

PNM RESOURCES INC  
 Form 10-Q  
 October 27, 2017  
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UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

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

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

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

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

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

PNMR YESüNO  
PNM YESüNO  
TNMP YESüNO

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Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company	Emerging growth company
PNMR	<input type="checkbox"/>	<input type="checkbox"/>		
PNM		<input type="checkbox"/>		
TNMP		<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of October 20, 2017, 79,653,624 shares of common stock, no par value per share, of PNMR were outstanding.

The total number of shares of common stock of PNM outstanding as of October 20, 2017 was 39,117,799 all held by PNMR (and none held by non-affiliates).

The total number of shares of common stock of TNMP outstanding as of October 20, 2017 was 6,358 all held indirectly by PNMR (and none held by non-affiliates).

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

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

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

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## GLOSSARY

## Definitions:

2014 IRP	PNM's 2014 IRP
2017 IRP	PNM's 2017 IRP
ABCWUA	Albuquerque Bernalillo County Water Utility Authority
Afton	Afton Generating Station
AFUDC	Allowance for Funds Used During Construction
AMI	Advanced Metering Infrastructure
AMS	Advanced Meter System
AOCI	Accumulated Other Comprehensive Income
APS	Arizona Public Service Company, the operator and a co-owner of PVNGS and Four Corners
ASU	Accounting Standards Update
BACT	Best Available Control Technology
BART	Best Available Retrofit Technology
BDT	Balanced Draft Technology
BHP	BHP Billiton, Ltd
Board	Board of Directors of PNMR
BTMU	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
BTMU Term Loan Agreement	NM Capital's \$125.0 Million Unsecured Term Loan
BTU	British Thermal Unit
CAA	Clean Air Act
CCB	Coal Combustion Byproduct
CCN	Certificate of Convenience and Necessity
CIAC	Contributions in Aid of Construction
CO <sub>2</sub>	Carbon Dioxide
CSA	Coal Supply Agreement
CTC	Competition Transition Charge
DC Circuit	United States Court of Appeals for the District of Columbia Circuit
DOE	United States Department of Energy
DOI	United States Department of Interior
EGU	Electric Generating Unit
EIS	Environmental Impact Study
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
ESA	Endangered Species Act
Exchange Act	Securities Exchange Act of 1934
Farmington	The City of Farmington, New Mexico
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIP	Federal Implementation Plan
Four Corners	Four Corners Power Plant
FPPAC	Fuel and Purchased Power Adjustment Clause
FTY	Future Test Year
GAAP	Generally Accepted Accounting Principles in the United States of America
GHG	Greenhouse Gas Emissions



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GWh	Gigawatt hours
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
ISFSI	Independent Spent Fuel Storage Installation
KW	Kilowatt
KWh	Kilowatt Hour
La Luz	La Luz Generating Station
LIBOR	London Interbank Offered Rate
Lightning Dock Geothermal	Lightning Dock geothermal power facility, also known as the Dale Burgett Geothermal Plant
Lordsburg	Lordsburg Generating Station
Luna	Luna Energy Facility
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MMBTU	Million BTUs
Moody's	Moody's Investor Services, Inc.
MW	Megawatt
MWh	Megawatt Hour
NAAQS	National Ambient Air Quality Standards
Navajo Acts	Navajo Nation Air Pollution Prevention and Control Act, Navajo Nation Safe Drinking Water Act, and Navajo Nation Pesticide Act
NDT	Nuclear Decommissioning Trusts for PVNGS
NEC	Navopache Electric Cooperative, Inc.
NEE	New Energy Economy
NEPA	National Environmental Policy Act
NERC	North American Electric Reliability Corporation
New Mexico Wind	New Mexico Wind Energy Center
NM 2015 Rate Case	Request for a General Increase in Electric Rates Filed by PNM on August 27, 2015
NM 2016 Rate Case	Request for a General Increase in Electric Rates Filed by PNM on December 7, 2016
NM Capital	NM Capital Utility Corporation, an unregulated wholly-owned subsidiary of PNM
NM Supreme Court	New Mexico Supreme Court
NMAG	New Mexico Attorney General
NMED	New Mexico Environment Department
NMIEC	New Mexico Industrial Energy Consumers Inc.
NMMD	The Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department
NMPRC	New Mexico Public Regulation Commission
NOx	Nitrogen Oxides
NOPR	Notice of Proposed Rulemaking
NPDES	National Pollutant Discharge Elimination System
NRC	United States Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NSR	New Source Review
NTEC	Navajo Transitional Energy Company, LLC, an entity owned by the Navajo Nation
OCI	Other Comprehensive Income
OPEB	Other Post Employment Benefits
OSM	United States Office of Surface Mining Reclamation and Enforcement
PCRBs	Pollution Control Revenue Bonds





