Utility owns, in part, the San Juan Station (as further defined herein), a two-unit coal-burning power plant in the vicinity of the Coal Leases;

WHEREAS, Utility desires to purchase, and WSJM to sell, coal that has been mined from an underground coal mine on the Coal Leases and delivered to the delivery point(s) shown on Exhibit B and WSJM has agreed to undertake such obligation upon the terms and conditions hereinafter set forth;

WHEREAS, WSJM shall provide coal pursuant to this Agreement in a manner consistent with the processes and quality described herein; and

WHEREAS, the purpose of this Agreement is to set forth the agreement between the Parties relating to the supply of coal by WSJM to the San Juan Station,

NOW, THEREFORE, in consideration of the terms, covenants and agreements contained in this Agreement, Utility agrees with WSJM as follows:

1.4 Definitions. Article I, Definitions, is hereby amended by deleting the following definitions in their entirety and replacing them with the following definitions:

Section 1.6 Guaranty.

"Guaranty" shall mean the Guaranty in the form of Attachment 1 or other form acceptable to Utility made by Westmoreland ("Guarantor") and guaranteeing to Utility SJCC's performance of its obligations hereunder, which Guaranty shall remain in place throughout the Term and, if applicable, the Extension Term.

Section 1.19 San Juan Station

That certain coal-fired power plant currently operated and owned, in part, by Utility originally consisting of four units, known as Unit 1, Unit 2, Unit 3 and Unit 4 respectively. Unit 1 has a net rated capacity of approximately 340,000 kW; Unit 4 has a net rated capacity of approximately 507,000 kW. Unit 2 and Unit 3 were retired in December 2017.

Section 1.20 SPA

“SPA” means that Stock Purchase Agreement executed by Westmoreland and BHP Billiton New Mexico Coal Inc., pursuant to which Westmoreland agreed to purchase the stock of SJCC and SJTC.

Section 1.26 Ute ROW

“Ute ROW” shall mean that particular right of way agreement dated July 29, 1981, between Western Coal Company (which interest was assigned to SJCC and further assigned to WSJM) and the Ute Mountain Ute Tribe of the Ute Mountain Ute Reservation, as amended.

1.5 Definitions of Other Terms. Section 1.29 is hereby amended by deleting the definition of “SJCC” and replacing it with “(II) “SJCC”, as defined in Recitals and including its successors or assigns” and by adding the following new definitions:

- (W(1)) “Guarantor”, defined in the definition of “Guaranty”;
- (ZZ) “Westmoreland”, defined in Recitals and including its successors or assigns;
- (AAA) “Westmoreland Mining”, defined in Recitals, and including its successors or assigns;
- (BBB) “WSJM”, defined in Recitals, and including its successors or assigns;

1.6 Term. Section 2.3 is deleted in its entirety and replaced with the following:

Section 2.3 Term

This Agreement shall become effective simultaneous with the “Closing” under the SPA (such date on which the "Closing" occurs, the "Effective Date") but subject to the effectiveness of the San Juan Restructuring Agreement. For purposes of this Section 2.3. "San Juan Restructuring Agreement" means the San Juan Project Restructuring Agreement among and executed by the "Parties" thereto (as such term is defined therein). This Agreement shall expire on June 30, 2022 (the "Term"), unless terminated earlier as provided herein or extended by mutual written agreement of the Parties pursuant to Section 2.5.

1.7 Guaranty. Section 2.4 is hereby deleted in its entirety and replaced with the

following:

Guarantor has executed the Guaranty and provided the executed Guaranty to Utility and shall maintain the Guaranty for the duration of the Term and the Extension Term, as applicable. SJCC shall cause Guarantor to provide to Utility the audited financial statements of Guarantor on or before April 1st of each Contract Year; provided Guarantor's filing with the U.S. Securities and Exchange Commission of Guarantor's 10-K containing the audited financial statements of Guarantor will be deemed to constitute delivery of such audited financial statements to the Utility.

1.8 Representations and Warranties. Section 2.6(B) is deleted in its entirety and replaced with the following:

(B) It has the capacity to enter into this Agreement and all transactions contemplated in this Agreement, and that all corporate actions required to authorize it to enter into this Agreement have been taken properly, and that it has the capacity to perform this Agreement and all transactions contemplated in this Agreement, and that all corporate actions required to perform this Agreement shall have been taken properly; and

1.9 General Indemnification. Sections 13.1(A) and 13.1(B) are hereby deleted in their entirety and replaced with the following:

(A) SJCC shall indemnify and save Utility and its employees, directors, officers, agents, successors, assigns and affiliates harmless from, and shall defend them against, any and all claims, demands or liabilities arising out of the operations of SJCC under this Agreement at the San Juan Station site or the SJCC Site Area, except to the extent those claims, demands or liabilities arise out of the acts of Utility, their employees, agents, contractors, and representatives.

(B) Utility shall indemnify and save SJCC and its employees, directors, officers, agents, successors, assigns and affiliates harmless from, and shall defend them against, any and all claims, demands or liabilities arising out of the operations of Utility under this Agreement at the San Juan Station site or the SJCC Site Area, except to the extent those claims, demands or liabilities arise out of the acts of SJCC, its employees, agents, contractors and representatives.

1.10 Notices. Section 14.7(A) is hereby deleted in its entirety and replaced with the following:

(A) Any notice, demand or request provided for in this Agreement, or given or made in connection with this Agreement, except those normal exchanges of information required by the Mining Oversight Committee and the Joint Committee, shall be in writing, signed by an officer of the party giving such notice and shall be deemed to be properly and sufficiently given or made if sent by registered or

certified mail, and if to SJCC, addressed as follows:

Westmoreland San Juan Mining LLC
Attn: Joe Micheletti, EVP US Operations
300, 9540 South Maroon Circle
Englewood, CO 80112-5730

with a copy addressed as follows:

Westmoreland Mining LLC
Attn: Jeremy Cottrell, General Counsel
300, 9540 South Maroon Circle
Englewood, CO 80112-5730

and if to Utility, addressed as follows:

Public Service Company of New Mexico
Attn: Patrick Apodaca, General Counsel
414 Silver Ave SW
Albuquerque, NM 87102-3289

with a copy addressed as follows:

Public Service Company of New Mexico
Attn: Thomas Fallgren, Vice President, PNM Generation
2401 Aztec NE
Albuquerque, NM 87107

1.11 Form of Guaranty. The Form of Guaranty attached to the CSA as Attachment 1 shall be deleted and replaced with Attachment 1—Form of Guaranty attached to this Amendment No. 2.

1.12 Assignment and Assumption Form. Exhibit O—Form of Assignment and Assumption of Coal Supply Agreement shall be amended by deleting the text and signature blocks and inserting “Not Used.”

2. Other Terms and Conditions.

2.1 Full Force and Effect. Except as expressly amended by this Amendment No. 2, all other terms of the CSA shall remain in full force and effect.

2.2 Counterparts. This Amendment No. 2 may be executed in one or more counterparts, including by facsimile or electronic signature, but each such counterpart shall be deemed an original and all such counterparts shall be deemed one and the same instrument.

2.3 Entire Amendment; Successors and Assigns. This Amendment No. 2 contains the

entire understanding of the Parties and supersedes all prior agreements and understandings between the Parties relating to the subject matter herein. This Amendment No. 2 shall be binding upon and inure to the benefit of the Parties' respective successors and permitted assigns.

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 2 as of the date first written above.

By: /s/ Thomas Fallgren

By: /s/ Jeremy D. Cottrell

Name: Thomas Fallgren

Name: Jeremy D. Cottrell

Title: VP PNM Generation

Title: Secretary

Attachment 1 to CSA Amendment No. 2

Form of Guaranty

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ATTACHMENT 1—FORM OF GUARANTY

THIS GUARANTY, made as of March 15, 2019, by Westmoreland Mining, LLC, a Delaware limited liability company (“Guarantor”).

W I T N E S S E T H

WHEREAS, as of the “Effective Date” under the Coal Supply Agreement by and between Public Service Company of New Mexico (“Utility”) and Westmoreland Coal Company (“WCC”), as may be amended from time to time (“Agreement”), San Juan Coal Company, a Delaware corporation (“SJCC”), became a wholly owned subsidiary of WCC for the purpose of selling to Utility certain quantities of coal to be mined, processed, and delivered pursuant to the Agreement; and

WHEREAS, prior to entering into the Agreement, Utility required that WCC guarantee SJCC’s performance of SJCC’s obligations under the Agreement; and

WHEREAS, pursuant to Chapter 11 Bankruptcy Case No. 18-35672 (the “Case”) Guarantor is the successor in interest to WCC’s obligations under the Agreement; and

WHEREAS, pursuant to the Case, Westmoreland San Juan Mining, LLC (“WSJM”) is the successor in interest to SJCC’s obligations under the Agreement; and

WHEREAS, Guarantor is willing to guarantee WSJM’s performance of its obligations under the Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor hereby agrees with Utility as follows:

1. Guaranty.

1.1 Effective as of the Effective Date (as that term is defined in the Agreement), Guarantor hereby unconditionally and absolutely guarantees to Utility and its successors and permitted assigns timely and complete payment and performance of all of WSJM’s obligations under the Agreement and all other present or future agreements and instruments between Utility and Contractors in connection with the performance of the Agreement (all of the foregoing the “Agreement Documents”), all whether presently existing or from time to time hereafter created, incurred or arising and including, without limitation, any interest accrued on such amounts pursuant to the Agreement Documents (such obligations of WSJM collectively the “Obligations”). This Guaranty is a continuing guarantee, and shall apply to all Obligations whenever arising.

1.2 Guarantor hereby agrees that its obligations hereunder shall be absolute and unconditional irrespective of (i) any insolvency, bankruptcy, reorganization or dissolution, or any proceeding in respect of any thereof, of WSJM or Guarantor, (ii) the validity, regularity or enforceability (except to the extent that the Agreement would not have been enforceable against Guarantor had it, rather than WSJM, been the primary obligor thereunder) of obligations of WSJM under the Agreement or the extension or renewal thereof, in whole or in part, with or without notice to or assent from Guarantor, (iii) any alteration, amendment, modification, extension, renewal, release, change, waiver or consent in respect of any of the terms, covenants, or conditions contained in the Agreement, and

Guarantor acknowledges and agrees that its consent to any of the foregoing actions is not required, or (iv) the absence of notice, other than notice required by the terms of the Agreement, or the absence of or any delay in any action to enforce any obligation or to exercise any right or remedy against WSJM or Guarantor, whether hereunder or under the Agreement, or any indulgence or extension granted to or compromise with WSJM or Guarantor, or any action or proceedings taken or not taken with respect to or by or on behalf of SJCC WSJM or Guarantor or (v) any circumstance whatsoever (including, without limitation, any statute of limitations) or any act of the Utility or any existence of or reliance on any representation by the Utility that might otherwise constitute a legal or equitable defense available to, or a discharge of, the Guarantor.

1.3 Guarantor hereby (i) waives diligence, presentment, demand of payment, filing of claims with a court in the event of the merger or bankruptcy of WSJM, any right to require a proceeding first against WSJM, or to realize on any collateral, protest, notice and all demands whatsoever, with respect to the obligations of WSJM, (ii) agrees that its obligations hereunder constitute guaranties of performance and not of collection and are not in any way conditional or contingent upon any attempt to collect from or enforce against WSJM or upon any other condition or contingency, (iii) agrees that its obligations hereunder shall continue to be effective if at any time the obligations of WSJM under the Agreement are rescinded or modified or limited in connection with any bankruptcy or reorganization or other similar proceedings, and (iv) covenants that this Guaranty will not be discharged except by complete performance of WSJM's obligations under and contained in the Agreement. Without limiting the generality of the preceding clause (ii), Guarantor specifically agrees that it shall not be necessary or required and that it shall not be entitled to require that Utility or either of them file suit or proceed to obtain or assert a claim for any judgment against WSJM or make any effort to enforce the Agreement or exercise or assert any other right or remedy to which Utility or either of them is or may be entitled in connection with the Agreement or any security or Guaranty or assert or file any claim against the assets of WSJM or any other person before or as a condition of enforcing the liability of Guarantor under this Guaranty or at any time thereafter

2Miscellaneous

2.1 This Guaranty is made to Utility solely for its benefit and may not be assigned by Utility except in connection with and contemporaneously with an assignment of the Agreement as permitted therein, and any other purported assignment shall be void and of no force and effect.

2.2 Guarantor agrees that it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation; provided, however, that Guarantor may consolidate with or merge into, or sell or otherwise transfer all or substantially all of its assets as an entirety (and may thereafter dissolve) to, another corporation incorporated and existing under the laws of the United States or one of the states thereof, provided that, in the event that Guarantor is not the surviving, resulting or transferee corporation, as the case may be, such corporation, prior to such merger, consolidation, sale or transfer, assumes, by delivering to Utility an instrument in writing satisfactory in form and substance to Utility, all of the obligations of Guarantor herein.

Attachment 1—Page 2

- 2.3No remedy herein conferred upon Utility is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty or now or hereafter existing at law or in equity.
- 2.4The obligations of Guarantor hereunder shall be continuing and irrevocable. This Guaranty constitutes the entire agreement and supersedes all prior agreements and understandings both written and oral among Guarantor and Utility with respect to the subject matter hereof. No modification or waiver of this Guaranty shall be binding upon Utility or Guarantor unless such modification or waiver shall be in writing and signed by an officer of each of Utility and of Guarantor.
- 2.5This Guaranty shall be construed in accordance with and governed by the laws of the State of New Mexico. Wherever possible each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guaranty shall be prohibited by or invalid under such law, such provisions shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Guaranty. THE GUARANTOR HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO, THIS GUARANTY, OR THE ACTIONS OF THE BENEFICIARY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.
- 2.6Each and every default of WSJM in performance of any obligation under the Agreement shall give rise to a separate cause of action hereunder, and separate suits may, but need not, be brought hereunder as each claim or cause of action arises.
- 2.7All payments by Guarantor to Utility shall be made in United States Dollars to the account designated by Utility and shall be paid within fifteen (15) days after receipt by Guarantor from Utility of written demand for such payment and shall not be the subject of any offset against any amounts which may be owed by Utility to Guarantor.
- 2.8Guarantor agrees to pay all costs, expenses and fees, including all reasonable attorneys' fees, which may be incurred by Utility in enforcing this Guaranty, whether by suit or otherwise, to the extent Utility is the prevailing party.
- 2.9This Guaranty shall terminate automatically in the event the Agreement is terminated prior to the "Effective Date" under the Agreement.
- 2.10For purposes of notice under this Guaranty, Guarantor's address is as follows: Westmoreland Mining, LLC

Attn: Scott Sturm, Chief Commercial Officer 300, 9540
South Maroon Circle
Englewood, CO 80112-5730

Attachment 1—Page 3

And

Westmoreland Mining, LLC
Attn: Jeremy Cottrell, General Counsel
300, 9540 South Maroon Circle
Englewood, CO 80112-5730

The Utility's addresses are as follows:

Public Service Company of New Mexico Attn: Patrick
Apodaca, General Counsel 414 Silver Ave SW
Albuquerque, NM 87102-3289

And

Public Service Company of New Mexico
Attn: Tom Fallgren, Vice President, PNM Generation
414 Silver Ave SW
Albuquerque, NM 87102-3289

Any notice provided for in this Guaranty shall be in writing, signed by an officer of the party giving such notice and shall be deemed to be properly and sufficiently given or made if sent by registered or certified mail to the above address or such substitute address as provided in writing pursuant to this notice provision.

[Remainder of page intentionally blank]

Attachment 1—Page 4

Coal Supply Agreement

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be executed on its behalf by its officers thereunto duly authorized.

WESTMORELAND MINING, LLC

By: _____

Name: _____

Title: _____

ATTEST:

By: _____

Name: _____

Title: _____

Attachment 1—Page 5

AMENDMENT NO. 3 TO COAL SUPPLY AGREEMENT

THIS AMENDMENT NO. 3 TO COAL SUPPLY AGREEMENT ("Amendment No. 3"), dated as of January 1, 2020, is by and between WESTMORELAND SAN JUAN MINING LLC, a Delaware limited liability company ("WSJM") and PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation ("Utility"). WSJM and Utility may be referred to herein individually as a "Party" and collectively as the "Parties".

RECITALS

WHEREAS, WSJM and Utility are parties to the Coal Supply Agreement dated as of July 1, 2015 ("CSA"), for the supply of coal for consumption in San Juan Generating Station ("SJGS");

WHEREAS, Amendment No. 1 to the CSA ("Amendment No. 1"), establishes, among other things, the Sulfur Blending Charge, as defined in CSA §8.1(I), and the Sulfur Blending Program, as defined in CSA §5.2(E);

WHEREAS, actual and forecasted coal sales volumes for SJGS have significantly decreased since the adoption of Amendment No. 1;

WHEREAS, WSJM has provided Utility with information demonstrating that, due to the overall reduction in actual and forecasted coal sales volumes subsequent to the effectiveness of Amendment No. 1, WSJM would experience unrecovered mine development costs if WSJM were to comply with the requirements that "The gate roads for Panel 405 will be extended so that the set-up room of Panel 405 will be no further west than the set-up rooms for Panels 401 – 404", set forth in Mine Plan Modifications §1.a of Exhibit P (Sulfur Blending Program) to the CSA ("Panel 405 Development Requirement");

WHEREAS, WSJM has requested relief from the Panel 405 Development Requirement, or alternately, relief in the form of increased compensation for the unrecovered mine development costs if WSJM satisfies the Panel 405 Development Requirement;

WHEREAS, PNM and the other owners of SJGS desire to obtain the lower sulfur coal available by having WSJM comply with the Panel 405 Development Requirement.

AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Amendments: Articles 1 and 8 and Exhibit Q of the CSA are amended as follows:

1.1 Section 1.29 is amended by adding the following definition:

(CCC) "Panel 405 Development Adder", defined in Section 8.1(I)a.

1.2 Section 8.1(I) of the CSA, Compensation, is hereby amended by adding the following paragraph as Subsection a:

a. Panel 405 Development Adder: The Sulfur Blending Charge in §8.1(I) shall be increased by \$0.38/per ton for all applicable Tier 1 Ton Tonnage Allocation Amounts effective July 1, 2019 and continuing through the remainder of the Term.

1.3 Exhibit Q, Sulfur Blend Quarterly Price Adjustment Example, is modified to include the Panel 405 Development Adder as shown in attached Exhibit Q.

2. Other Terms and Conditions.

2.1 Defined Terms. All capitalized terms used in this Amendment No. 3 and not otherwise defined or modified herein shall have the meanings set forth in the CSA.

2.2 Full Force and Effect. Except as expressly amended by this Amendment No. 3, all other terms of the CSA and its amendments remain in full force and effect.

2.3 Counterparts. This Amendment No. 3 may be executed in one or more counterparts, including by facsimile or electronic signature, but each such counterpart shall be deemed an original and all such counterparts shall be deemed one and the same instrument.