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PNM	Public Service Company of New Mexico and Subsidiaries, a wholly-owned subsidiary of PNMR
PNM 2016 Term Loan Agreement	PNM's \$175.0 Million Unsecured Term Loan
PNM 2017 Senior Unsecured Note Agreement	PNM's Agreement for the sale of Senior Unsecured Notes, aggregating \$450.0 million
PNM 2017 Term Loan Agreement	PNM's \$200.0 Million Unsecured Term Loan
PNM 2018 SUNs	PNM's Senior Unsecured Notes to be issued under the PNM 2017 Senior Unsecured Note Agreement
PNM New Mexico Credit Facility	PNM's \$50.0 Million Unsecured Revolving Credit Facility
PNM Revolving Credit Facility	PNM's \$400.0 Million Unsecured Revolving Credit Facility
PNMR	PNM Resources, Inc. and Subsidiaries
PNMR 2015 Term Loan Agreement	PNMR's \$150.0 Million Three-Year Unsecured Term Loan
PNMR 2016 One-Year Term Loan	PNMR's \$100.0 Million One-Year Unsecured Term Loan
PNMR 2016 Two-Year Term Loan	PNMR's \$100.0 Million Two-Year Unsecured Term Loan
PNMR Development	PNMR Development and Management Corporation, an unregulated wholly-owned subsidiary of PNMR
PNMR Revolving Credit Facility	PNMR's \$300.0 Million Unsecured Revolving Credit Facility
PPA	Power Purchase Agreement
PSA	Power Sales Agreement
PSD	Prevention of Significant Deterioration
PUCT	Public Utility Commission of Texas
PV	Photovoltaic
PVNGS	Palo Verde Nuclear Generating Station
RA	San Juan Project Restructuring Agreement
RCRA	Resource Conservation and Recovery Act
RCT	Reasonable Cost Threshold
REA	New Mexico's Renewable Energy Act of 2004
REC	Renewable Energy Certificates
Red Mesa Wind	Red Mesa Wind Energy Center
REP	Retail Electricity Provider
RFP	Request For Proposal
Rio Bravo	Rio Bravo Generating Station
RMC	Risk Management Committee
ROE	Return on Equity
RPS	Renewable Energy Portfolio Standard
S&P	Standard and Poor's Ratings Services
SCR	Selective Catalytic Reduction
SEC	United States Securities and Exchange Commission
SIP	State Implementation Plan
SJCC	San Juan Coal Company
SJGS	San Juan Generating Station
SNCR	Selective Non-Catalytic Reduction

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SO <sub>2</sub>	Sulfur Dioxide
TECA	Texas Electric Choice Act
Tenth Circuit	United States Court of Appeals for the Tenth Circuit
TNMP	Texas-New Mexico Power Company and Subsidiaries, a wholly-owned subsidiary of TNP
TNMP 2017 Bond Purchase Agreement	TNMP's Agreement for the issuance of \$60.0 Million First Mortgage Bonds
TNMP Revolving Credit Facility	TNMP's \$75.0 Million Secured Revolving Credit Facility
TNP	TNP Enterprises, Inc. and Subsidiaries, a wholly-owned subsidiary of PNMR
Tri-State	Tri-State Generation and Transmission Association, Inc.
Tucson	Tucson Electric Power Company
UG-CSA	Underground Coal Sales Agreement
US Supreme Court	Supreme Court of the United States
Valencia	Valencia Energy Facility
VaR	Value at Risk
VIE	Variable Interest Entity
WACC	Weighted Average Cost of Capital
WEG	WildEarth Guardians
Westmoreland	Westmoreland Coal Company
Westmoreland Loan	NM Capital's \$125.0 million loan to WSJ
WSJ	Westmoreland San Juan, LLC, an indirect wholly-owned subsidiary of Westmoreland

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	(In thousands, except per share amounts)			
Electric Operating Revenues	\$419,900	\$400,374	\$1,112,398	\$1,026,726
Operating Expenses:				
Cost of energy	103,748	108,766	310,818	282,498
Administrative and general	46,268	46,942	138,923	139,214
Energy production costs	31,970	31,460	98,150	112,026
Regulatory disallowances and restructuring costs	—	16,451	—	17,225
Depreciation and amortization	58,821	53,017	172,829	153,801
Transmission and distribution costs	16,801	16,056	50,309	49,965
Taxes other than income taxes	19,808	19,611	57,820	57,598
Total operating expenses	277,416	292,303	828,849	812,327
Operating income	142,484	108,071	283,549	214,399
Other Income and Deductions:				
Interest income	3,582	4,604	12,348	18,420
Gains on available-for-sale securities	5,406	4,531	17,730	15,380
Other income	6,275	4,884	14,626	13,413
Other (deductions)	(4,571)	(3,764)	(10,958)	(10,866)
Net other income and deductions	10,692	10,255	33,746	36,347
Interest Charges	32,106	32,467	96,137	97,179
Earnings before Income Taxes	121,070	85,859	221,158	153,567
Income Taxes	42,743	27,303	75,154	50,094
Net Earnings	78,327	58,556	146,004	103,473
(Earnings) Attributable to Valencia Non-controlling Interest	(4,456)	(4,006)	(11,452)	(11,037)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)	(396)	(396)
Net Earnings Attributable to PNMR	\$73,739	\$54,418	\$134,156	\$92,040
Net Earnings Attributable to PNMR per Common Share:				
Basic	\$0.92	\$0.68	\$1.68	\$1.15
Diluted	\$0.92	\$0.68	\$1.67	\$1.15
Dividends Declared per Common Share	\$0.2425	\$0.2200	\$0.7275	\$0.6600

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands)			
Net Earnings	\$78,327	\$58,556	\$146,004	\$103,473
Other Comprehensive Income (Loss):				
Unrealized Gains on Available-for-Sale Securities:				
Unrealized holding gains arising during the period, net of income tax (expense) of \$(2,871), \$(1,877), \$(8,654), and \$(1,216)	4,528	2,933	13,648	1,899
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of \$1,601, \$1,985, \$4,302, and \$3,955	(2,526 )	(3,101 )	(6,786 )	(6,180 )
Pension Liability Adjustment:				
Reclassification adjustment for amortization of experience (gains) losses recognized as net periodic benefit cost, net of income tax expense (benefit) of \$(626), \$(537), \$(1,878), and \$(1,611)	987	839	2,961	2,517
Fair Value Adjustment for Cash Flow Hedges:				
Change in fair market value, net of income tax (expense) benefit of \$(4), \$(172), \$108, and \$509	6	269	(170 )	(796 )
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of \$(62), \$(79), \$(187), and \$(224)	99	123	297	349
Total Other Comprehensive Income (Loss)	3,094	1,063	9,950	(2,211 )
Comprehensive Income	81,421	59,619	155,954	101,262
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(4,456 )	(4,006 )	(11,452 )	(11,037 )
Preferred Stock Dividend Requirements of Subsidiary	(132 )	(132 )	(396 )	(396 )
Comprehensive Income Attributable to PNMR	\$76,833	\$55,481	\$144,106	\$89,829

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

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

	Nine Months Ended September 30,	
	2017	2016
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	\$ 146,004	\$ 103,473
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	200,286	178,137
Deferred income tax expense	75,224	50,302
Net unrealized (gains) losses on commodity derivatives	968	2,179
Realized (gains) on available-for-sale securities	(17,730 )	(15,380 )
Stock based compensation expense	5,322	4,401
Regulatory disallowances and restructuring costs	—	17,225
Allowance for equity funds used during construction	(6,217 )	(3,058 )
Other, net	1,409	2,104
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(21,077 )	(1,145 )
Materials, supplies, and fuel stock	(203 )	(4,629 )
Other current assets	22,761	(11,819 )
Other assets	(5,981 )	1,916
Accounts payable	3,729	6,192
Accrued interest and taxes	20,722	20,816
Other current liabilities	(1,588 )	(19,431 )
Other liabilities	(6,292 )	(10,297 )
Net cash flows from operating activities	417,337	320,986
Cash Flows From Investing Activities:		
Additions to utility and non-utility plant	(353,423 )	(502,530 )
Proceeds from sales of available-for-sale securities	456,577	280,989
Purchases of available-for-sale securities	(461,126 )	(284,706 )
Return of principal on PVNGS lessor notes	—	8,547
Investment in Westmoreland Loan	—	(122,250 )
Principal repayments on Westmoreland Loan	28,770	15,000
Other, net	160	179
Net cash flows from investing activities	(329,042 )	(604,771 )