2.4 Entire Amendment; Successors and Assigns. This Amendment No. 3 contains the entire understanding of the Parties and supersedes all prior agreements and understandings between the Parties relating to the subject matter herein. This Amendment No. 3 shall be binding upon and inure to the benefit of the Parties' respective successors and permitted assigns.

2.5 No Further Adjustments: WSJM acknowledges and agrees that it will request no further adjustments to the CSA, as amended, on its own behalf or on behalf of its parent company or any subsidiary or affiliate for increased Panel 405 development costs regardless of the number of tons consumed by San Juan Generating Station over the remaining term of the CSA.

[Signature(s) are on following page(s)]

Page 2 Amendment 3 to Coal Supply Agreement

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 3 as of the date first written above.

PUBLIC SERVICE COMPANY OF NEW MEXICO

WESTMORELAND SAN JUAN MINING

By: /s/ Thomas Fallgren

By: /s/ Jeremy D. Cottrell

Name: Thomas Fallgren

Name: Jeremy D. Cottrell

Title: VP PNM Generation

Title: Secretary

Page 3 Amendment 3 to Coal Supply Agreement

AMENDMENT NO. 4 TO COAL SUPPLY AGREEMENT

THIS AMENDMENT NO. 4 TO COAL SUPPLY AGREEMENT ("Amendment No. 4"), dated as of January 1, 2020 ("Effective Date"), is by and between WESTMORELAND SAN JUAN MINING LLC, a Delaware limited liability company ("WSJM") and PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation ("Utility"). WSJM and Utility may be referred to herein individually as a "Party" and collectively as the "Parties".

RECITALS

WHEREAS, during the 2019 AOP process, Utility submitted a burn plan as required under CSA §7.2(C) and which included a schedule to consume all of the San Juan Station coal inventory during the remaining Term of the CSA, including coal known as "Force Majeure Coal" that is stored in static storage piles at San Juan Station;

WHEREAS, the 2019 Annual Operating Plan for San Juan Station includes Utility's planned consumption of the total San Juan Station coal inventory;

WHEREAS, a dispute has arisen over Utility's contractual right, during the Term of the CSA, to consume the Force Majeure Coal and whether consumption of the Force Majeure Coal would financially harm WSJM;

WHEREAS, Utility has additional, non-Force Majeure Coal inventory located at the San Juan Station site, as more fully described herein, that it desires to transport and consume;

WHEREAS, the Parties have agreed on terms of settlement to resolve the dispute and wish to incorporate such terms into the CSA and make other related revisions to the CSA as set forth in this Amendment No. 4.

AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Amendments: Articles 1, 2 and 8 of the CSA are amended as follows:

| 1.1 Article 1 is amended by adding the following definitions:

| | 1.4(a) Force Majeure Coal

| | "Force Majeure Coal" shall mean coal contained in the isolated coal pile, located on San Juan Station property, shown on attached Exhibit R and identified as "Force Majeure".

| | 1.4(b) A-B Stackout Coal

“A-B Stackout Coal” shall mean the coal contained under and around the A-B Coal Stackout structures as shown in Exhibit R and identified as “A” and “B,” respectively.”

1.2 Section 1.9 is amended by adding the following sentences to the end of Section 1.9:

“Utility shall make Force Majeure Coal and A-B Stackout Coal available to WSJM as a direct physical substitute for a like amount of Preexisting Stockpile Coal. The Force Majeure Coal and A-B Stackout Coal shall be treated as Preexisting Stockpile Coal for purposes of billing.”

1.3 Section 1.21 is deleted in its entirety and replaced with the following:

“Section 1.21 Tier 1 Price”

The Tier 1 Price shall be \$35.30 per ton as adjusted by the Quarterly Price Adjustment. Effective January 1, 2020, the Tier 1 Price shall be \$35.30 per ton as adjusted by the Quarterly Price Adjustment, then reduced by \$0.75/ton. The \$0.75/ton reduction shall be subjected to a one-time true up at the end of the Term. The \$0.75/ton reduction shall be increased or decreased based on the number of Force Majeure and A-B Stackout Coal tons delivered above or below 496,427 tons, respectively.”

1.4 Section 1.29 is amended by adding the following definition:

“(DDD) “End of Term True-Up”, defined in Section 8.7(C)”

1.5 Section 2.1 is hereby amended by deleting “and” from the end of Section 2.1(I), deleting the period and adding “, and” to the end of Section 2.1(J), and adding the following new paragraph (K):

“(K) To economically and efficiently integrate the Force Majeure Coal and A-B Stackout Coal into WSJM’s coal delivery system by blending and/or evenly distributing it with Processed Coal and delivering it to the Delivery Points.”

1.6 Section 2.2 is hereby amended by deleting “and” at the end of subsection (A), renumbering current subsection (B) to (C) and inserting the following as subsection (B):

“(B) To provide WSJM an estimated 550,000 tons of Force Majeure Coal and A-B Stackout Coal as a substitute for a like amount of Preexisting Stockpile Coal on a schedule to be determined by the Parties; and”

1.7 Section 8.1 is amended by adding the following sentence at the end of Section 8.1(C):

“For clarity, any coal that SJCC re-delivers to San Juan Station and that belongs exclusively to Tucson Electric Power Company is excluded from the calculations in this Section 8.1(C).”

1.8Section 8.7 is amended as follows:

A. Section 8.7(A) is amended by adding the following sentence after the first sentence in the second paragraph:

“The Monthly Report shall include a breakdown of the number of Force Majeure Coal Tons and A-B Stackout Tons delivered; the number of tons of redelivered coal delivered belonging exclusively to Tucson Electric Power in addition to Processed Coal delivered.”

B. Section 8.7 is amended by inserting the following as new Subsection 8.7(C) and renumbering the remaining sections:

“(C) End of Term True-Up

At the end of the Term, the \$0.75/ton reduction in the Tier 1 Price that became effective on January 1, 2020 shall be adjusted proportionately by the actual number of Force Majeure and A-B Stackout Coal tons provided by the Utility and a one-time true up payment calculated and paid. The End of Term True-Up shall be paid by WSJM to the Utility in the event the Utility supplies more than 496,427 combined tons of Force Majeure and A-B Stackout Coal, and the End of Term True-Up shall be paid by Utility to WSJM in the event the Utility provides less than 496,427 of Force Majeure and A-B Stackout Coal to WSJM. An example follows:

Actual Force Majeure and A-B Stackout Coal tons provided \div 496,427 \times \$0.75 = adjusted inventory price” (rounded to two decimal places)

Adjusted inventory price - \$0.75 = Tier 1 price adjustment

An example of calculating the End of Term True-Up is as follows:

Total Force Majeure and A-B Stackout Coal delivered = 550,000 tons

Adjusted inventory price = 550,000 \div 496,427 \times \$0.75 = \$.83

Thus, the end of contract adjustment would be as follows:

Tier 1 price adjustment = \$.83 - \$.75 = \$.08

End of Term True Up = \$.08 \times 4.9M Tier 1 Tons = \$392,000.00”

1.9Exhibit R, SJGS Coal Stockpiles, shall be added to the CSA in the form of Attachment A to this Amendment No. 4.

1.10 The list of Exhibits and Attachments to the CSA is amended by adding the following:

“Exhibit R SJGS Coal Stockpiles”

2. Other Terms and Conditions.

2.1 Defined Terms. All capitalized terms used in this Amendment No. 4 and not otherwise defined or modified herein shall have the meanings set forth in the CSA.

2.2 Full Force and Effect. Except as expressly amended by this Amendment No. 4, all other terms of the CSA and its amendments remain in full force and effect.

2.3 Counterparts. This Amendment No. 4 may be executed in one or more counterparts, including by facsimile or electronic signature, but each such counterpart shall be deemed an original and all such counterparts shall be deemed one and the same instrument.

2.4 Entire Amendment; Successors and Assigns. This Amendment No. 4 contains the entire understanding of the Parties and supersedes all prior agreements and understandings between the Parties relating to the subject matter herein. This Amendment No. 4 shall be binding upon and inure to the benefit of the Parties' respective successors and permitted assigns.

[Signatures are on following pages]

Page 4 Amendment 4 to Coal Sales Agreement

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 4 as of the Effective Date.

PUBLIC SERVICE COMPANY OF NEW MEXICO WESTMORELAND SAN JUAN MINING

By: /s/ Thomas Fallgren

Name: Thomas Fallgren

Title: VP PNM Generation

By: /s/ Jeremy D. Cottrell

Name: Jeremy D. Cottrell

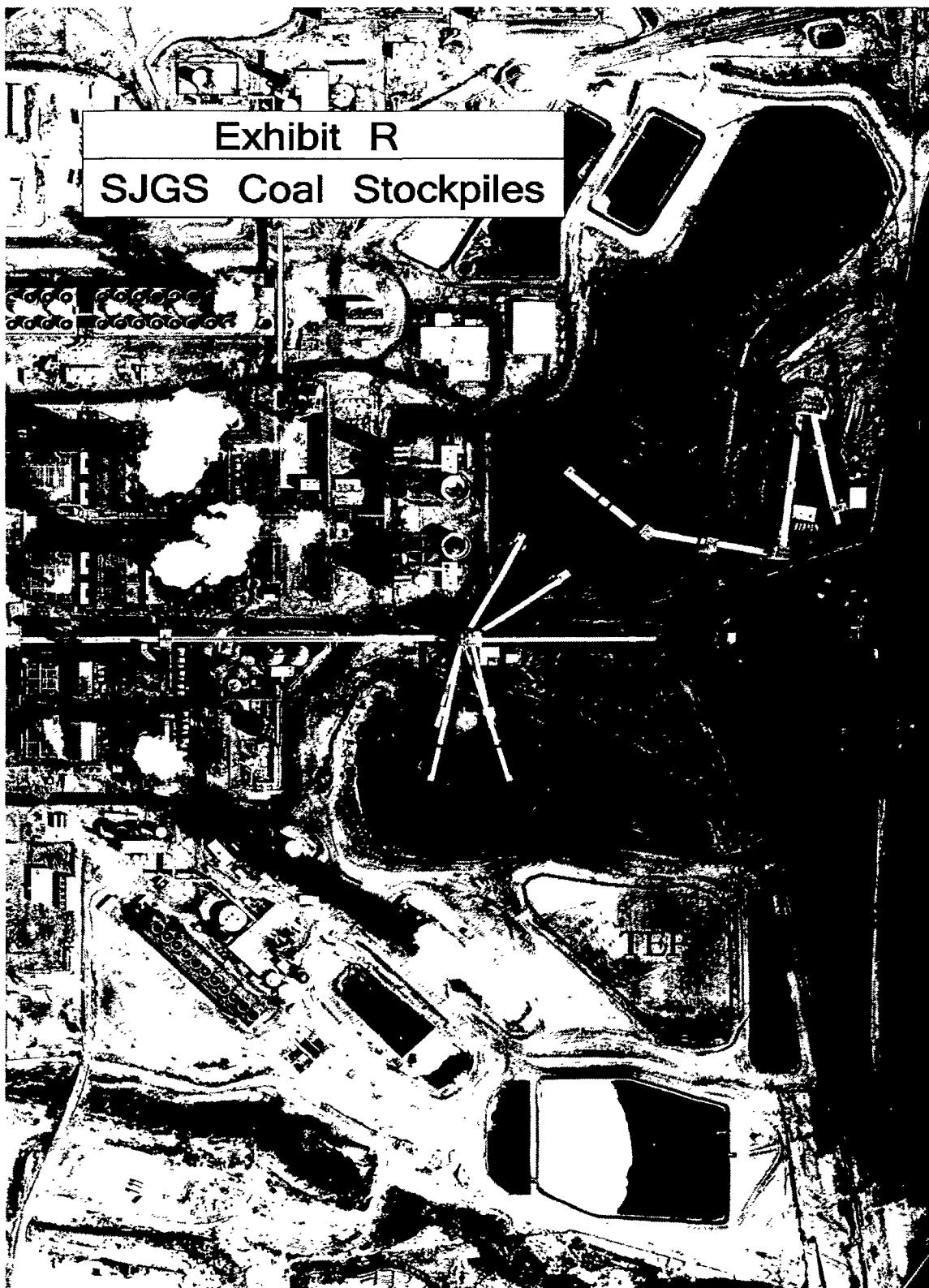
Title: Secretary

Page 5 Amendment 4 to Coal Sales Agreement

Attachment A to CSA Amendment No. 4
Exhibit R to be added to the CSA

Exhibit R

SJGS Coal Stockpiles



PNM RESOURCES, INC.
2020 OFFICER ANNUAL INCENTIVE PLAN

Introduction

PNM Resources, Inc. (the “Company” or “PNMR”) has adopted this 2020 Officer Annual Incentive Plan (the “Plan”) for the purpose of providing annual cash-based incentive awards (each an “Award”) to eligible Officers (as defined below). The Awards payable to Officers under the Plan are intended to qualify as Performance Cash Awards granted pursuant to Section 7.2 of the PNM Resources, Inc. 2014 Performance Equity Plan (the “PEP”). For the avoidance of doubt, the Awards are not intended to qualify as Performance-Based Awards granted pursuant to Section 10 of the PEP.

Capitalized terms used in the PEP and not otherwise defined in this Plan document have the meanings given to them in the PEP.

Eligibility

All Officers of the Company are eligible to participate in the Plan. For purposes of the Plan, the term “Officer” means any employee who: (1) has the title of Chief Executive Officer, Executive Vice President, Senior Vice President or Vice President; and (2) who is in salary grade H18 or higher.

Award Determinations in General

Awards are based on: (1) the Incentive Earnings Per Share (“Incentive EPS”) levels (as described below and as set forth in Table 1 of Attachment A) for the Performance Period; (2) the weighting between Corporate and Business Area Goals (as set forth in Table 2 of Attachment A); and (3) Award levels (as set forth in Table 3 of Attachment A) achieved during the Performance Period. The Performance Period began on January 1, 2020 and will end on December 31, 2020.

An Officer’s Award will equal the Officer’s share of the Incentive EPS Award Pool as described below. If, however, the Officer’s share of the appropriate Performance Award Pool as described below is less than the Officer’s share of the Incentive EPS Award Pool, the Officer will receive the smaller amount.

An Officer’s share of the Incentive EPS Award Pool or the Performance Award Pool (each, an “Award Pool”), as applicable, will be based upon the amount potentially payable to the Officer for the attained level of performance (Threshold, Target or Maximum, as determined in accordance with Table 3 of Attachment A), as compared to the aggregate amounts potentially payable for the attained level of performance to all of the Officers who are entitled to share in that Award Pool. In determining the amount potentially payable to an Officer, the Officer’s base salary will be determined as of December 31, 2020. In no event will the amount payable to an Officer exceed the indicated percentage of the Officer’s base salary for the attained performance level set forth in

Table 3 of Attachment A. In addition, in no event will the amount payable to one Officer be increased due to a decrease in the amount payable to any other Officer.

Incentive EPS Award Pool

In order for any Awards to be payable to eligible Officers, the Company must achieve the Threshold Incentive EPS level set forth in Table 1 of Attachment A. If the Company does not achieve the Threshold Incentive EPS level (calculated before any charges for amounts due pursuant to this Plan), no Awards are payable under the Plan to any Officer. If the Company achieves the Threshold Incentive EPS level (calculated before any charges for amounts due pursuant to this Plan), but the charges for amounts due pursuant to this Plan reduce the Incentive EPS to an amount below the Threshold Incentive EPS level, the Threshold level Incentive EPS Award Pool shall be reduced by the amount necessary to assure that the Incentive EPS is equal to the Threshold Incentive EPS level, unless the Committee, in the exercise of its discretion concludes that no Awards should be payable.

If the Threshold, Target or Maximum Incentive EPS levels set forth in Table 1 of Attachment A are achieved, the aggregate potential Awards payable to the Officers at that level of performance (e.g., the aggregate level of Awards payable at Threshold, Target or Maximum set forth in Table 3 of Attachment A) will make up the “Incentive EPS Award Pool.” If the actual Incentive EPS exceeds the minimum level for a performance level by at least \$0.01, but is less than the maximum level for that performance level (e.g., if the actual Incentive EPS exceeds \$2.16 but is less than \$2.20), the Incentive EPS Award Pool will be increased by using straight-line interpolation between the size of the Incentive EPS Award Pool based on the attained level (e.g., Threshold) and the size of the Incentive EPS Award Pool at the next higher level (e.g., Target). The Committee has the discretion to increase the Incentive EPS Award Pool by a lesser amount than would otherwise apply under straight-line interpolation. The Incentive EPS Award Pool is capped by the aggregate Maximum Awards set forth in Table 3 of Attachment A for all eligible Officers.

Performance Award Pool

A Corporate Goals Scorecard and Business Area Goals Scorecard listing each performance measure established by the Committee will be maintained by the PNMR Services Company Human Resources Department. As set forth in Table 2 of Attachment A, the performance of the Chief Executive Officer and the Senior Officers (the Executive Vice President and the Senior Vice Presidents) are measured 100% on the Corporate Goals Scorecard. Vice Presidents are measured 60% on the Corporate Goals Scorecard and 40% on the Business Area Goals Scorecard.

The “Performance Award Pool” for each Business Area is the amount that could be paid in the aggregate to the Vice Presidents assigned to that Business Area based on performance alone, determined by using the following multi-step process:

- a)Select the scorecard results from the appropriate Corporate Goals Scorecard and Business Area Goals Scorecard;
- b)Then multiply each result by the appropriate weighting for the scorecard as set forth in Table 2 of Attachment A;

- c) Then multiply the total Vice President salaries for that Business Area by the Target Award Level as set forth in Table 3 of Attachment A;
- d) Then multiply the result of each scorecard (Step b), expressed as a percentage of Target, by the aggregate base salaries of the Vice Presidents included in that Business Area (Step c); and
- e) Sum the results for the Vice President participants.

The Performance Award Pool for the Chief Executive Officer and the Senior Officers will be constructed by using the same process but will be based solely upon the Corporate Goals Scorecard.

Award Approval and Payout Timing

In early 2021, management will review the level of Awards, if any, and will provide the final Awards calculation to the Committee. The Committee will review the level of Awards and the Awards calculation and will approve the Awards for all Officers, other than the Chief Executive Officer. The independent directors of the Board will approve the Chief Executive Officer's Award. To the extent Awards are payable under the Plan, the Company will make the payment on or before March 15, 2021 in a single lump sum cash payment, subject to applicable withholding.

The Committee shall retain the authority to adjust the Incentive EPS Award Pool and the Performance Award Pool, to adjust the level of attainment of the Incentive EPS or Corporate Goals and Business Area Goals Scorecards or to otherwise increase or decrease the amount payable with respect to any Award made pursuant to this Plan.