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

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

	Nine Months Ended September 30,	
	2017	2016
	(In thousands)	
Cash Flows From Financing Activities:		
Revolving credit facilities borrowings (repayments), net	(20,600 )	105,300
Long-term borrowings	317,000	503,500
Repayment of long-term debt	(263,323)	(288,157)
Proceeds from stock option exercise	1,739	6,668
Awards of common stock	(13,816 )	(14,920 )
Dividends paid	(58,344 )	(52,967 )
Valencia's transactions with its owner	(12,963 )	(12,327 )
Amounts received under transmission interconnection arrangements	11,879	3,262
Refunds paid under transmission interconnection arrangements	(9,368 )	(2,246 )
Other, net	(1,872 )	(2,698 )
Net cash flows from financing activities	(49,668 )	245,415
Change in Cash and Cash Equivalents	38,627	(38,370 )
Cash and Cash Equivalents at Beginning of Period	4,522	46,051
Cash and Cash Equivalents at End of Period	\$43,149	\$7,681
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	\$75,356	\$75,537
Income taxes paid (refunded), net	\$625	\$850
Supplemental schedule of noncash investing activities:		
(Increase) decrease in accrued plant additions	\$(4,499 )	\$30,208

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

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

	September 30, 2017 (In thousands)	December 31, 2016
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents \$	43,149	\$ 4,522
Accounts receivable, net of allowance for uncollectible accounts of \$1,063 and \$1,209	107,428	87,012
Unbilled revenues	57,241	58,284
Other receivables	16,567	28,245
Current portion of Westmoreland Loan	12,272	38,360
Materials, supplies, and fuel stock	68,179	73,027
Regulatory assets	3,424	3,855
Commodity derivative instruments	3,093	5,224
Income taxes receivable	6,761	6,066
Other current assets	56,421	73,444
Total current assets	374,535	378,039
Other Property and Investments:		
Long-term portion of Westmoreland Loan	53,958	56,640
Available-for-sale securities	306,444	272,977
Other investments	386	547
Non-utility property	3,404	3,404
Total other property and investments	364,192	333,568
Utility Plant:		
Plant in service, held for future use, and to be abandoned	7,133,646	6,944,534
Less accumulated depreciation and amortization	2,431,695	2,334,938
	4,701,951	4,609,596
Construction work in progress	301,466	208,206
Nuclear fuel, net of accumulated amortization	88,702	86,913

of \$49,895 and \$43,905		
Net utility plant	5,092,119	4,904,715
Deferred Charges and Other Assets:		
Regulatory assets	489,416	501,223
Goodwill	278,297	278,297
Commodity derivative instruments	3,846	—
Other deferred charges	94,849	75,238
Total deferred charges and other assets	866,408	854,758
	\$ 6,697,254	\$ 6,471,080

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



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

	September 30, 2017	December 31, 2016
	(In thousands, except share information)	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Short-term debt	\$266,500	\$ 287,100
Current installments of long-term debt	165,312	273,348
Accounts payable	89,882	86,705
Customer deposits	10,951	11,374
Accrued interest and taxes	83,288	61,871
Regulatory liabilities	7,156	3,609
Commodity derivative instruments	1,279	2,339
Dividends declared	19,448	19,448
Other current liabilities	67,069	59,314
Total current liabilities	710,885	805,108
Long-term Debt, net of Unamortized Premiums, Discounts, and Debt Issuance Costs	2,282,390	2,119,364
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	1,015,967	940,650
Regulatory liabilities	456,740	455,649
Asset retirement obligations	133,841	127,519
Accrued pension liability and postretirement benefit cost	116,812	125,844
Commodity derivative instruments	3,846	—
Other deferred credits	132,098	140,545
Total deferred credits and other liabilities	1,859,304	1,790,207
Total liabilities	4,852,579	4,714,679
Commitments and Contingencies (See Note 11)		
Cumulative Preferred Stock of Subsidiary		
without mandatory redemption requirements (\$100 stated value; 10,000,000 shares authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNMR common stockholders' equity:		
Common stock (no par value; 120,000,000 shares authorized; issued and outstanding 79,653,624 shares)	1,156,906	1,163,661
Accumulated other comprehensive income (loss), net of income taxes	(82,501	) (92,451 )
Retained earnings	691,332	604,742
Total PNMR common stockholders' equity	1,765,737	1,675,952
Non-controlling interest in Valencia	67,409	68,920
Total equity	1,833,146	1,744,872
	\$6,697,254	\$ 6,471,080