Provisions for a Change in Control

If a Change in Control occurs during the Performance Period and the Officer remains employed by the Company or an Affiliate at the end of the Performance Period, the Officer may be entitled to receive an Award for the Performance Period as determined in accordance with the provisions of this Plan. If the Plan is modified after the occurrence of a Change in Control in a manner that has the effect of reducing the amounts otherwise payable under the Plan, an Officer who remains employed by the Company or an Affiliate at the end of the Performance Period will receive, at a minimum, an Award equal to 50% of the Maximum Award available under this Plan for the Performance Period.

If an Officer terminates employment with the Company or an Affiliate during the Performance Period due to a Qualifying Change in Control Termination, the Officer may be entitled to receive a special payment pursuant to the PNM Resources, Inc. Officer Retention Plan in lieu of any payments under this Plan.

Pro-rata Awards for Partial Service Periods

In certain circumstances (as set forth below) Officers may or may not be eligible for a pro-rata Award under the Plan.

The following Officers are not eligible for any Award, including a pro-rata Award:

- Officers who terminate employment with the Company or an Affiliate on or before the date on which Awards are distributed for the Performance Period for any reason other than death, Impaction (as defined in the PNM Resources, Inc. Non-Union Severance Pay Plan), Retirement or Disability. As noted above, Officers who terminate employment with the Company or an Affiliate during the Performance Period due to a Qualifying Change in Control Termination may be entitled to receive a special payment pursuant to the PNM Resources, Inc. Officer Retention Plan in lieu of any payments under this Plan.

- Officers who elect voluntary separation or Retirement in lieu of termination for performance or misconduct.

The following Officers may be eligible for a pro-rata Award:

- Officers who are newly hired during the Performance Period and are employed by the Company or an Affiliate on the day on which Awards are distributed for the Performance Period.
- Employees or Officers who are promoted, transferred or demoted during the Performance Period and are employed by the Company or an Affiliate on the day on which Awards are distributed for the Performance Period. An employee or Officer who is promoted, transferred or demoted during the Performance Period and subsequently terminates employment due to death, Impaction, Retirement or Disability during the Performance Period will remain eligible for a pro-rata Award.
- Officers who are on leave of absence for any full month(s) during the Performance Period and are employed by the Company or an Affiliate on the day on which Awards are distributed for the Performance Period.
- Officers who terminate employment with the Company or an Affiliate during the Performance Period due to Impaction (as defined in the PNM Resources, Inc. Non-Union Severance Pay Plan), Retirement or Disability.
- Officers who die during the Performance Period, in which case the Award will be paid to the spouse of a married Officer or the estate of an unmarried Officer.

If an Officer is eligible for a pro-rata Award, it will be calculated based on the number of full month(s) that the Officer was actively employed at each eligibility level during the Performance Period compared to the number of full months included in the Performance Period. (Note: Only months in which the Officer is actively employed on the payroll on the first and last day of the month will count as a full month.) If an Officer who is eligible for a pro-rata Award is not employed on December 31, 2020, the pro-rata Award for the eligible Officer will be calculated using the Officer's base salary on the date of his termination of employment. Any pro-rata Award to which an Officer becomes eligible pursuant to this paragraph will be paid to the Officer in a single lump sum cash payment subject to applicable withholding, on or before March 15, 2021.

Ethics

The purpose of the Plan is to fairly reward performance achievement. Any Officer who manipulates or attempts to manipulate the Plan for personal gain at the expense of customers, shareholders, other employees or the Company or its Affiliates will be subject to disciplinary action, up to and including termination of employment, and will forfeit and be ineligible to receive any Award under the Plan.

Continuation of Employment

This Plan does not confer upon any Officer any right to continue in the employment of the Company or any Affiliate and does not limit the right of the Company or any Affiliate, in its sole discretion, to terminate the employment of any Officer at any time. This Plan also does not limit any right that the Company or any Affiliate has to terminate the employment of any Officer in accordance with any written employment agreement the Company and Officer may have.

Clawbacks

All Awards issued under this Plan are subject to potential forfeiture or recovery to the fullest extent called for by the Company's Clawback Policy. By accepting an Award, an Officer consents to the Clawback Policy and agrees to be bound by and comply with the Clawback Policy and to return the full amount required by the Clawback Policy.

Amendments

The Committee, in its sole discretion, reserves the right to adjust, amend or suspend the Plan during the Performance Period. The Senior Vice President and General Counsel is hereby authorized to correct any typographical or similar errors in the Plan and any other documents issued in connection with the Plan.

/s/ Patrick Apodaca
Patrick V. Apodaca
SVP and General Counsel

Dated: March 30, 2020

ATTACHMENT A

Incentive EPS Table
(Table 1)

Incentive EPS _i	
No Award	Less than \$2.16
Threshold	Greater than or equal to \$2.16 and less than \$2.20
Target	Greater than or equal to \$2.20 and less than \$2.26
Maximum	Greater than or equal to \$2.26

Scorecard Weighting Table
(Table 2)

Scorecard Results		
Scorecard Level	Corporate Weighting	Business Area Weighting
CEO & Senior Officers	100%	0%
Vice Presidents	60%	40%

Award Levels Table
(Table 3)

Award Levels	Threshold	Target	Maximum
CEO	57.5%	115%	230%
EVP	37.5%	75%	150%
SVP	27.5%	55%	110%
Vice-Presidents	20%	40%	80%

ⁱ Equals PNMR's diluted EPS for the fiscal years ending December 31, 2020 calculated in accordance with Generally Accepted Accounting Principles and reported in the Company's Form 10-K for PNMR adjusted to exclude the following items: (1) mark-to-market impact of economic hedges. (2) regulatory disallowances. (3) net change in unrealized gains and losses on investment securities. (4) gains or losses on reacquired debt. (5) goodwill or other asset impairments. (6) impacts of acquisition and disposition activities, including but not limited to pension expense or income associated with Public Service Company of New Mexico's ("PNM") former gas utility operations. (7) impact of the Company's adoption of an accounting pronouncement or the Company's adoption of a change in accounting pronouncement on or after February 21, 2020. (8) the loss, impairment, or write-up of any deferred tax asset or liability that was earned and recognized in a prior tax year, but that must be revalued in the current year. (9) judgments entered or settlements reached in litigation or other regulatory proceedings. (10) increases or decreases in the liabilities associated with PNM's retired generating stations, including but not limited to expenses incurred in demolition or environmental work of such generating stations. (11) costs associated with process improvement initiatives. (12) expected credit loss allowances or reversals, and (13) changes to the liabilities associated with mine reclamation costs including but not limited to (a) changes in the discount rate used to measure those liabilities. (b) an early retirement of generating stations or (c) actions taken by the New Mexico Public Regulation Commission.

PNM RESOURCES, INC.
2020 LONG-TERM INCENTIVE PLAN

Introduction

- The 2020 Long-Term Incentive Plan (the “Plan” or the “2020 Plan”) provides eligible Officers of PNM Resources, Inc. (the “Company” or “PNMR”) with the opportunity to earn Performance Share Awards (70% of the total opportunity) and time-vested Restricted Stock Rights Awards (30% of the total opportunity). For purposes of the Plan, “Officer” means any Officer of the Company who: (1) has the title of Chief Executive Officer, Executive Vice President, Senior Vice President or Vice President; and (2) who is in salary grade H18 or higher.
- The number of Performance Shares earned by an Officer for the Performance Period (as described below) will depend on the Officer’s position (e.g., Chief Executive Officer, Executive Vice President, Senior Vice President or Vice President), the Officer’s base salary and the Company’s level of attainment of (1) an Earnings Growth Goal, (2) a Relative TSR Goal and (3) a FFO/Debt Ratio Goal, as described below and in Attachment A.
- The number of time-vested Restricted Stock Rights granted to an Officer at the end of each Performance Period will depend on the Officer’s position, the Officer’s base salary and the discretion of the Committee.

Performance Period

- The Performance Period began on January 1, 2020 and will end on December 31, 2022.

Performance Goals

- The number of Performance Shares that an Officer will receive for the Performance Period will depend on the Company’s level of attainment of an Earnings Growth Goal, a Relative TSR Goal and a FFO/Debt Ratio Goal.
- These goals and the corresponding Awards are described in the Performance Goal Table (Attachment A).

Performance Share Award Opportunities

- The Company’s level of attainment (Threshold, Target or Maximum) of the Earnings Growth Goal, Relative TSR Goal and the FFO/Debt Ratio Goal determines the level of the Officer’s Performance Share Awards.
- An Officer’s Performance Share Award opportunities also will vary depending on the Officer’s position and the Officer’s base salary, all as determined in accordance with the Performance Share Award Opportunity Table (Attachment B).
- For purposes of determining the number of Performance Shares to which an Officer is entitled at any particular Award level, the value of one Performance Share shall be equal to the Fair Market Value of one share of the Company’s Stock on the relevant Grant Date and the Officer’s base salary shall equal the Officer’s base salary as of the first day of the Performance Period.

Time-Vested Restricted Stock Rights Award Opportunities

- After the Performance Period (generally between the next following January 1 and March 15), the Committee will consider whether to grant time-vested Restricted Stock Rights Awards to the participating Officers.
- If the Committee, with the approval of the Board, decides to make a time-vested Restricted Stock Rights Award to a particular Officer, it must adopt a written resolution to that effect. In the resolution, the Committee will establish the Grant Date for the time-vested Restricted Stock Rights Award.
- An Officer's time-vested Restricted Stock Rights Award opportunity will vary depending on the Officer's position and the Officer's base salary, all as determined in accordance with the attached Time-Vested Restricted Stock Rights Award Opportunity Table (Attachment C). The Committee reserves the discretion to grant an Award that is less than the opportunity set forth in the Time-Vested Restricted Stock Rights Award Opportunity Table or to grant no time-vested Restricted Stock Rights Award to a particular Officer.
- For purposes of determining the number of time-vested Restricted Stock Rights to which an Officer will be entitled, the value of one time-vested Restricted Stock Right shall be equal to the Fair Market Value of one share of the Company's Stock on the Grant Date specified in the Committee's resolution and the Officer's base salary shall equal the Officer's base salary on the Grant Date.

Other Provisions

- All of the Awards will be made pursuant to the PNM Resources, Inc. 2014 Performance Equity Plan, as amended (the "PEP") or any successor to the PEP. Any references in the Plan to the PEP shall be deemed to be a reference to the corresponding provisions of any successor to the PEP.
- All of the Awards will be subject to the standard Terms and Conditions attached hereto as Attachment D.
- The Grant Date for the Performance Share Awards is March 3, 2020 (the first trading day after expiration of the current black-out period, as determined in accordance with the Company's Equity Compensation Awards Policy).
- A prorated Performance Share Award will be provided to an Officer who has a Separation from Service in the second half of the Performance Period (in other words, between July 1, 2021 and December 31, 2022) due to death, Disability, Retirement or Impaction. A prorated Performance Share Award will not be paid to an Officer who incurs a Separation from Service for any of these reasons during the first half of the Performance Period or to an Officer who incurs a Separation from Service for any other reason other than a Qualifying Change in Control Termination prior to the last day of the Performance Period.
 - The prorated Performance Share Award will be calculated at the end of the Performance Period based on actual performance during the Performance Period. The proration will be made based on the number of full months of service completed by the Officer during the Performance Period, using the proration rules described in Section 11.1(a)(iv)(2) of the PEP. The prorated Performance Share Award then will be paid at the same time as Awards are paid to other participants in the Plan.

- Notwithstanding any provision in the Plan to the contrary, the Company’s Executive Vice President, Corporate Development and Finance (determined as of the Grant Date for the Performance Share Awards) shall be entitled to a full (rather than a prorated) Performance Share Award, calculated at the end of the Performance Period based on actual performance during the Performance Period, if he has a Separation from Service at any time during the Performance Period for reasons other than for Cause.
- Upon an Officer’s Separation from Service at any time during the Performance Period due to a Qualifying Change in Control Termination, a prorated portion of the Performance Shares will vest at the end of the Performance Period based on the level of achievement of the performance goals in accordance with the applicable provisions of the PEP.
- If an individual ceases to be an Officer during a Performance Period but remains employed by the Company or its Affiliates, the Committee may pay a prorated Performance Share Award to the former Officer on such terms and conditions as the Committee deems to be appropriate as long as the individual was an Officer for at least half of the Performance Period. If an individual ceases to be an Officer during the Performance Period and subsequently terminates employment due to death, Disability, Retirement or Impaction, the Committee may pay a prorated Performance Share Award to the former Officer, provided the individual was an Officer for at least half of the Performance Period.
- If an individual becomes an Officer during a Performance Period, the Committee may grant a prorated Performance Share Award to the new Officer on such terms and conditions as the Committee deems to be appropriate.
- For the avoidance of doubt, the Performance Share Awards are not intended to qualify as Performance-Based Awards granted pursuant to Section 10 of the PEP. As a result, such Awards are not subject to the requirements of Section 10 of the PEP.
- All Awards issued under this Plan are subject to potential forfeiture or recovery to the fullest extent called for by the Company’s Clawback Policy. By accepting an Award, an Officer consents to the Clawback Policy and agrees to be bound by and comply with the Clawback Policy and to return the full amount required by the Clawback Policy.

/s/ Patrick Apodaca
Patrick V. Apodaca
SVP and General Counsel

Dated: March 30, 2020

ATTACHMENT A
Performance Goal Table

Goal	Threshold Level ¹	Target Level ¹	Maximum Level ^{1,2}
Earnings Growth ³ If the Company's Earnings Growth on the last day of the Performance Period places it in the Threshold, Target or Maximum Level range for the Performance Period, the Officer will be entitled to receive 50% of the Threshold, Target or Maximum Award as determined in accordance with the Performance Share Award Opportunity Table.	At least 2%, but less than 4%	At least 4%, but less than 6%	At least 6%
Relative TSR ⁴ If the Company's Relative TSR for the Performance Period places it in the Threshold, Target or Maximum Level range shown to the right, the Officer will be entitled to receive 25% of the Threshold, Target or Maximum Award as determined in accordance with the Performance Share Award Opportunity Table.	Greater than or equal to the 35th percentile and less than the 50th percentile	Greater than or equal to the 50th percentile and less than the 90th percentile	Greater than or equal to the 90th percentile
FFO/Debt Ratios If the Company's FFO/Debt Ratio on the last day of the Performance Period places it in the Threshold, Target or Maximum Level range for the Performance Period, the Officer will be entitled to receive 25% of the Threshold, Target or Maximum Award as determined in accordance with the Performance Share Award Opportunity Table.	At least 13%, but less than 14%	At least 14%, but less than 16%	At least 16%

¹ If the Company's Earnings Growth, Relative TSR or FFO/Debt Ratio falls between two Award levels (e.g., the Threshold Level and the Target Level shown in the Performance Goal Table), the number of Performance Shares to which an Officer is entitled will be interpolated between the two Award levels in accordance with uniform procedures prescribed by the Committee.

² In no event will an Officer receive more than the Maximum Award for an Officer of his or her level as listed in the Performance Share Award Opportunity Table.

³ Earnings Growth, for the Performance Period, will be calculated by measuring the compounded annual growth rate by dividing the Earnings Per Share (as defined below) for the year ended December 31, 2022, by the Earnings Per Share (as defined below) for the year ended December 31, 2019. The resulting earnings growth multiple will then be

multiplied to the 1/3 power and subtract 1. The calculation would be as follows: [(2022 Earnings Per Share/2019 Earnings Per Share)^(1/3)] -1.

Earnings Per Share for the above calculation equals PNMR's diluted EPS for the fiscal years ending December 31, 2019 and 2022 calculated in accordance with Generally Accepted Accounting Principles and reported in the Company's Form 10-K for PNMR adjusted to exclude the following items: (1) mark-to-market impact of economic hedges, (2) regulatory disallowances, (3) net change in unrealized gains and losses on investment securities, (4) gains or losses on reacquired debt, (5) goodwill or other asset impairments, (6) impacts of acquisition and disposition activities, including but not limited to pension expense or income associated with Public Service Company of New Mexico's ("PNM") former gas utility operations, (7) impact of the Company's adoption of an accounting pronouncement or the Company's adoption of a change in accounting pronouncement on or after February 21, 2020, (8) the loss, impairment, or write-up of any deferred tax asset or liability that was earned and recognized in a prior tax year, but that must be revalued in the current year, (9) judgments entered or settlements reached in litigation or other regulatory proceedings, (10) increases or decreases in the liabilities associated with PNM's retired generating stations, including but not limited to expenses incurred in demolition or environmental work of such generating stations, (11) costs associated with process improvement initiatives, (12) expected credit loss allowances or reversals, and (13) changes to the liabilities associated with mine reclamation costs including but not limited to (a) changes in the discount rate used to measure those liabilities, (b) an early retirement of generating stations or (c) actions taken by the New Mexico Public Regulation Commission.

⁴ The "Relative TSR" Goal refers to the Company's "Total Shareholder Return" for the Performance Period as compared to the "Total Shareholder Return" of the other utilities included in the EEI Index.

For this purpose, the Total Shareholder Return of the Company and the other utilities included in the EEI Index will be determined by adding any dividends paid by the Company (or such other utilities) to the change in value of the Company's Stock (or the other utilities' common stock). The change in value shall be measured by comparing the "Beginning Stock Price" and "Ending Stock Price." The "Beginning Stock Price" is the average closing price of the Company's Stock (or the common stock of the other utilities) on the 20 trading days immediately preceding the first day of the Performance Period. The "Ending Stock Price" is the average closing price of the Company's Stock (or the common stock of the other utilities) on the last 20 trading days of the Performance Period.

⁵ The FFO/Debt Goal equals PNMR's funds from operations for the fiscal year ending December 31, 2022, divided by PNMR's total debt outstanding (including any long-term leases and unfunded pension plan obligations, excluding any outstanding debt associated with securitization) as of December 31, 2022. Funds from operations are equal to the amount of PNMR's net cash flow from operating activities (as reflected on the Consolidated Statement of Cash Flows) as reported in the Company's Form 10-K for PNMR adjusted by the following items: (1) including amounts attributable to principal payments on imputed debt from long-term leases, (2) excluding changes in PNMR's working capital, including bad debt expense, (3) excluding the impacts of any consolidation required by the Variable Interest Entities accounting rules and regulations, (4) subtracting the amount of capitalized interest, (5) excluding impacts on material changes to the federal and state tax rate (6) excluding any contributions to the PNMR or TNMP qualified pension plans, (7) excluding cash invested in cloud computing projects that are treated as operating cash flows, and (8) excluding impacts of securitization. The calculation is intended to be consistent with Moody's calculation of FFO/Debt (which Moody's refers to as "CFO Pre-WC/Debt") and includes any other adjustments be consistent with Moody's methodology as of February 21, 2020.