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



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

	Attributable to PNMR			Total PNMR Common Stockholders' Equity	Non- controlling Interest in Valencia	Total Equity
	Common Stock	AOCI	Retained Earnings			
	(In thousands)					
Balance at December 31, 2016, as originally reported	\$1,163,661	\$(92,451)	\$604,742	\$1,675,952	\$68,920	\$1,744,872
Cumulative effect adjustment (Note 8)	—	—	10,382	10,382	—	10,382
Balance at January 1, 2017, as adjusted	1,163,661	(92,451)	615,124	1,686,334	68,920	1,755,254
Net earnings before subsidiary preferred stock dividends	—	—	134,552	134,552	11,452	146,004
Total other comprehensive income	—	9,950	—	9,950	—	9,950
Subsidiary preferred stock dividends	—	—	(396)	(396)	—	(396)
Dividends declared on common stock	—	—	(57,948)	(57,948)	—	(57,948)
Proceeds from stock option exercise	1,739	—	—	1,739	—	1,739
Awards of common stock	(13,816)	—	—	(13,816)	—	(13,816)
Stock based compensation expense	5,322	—	—	5,322	—	5,322
Valencia's transactions with its owner	—	—	—	—	(12,963)	(12,963)
Balance at September 30, 2017	\$1,156,906	\$(82,501)	\$691,332	\$1,765,737	\$67,409	\$1,833,146

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	(In thousands)			
Electric Operating Revenues	\$327,254	\$311,276	\$854,909	\$780,228
Operating Expenses:				
Cost of energy	82,367	88,565	246,635	222,376
Administrative and general	42,026	41,370	127,012	122,553
Energy production costs	31,970	31,460	98,150	112,026
Regulatory disallowances and restructuring costs	—	16,451	—	17,225
Depreciation and amortization	36,764	33,312	109,228	97,778
Transmission and distribution costs	10,207	9,311	30,301	29,868
Taxes other than income taxes	10,668	10,750	32,837	33,289
Total operating expenses	214,002	231,219	644,163	635,115
Operating income	113,252	80,057	210,746	145,113
Other Income and Deductions:				
Interest income	1,782	1,509	6,457	8,549
Gains on available-for-sale securities	5,406	4,531	17,730	15,380
Other income	3,762	3,239	10,270	9,578
Other (deductions)	(2,826)	(2,790)	(8,076)	(7,653)
Net other income and deductions	8,124	6,489	26,381	25,854
Interest Charges	20,451	22,213	62,393	66,494
Earnings before Income Taxes	100,925	64,333	174,734	104,473
Income Taxes	35,642	19,343	58,865	32,131
Net Earnings	65,283	44,990	115,869	72,342
(Earnings) Attributable to Valencia Non-controlling Interest	(4,456)	(4,006)	(11,452)	(11,037)
Net Earnings Attributable to PNM	60,827	40,984	104,417	61,305
Preferred Stock Dividends Requirements	(132)	(132)	(396)	(396)
Net Earnings Available for PNM Common Stock	\$60,695	\$40,852	\$104,021	\$60,909

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

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

	Three Months		Nine Months	
	Ended September		Ended September	
	30,	30,	30,	2016
	2017	2016	2017	2016
	(In thousands)			
Net Earnings	\$65,283	\$44,990	\$115,869	\$72,342
Other Comprehensive Income (Loss):				
Unrealized Gains on Available-for-Sale Securities:				
Unrealized holding gains arising during the period, net of income tax (expense)	4,528	2,933		
of \$(2,871), \$(1,877), \$(8,654), and \$(1,216)				