ATTACHMENT B
 Performance Share Award Opportunity Table

Officer Level	Threshold Award	Target Award	Maximum Award
CEO	Performance Shares = 101.5% of base salary	Performance Shares = 203% of base salary	Performance Shares = 406% of base salary
EVP	Performance Shares = 52.5% of base salary	Performance Shares = 105% of base salary	Performance Shares = 210% of base salary
SVP	Performance Shares = 29.75% of base salary	Performance Shares = 59.5% of base salary	Performance Shares = 119% of base salary
VP	Performance Shares = 17.5% of base salary	Performance Shares = 35% of base salary	Performance Shares = 70% of base salary

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ATTACHMENT C
Time-Vested Restricted Stock Rights Award Opportunity Table

Officer Level	Award
CEO	Restricted Stock Rights = 87% of base salary
EVP	Restricted Stock Rights = 45% of base salary
SVP	Restricted Stock Rights = 25.5% of base salary
VP	Restricted Stock Rights = 15% of base salary

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ATTACHMENT D
2020 LONG-TERM INCENTIVE PLAN
TERMS AND CONDITIONS

PNM Resources, Inc. (the “Company” or “PNMR”) has adopted the PNM Resources, Inc. 2014 Performance Equity Plan, as amended (the “PEP”) or any successor to the PEP. Pursuant to the PEP, the Committee has developed the PNM Resources, Inc. 2020 Long-Term Incentive Plan (the “Plan” or the “2020 Plan”) pursuant to which eligible Officers may receive Performance Share Awards and time-vested Restricted Stock Rights Awards.

All of the Awards granted under the 2020 Plan are made pursuant to the PEP and are subject to the provisions of the PEP. In addition, all of the Awards under the 2020 Plan are made subject to these Terms and Conditions. All of the terms of the PEP are incorporated into this document by reference.

Capitalized terms used in but not otherwise defined in this document shall have the meanings given to them in the PEP. Any references in the Plan to the PEP shall be deemed to be a reference to the corresponding provisions of any successor to the PEP.

| **1. Performance Share Awards.**

(a) Determination of Earnings Growth Goal, Relative TSR Goal and FFO/Debt Ratio Goal. The Committee will determine the Earnings Growth, Relative TSR and the FFO/Debt Ratio for the Performance Period and the Officer’s corresponding Performance Share Award, if any, by March 10, 2023. The Committee then will submit its recommendations to the Board of Directors for review and approval. The Performance Shares to which an Officer is entitled shall become payable at the times described below.

(b) Separation from Service; Forfeiture. Unless an Officer (or individual) qualifies for a prorated Award as described in the Plan due to a Qualifying Change in Control Termination, as the result of a Separation from Service during the second half of the Performance Period due to death, Disability, Retirement, or Impaction, or as otherwise described in the Plan, the Officer’s Award will be forfeited upon the Officer’s Separation from Service prior to the end of the Performance Period. If the Company terminates an Officer’s employment for Cause during or following the expiration of the Performance Period, all vested and unvested Performance Shares shall be canceled and forfeited immediately, regardless of whether the Officer elects Retirement. As described in the Plan, the Company’s Executive Vice President, Corporate Development and Finance (determined as of the Grant Date for the Performance Share Awards) shall be entitled to a full (rather than a prorated) Performance Share Award, calculated at the end of the Performance Period based on actual performance during the Performance Period, if he has a Separation from Service at any time during the Performance Period for reasons other than for Cause.

(c) Form and Timing of Delivery of Stock. All of the Performance Shares awarded and vested pursuant to the Plan will be paid in Stock on or before March 15 of the calendar year following the calendar year in which the Performance Period ends (in other words, by March 15, 2023). The Performance Shares granted under this Plan are intended to fit within the short-term deferral exception to Section 409A of the Code. If the Company determines that

the Performance Shares do not qualify for the short-term deferral exception to Section 409A, the restrictions described in Section 18.3 of the PEP will apply to the Performance Shares.

2. Time-Vested Restricted Stock Rights Awards.

(a) Vesting.

(1) Except as set forth below, the time-vested Restricted Stock Rights shall vest in the following manner: (i) 33% of the time-vested Restricted Stock Rights will vest on March 7, 2024; (ii) an additional 34% of the time-vested Restricted Stock Rights will vest on March 7, 2025; and (iii) the final 33% of the time-vested Restricted Stock Rights will vest on March 7, 2026 (each a “Vesting Date”).

(2) Upon an Officer’s involuntary or voluntary Separation from Service for any reason other than those set forth in Section 2(a)(3), the time-vested Restricted Stock Rights, if not previously vested, shall be canceled and forfeited immediately.

(3) Upon an Officer’s Separation from Service due to death, Disability, Retirement, Impaction or a Qualifying Change in Control Termination, any unvested time-vested Restricted Stock Rights shall become 100% vested in accordance with the applicable provisions of the PEP.

(b) Form and Timing of Delivery of Certificate. All of the time-vested Restricted Stock Rights awarded pursuant to this Plan will be paid in Stock in accordance with the following provisions:

(1) If any time-vested Restricted Stock Rights vest in accordance with Section 2(a)(1), the Officer will generally receive the Stock payable with respect to such vested time-vested Restricted Stock Rights within 90 days following each Vesting Date and in all cases by December 31 following the applicable Vesting Date.

(2) If any time-vested Restricted Stock Rights vest in accordance with Section 2(a)(3), the Officer will receive the Stock payable with respect to such time-vested Restricted Stock Rights within 90 days following the date of the Officer’s Separation from Service.

(3) If the 90-day period during which payments may be made pursuant to Section 2(a)(1) or (3) begins in one calendar year and ends in another, the Officer will receive the Stock in the second calendar year.

(4) All Stock will be awarded in accordance with the requirements of Section 409A of the Code and Section 18.3 of the PEP.

3. Adjustments. Neither the existence of the Plan nor the Awards shall affect, in any way, the right or power of the Company to make or authorize: any or all adjustments, recapitalizations, reorganizations, or other changes in the Company’s capital structure or its business; or any merger or consolidation of the Company; or any corporate act or proceeding, whether of a similar character or otherwise; all of which, and the resulting adjustments in, or impact on, the Awards are more fully described in Section 4.3 of the PEP.

4. Dividend Equivalents. An Officer will not be entitled to receive a dividend equivalent for any of the Performance Shares or time-vested Restricted Stock Rights granted under the Plan.

5. Withholding. The Company shall have the power to withhold, or require an Officer to remit to the Company, up to the maximum amount necessary to satisfy federal, state, and local tax withholding requirements in the applicable jurisdiction on any Award under the Plan, all in accordance with the provisions of the PEP.

6. Securities Law Compliance. The delivery of the time-vested Restricted Stock Rights or earned Performance Shares may be delayed to the extent necessary to comply with Federal securities laws.

7. Status of Plan and Administration. The Plan and these Terms and Conditions shall at all times be subject to the terms and conditions of the PEP and shall in all respects be administered by the Committee in accordance with the terms of and as provided in the PEP. The Committee shall have the sole and complete discretion with respect to the interpretation of the Plan, these Terms and Conditions and the PEP, and all matters reserved to it by the PEP. The decisions of the majority of the Committee shall be final and binding upon an Officer and the Company. In the event of any conflict between the terms and conditions of the Plan or these Terms and Conditions and the PEP, the provisions of the PEP shall control.

8. Waiver and Modification. The provisions of the Plan and these Terms and Conditions may not be waived or modified unless such waiver or modification is in writing signed by an authorized representative of the Committee.

9. Amendment or Suspension. The Committee, in its sole discretion, reserves the right to adjust, amend or suspend the Plan and these Terms and Conditions during the Performance Period except as otherwise provided in the PEP. The Senior Vice President and General Counsel is hereby authorized to correct any typographical or similar errors in the Plan, the Terms and Conditions and any other documents issued in connection with the Plan.

10. Ethics. The purpose of the Plan is to fairly reward performance achievement. Any Officer who manipulates or attempts to manipulate the Plan for personal gain at the expense of customers, shareholders, other employees, or the Company or its Affiliates will be subject to disciplinary action, up to and including termination of employment, and will forfeit and be ineligible to receive any Award under the Plan.

DISCRETIONARY AWARD Agreement

THIS AGREEMENT is entered into by and between PNMR Services Company (the "Company") and Charles N. Eldred ("Employee") (each, a "Party" and collectively, the "Parties") as of this 20th day of February, 2020 (the "Effective Date").

RECITALS

The Company anticipates that Employee's services will be critical through December 15, 2020 (the "Retention Date"). To encourage Employee to remain employed with the Company through the Retention Date and to incentivize Employee to devote substantially all of Employee's working time and skill to the service of the Company, the Company wishes to provide Employee with a Discretionary Award, as specified by this Agreement.

TERMS AND CONDITIONS

1. Term of Agreement.

This Agreement shall be effective as of the Effective Date and shall terminate automatically as of January 1, 2021 (the "Term").

2. Scope of Agreement; At Will Employment.

This Agreement deals solely with the attainment and payment of the Discretionary Award. All other terms and conditions of Employee's employment are determined pursuant to the Company's employment policies and practices, unless otherwise specifically modified by this Agreement. For the avoidance of doubt, Employee remains eligible to participate in benefit plans and programs sponsored by the Company and its Affiliates that are generally available to officers of the Company including but not limited to, the Officer Annual Incentive Plan, the Long-Term Incentive Plan and the PNM Resources, Inc. Officer Retention Plan, subject to the terms and conditions of those plans. This Agreement is intended to supplement and not replace the benefit plans and programs sponsored by the Company and its Affiliates.

Employee acknowledges that Employee's employment by the Company is and remains "*at-will*" and that Employee or the Company may terminate the employment relationship at any time and for any reason, without prior notice. If the employment relationship between the Parties ends during the Term of this Agreement, the Agreement will govern only the terms of the payment of the Discretionary Award.

3. Discretionary Award.

(a) Attainment. Employee shall be entitled to the Discretionary Award if (1) Employee remains employed by the Company or an Affiliate through the Retention Date and (2) Employee devotes substantially all of Employee's undivided working time, attention, knowledge and skills to the job assigned to Employee by the Company or an Affiliate through the Retention Date.

(b) Discretionary Award Amount; Form. For purposes of this Agreement, the Discretionary Award will be equal to \$229,905.00, payable in a single lump sum.

(c) Timing. The Discretionary Award shall be paid to Employee in accordance with the Company's regular payroll practices, but in no event shall the Discretionary Award be paid after December 31, 2020. If Employee is terminated without Cause, dies or becomes Disabled (as defined in the PNM Resources, Inc. Officer Retention Plan), Employee will receive the full Discretionary Award in accordance with the first sentence of this Subsection (c).

4.Termination of Employment.

(a) Termination by Employee. If Employee terminates his employment for any reason before the Retention Date, Employee will not be entitled to receive the Discretionary Award.

(b) Termination by Company or an Affiliate for Cause. If the Company or an Affiliate terminates Employee's employment for Cause before the Retention Date, Employee will not be entitled to receive the Discretionary Award.

(c) Termination by Company or an Affiliate without Cause. If the Company or an Affiliate terminates Employee's employment without Cause before the Retention Date, Employee shall be entitled to receive the Discretionary Award. The Discretionary Award shall be paid within thirty (30) days of Employee's termination of employment and no later than December 31, 2020. In such instance, Employee also may be entitled to receive severance or retention benefits pursuant to the PNM Resources, Inc. Non-Union Severance Pay Plan or the PNM Resources, Inc. Officer Retention Plan if the requirements of those plans are met.

5.Death or Disability.

If Employee dies or becomes Disabled before the Retention Date, Employee shall be entitled to receive the full Discretionary Award. In such instance, the Discretionary Award shall be paid within thirty (30) days of Employee's death or Disability and no later than December 31, 2020.

6.Clawback.

The payments described by this Agreement are subject to potential forfeiture or clawback to the fullest extent called for by applicable federal or state law or a policy adopted by the Company or its Affiliates. Employee hereby agrees to return the full amount required by applicable law or any policy adopted by the Company or its Affiliates.

7.Classification; Withholding.

The Discretionary Award described by this Agreement will be classified for payroll and other purposes as "employee recognition awards." Payments made pursuant to this Agreement shall be subject to withholding of applicable income and employment taxes.

8.Binding Nature of Agreement.

This Agreement will be binding upon and inure to the benefit of the Company and Employee, but neither this Agreement nor any rights arising hereunder may be assigned, pledged or otherwise alienated by Employee.

9.Severability.

If any provision of this Agreement as applied to either Party or to any circumstances is adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the same will in no way affect any other provision of this Agreement or the validity or enforceability of this Agreement.

10.Amendment or Waiver.

No provision of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is agreed to in a writing signed by Employee and an authorized officer of the Company. No waiver by either Party at any time of any breach by the other Party of any condition or provision of this Agreement to be performed by such other Party will be deemed a waiver of any other condition or provision at any time.

11.Governing Law.

This Agreement will be governed in all respects, whether as to validity, construction, capacity, performance or otherwise, by the laws of the State of New Mexico.

12.Entire Agreement.

This Agreement embodies the entire agreement of the Parties respecting the payment of the Discretionary Award to Employee and with respect to the other terms expressly set forth in this Agreement.

13.Further Assurances.

Each Party agrees to cooperate fully with the other Party and to execute such further instruments, documents and agreements, and to give such further written assurances, as may be reasonably requested by the other Party to evidence and reflect the transactions described and contemplated by this Agreement and to carry into effect the intent and purposes of this Agreement.

14.Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

15.Section 409A Compliance.

(a)Ban on Acceleration or Deferral. Under no circumstances may the time or schedule of any payment made or benefit provided pursuant to this Agreement be accelerated

or subject to a further deferral except as otherwise permitted or required pursuant to regulations and other guidance issued pursuant to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

(b) No Elections. Employee does not have any right to make any election regarding the time or form of any payment due under this Agreement.

(c) Compliant Operation and Interpretation. This Agreement shall be operated in compliance with Section 409A or an exception thereto and each provision of this Agreement shall be interpreted, to the extent possible, to comply with Section 409A or to qualify for an exception thereto. While the Company believes that this Agreement is not subject to the requirements of Section 409A of the Code, it does not warrant or guaranty that the Agreement is either excepted from or complies with the requirements of Section 409A of the Code. Employee remains solely responsible for any adverse tax consequences imposed upon Employee by Section 409A of the Code.

16. Defined Terms.

Capitalized terms used in but not otherwise defined in this Agreement shall have the meanings given to them in the PNM Resources, Inc. Non-Union Severance Pay Plan.

IN WITNESS WHEREOF, the Company and Employee have caused this Agreement to be executed as of the date set forth below.

PNMR Services Company

By: /s/ Patrick V. Apodaca
Its: SVP, General Counsel

Date: April 15, 2020

Employee

Charles N. Eldred
Employee Name (printed)

/s/ Charles N. Eldred
Employee Signature

Date: April 15, 2020

PNM Resources
414 Silver Ave. SW
Albuquerque, NM 87102-3289

EXHIBIT 31.1
CERTIFICATION

I, Patricia K. Collawn, certify that:

- 1.I have reviewed this Quarterly Report on Form 10-Q of PNM Resources, Inc.;
- 2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4.The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (each registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5.The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a)All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2020

By: /s/ Patricia K. Collawn

Patricia K. Collawn
Chairman, President and Chief Executive Officer
PNM Resources, Inc.

PNM Resources
414 Silver Ave. SW
Albuquerque, NM 87102-3289

EXHIBIT 31.2
CERTIFICATION

I, Joseph D. Tarry, certify that:

- 1.I have reviewed this Quarterly Report on Form 10-Q of PNM Resources, Inc.;
- 2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4.The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (each registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5.The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a)All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2020

By: /s/ Joseph D. Tarry

Joseph D. Tarry
Senior Vice President and
Chief Financial Officer
PNM Resources, Inc.

Public Service Company of New Mexico
414 Silver Ave. SW
Albuquerque, NM 87102-3289

EXHIBIT 31.3
CERTIFICATION

I, Patricia K. Collawn, certify that:

- 1.I have reviewed this Quarterly Report on Form 10-Q of Public Service Company of New Mexico;
- 2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4.The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (each registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5.The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a)All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2020

By: /s/ Patricia K. Collawn

Patricia K. Collawn
President and Chief Executive Officer
Public Service Company of New Mexico

Public Service Company of New Mexico
414 Silver Ave. SW
Albuquerque, NM 87102-3289

EXHIBIT 31.4
CERTIFICATION

I, Joseph D. Tarry, certify that:

- 1.I have reviewed this Quarterly Report on Form 10-Q of Public Service Company of New Mexico;
- 2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4.The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (each registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5.The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a)All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2020

By: /s/ Joseph D. Tarry

Joseph D. Tarry
Senior Vice President and
Chief Financial Officer
Public Service Company of New Mexico

Texas-New Mexico Power Company
577 N. Garden Ridge Blvd.
Lewisville, Texas 75067

EXHIBIT 31.5
CERTIFICATION

I, Patricia K. Collawn, certify that:

- 1.I have reviewed this Quarterly Report on Form 10-Q of Texas-New Mexico Power Company;
- 2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4.The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (each registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5.The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a)All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2020

By: /s/ Patricia K. Collawn

Patricia K. Collawn
Chief Executive Officer
Texas-New Mexico Power Company

Texas-New Mexico Power Company
577 N. Garden Ridge Blvd.
Lewisville, Texas 75067

EXHIBIT 31.6
CERTIFICATION

I, Joseph D. Tarry, certify that:

- 1.I have reviewed this Quarterly Report on Form 10-Q of Texas-New Mexico Power Company;
- 2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4.The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (each registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5.The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a)All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2020

By: /s/ Joseph D. Tarry

Joseph D. Tarry
Senior Vice President and
Chief Financial Officer
Texas-New Mexico Power Company

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2020, for PNM Resources, Inc. ("Company"), as filed with the Securities and Exchange Commission on May 1, 2020 ("Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1)the Report fully complies with the requirements of § 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2)the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2020

By: /s/ Patricia K. Collawn

Patricia K. Collawn
Chairman, President and Chief Executive Officer
PNM Resources, Inc.

By: /s/ Joseph D. Tarry

Joseph D. Tarry
Senior Vice President and
Chief Financial Officer
PNM Resources, Inc.

Public Service Company of New Mexico
414 Silver Ave. SW
Albuquerque, NM 87102-3289

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2020, for Public Service Company of New Mexico ("Company"), as filed with the Securities and Exchange Commission on May 1, 2020 ("Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1)the Report fully complies with the requirements of § 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2)the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2020

By: /s/ Patricia K. Collawn

Patricia K. Collawn
President and Chief Executive Officer
Public Service Company of New Mexico

By: /s/ Joseph D. Tarry

Joseph D. Tarry
Senior Vice President and
Chief Financial Officer
Public Service Company of New Mexico

EXHIBIT 32.3

CERTIFICATION PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2020, for Texas-New Mexico Power Company (“Company”), as filed with the Securities and Exchange Commission on May 1, 2020 (“Report”), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1)the Report fully complies with the requirements of § 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2)the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2020

By: /s/ Patricia K. Collawn

Patricia K. Collawn
Chief Executive Officer
Texas-New Mexico Power Company

By: /s/ Joseph D. Tarry

Joseph D. Tarry
Senior Vice President and
Chief Financial Officer
Texas-New Mexico Power Company