

TEXAS NEW MEXICO POWER CO

Form 10-Q

May 06, 2013

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

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

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

PNM Resources, Inc. ("PNMR")	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>
Public Service Company of New Mexico ("PNM")	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>
Texas-New Mexico Power Company ("TNMP")	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>

(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
PNM
TNMP

YES ü NO
YES ü NO
YES ü NO

Table of Contents

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

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

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

As of May 1, 2013, 79,653,624 shares of common stock, no par value per share, of PNMR were outstanding.

The total number of shares of common stock of PNM outstanding as of May 1, 2013 was 39,117,799 all held by PNMR (and none held by non-affiliates).

The total number of shares of common stock of TNMP outstanding as of May 1, 2013 was 6,358 all held indirectly by PNMR (and none held by non-affiliates).

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

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

Table of Contents

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

INDEX

	Page No.
<u>GLOSSARY</u>	<u>4</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)</u>	
<u>PNM RESOURCES, INC. AND SUBSIDIARIES</u>	
<u>Condensed Consolidated Statements of Earnings</u>	<u>7</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>8</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>9</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>11</u>
<u>Condensed Consolidated Statement of Changes in Equity</u>	<u>13</u>
<u>PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES</u>	
<u>Condensed Consolidated Statements of Earnings</u>	<u>14</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>15</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>16</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>18</u>
<u>Condensed Consolidated Statement of Changes in Equity</u>	<u>20</u>
<u>TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES</u>	
<u>Condensed Consolidated Statements of Earnings</u>	<u>21</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>22</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>23</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>24</u>
<u>Condensed Consolidated Statement of Changes in Common Stockholder's Equity</u>	<u>26</u>
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>27</u>
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>63</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>84</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>87</u>
<u>PART II. OTHER INFORMATION</u>	
<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>88</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>88</u>
<u>ITEM 6. EXHIBITS</u>	<u>89</u>
<u>SIGNATURE</u>	<u>90</u>

Table of Contents

GLOSSARY

Definitions:

Afton	Afton Generating Station
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
AMS	Advanced Meter System
AOCI	Accumulated Other Comprehensive Income
APS	Arizona Public Service Company, which is the operator and a co-owner of PVNGS and Four Corners
BACT	Best Available Control Technology
BART	Best Available Retrofit Technology
BHP	BHP Billiton, Ltd, the parent of SJCC
Board	Board of Directors of PNMR
BTU	British Thermal Unit
CAA	Clean Air Act
CCB	Coal Combustion Byproducts
CO ₂	Carbon Dioxide
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
Delta	Delta-Person Generating Station
DOE	United States Department of Energy
DOI	United States Department of Interior
EIB	New Mexico Environmental Improvement Board
EIP	Eastern Interconnection Project
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
ESA	Endangered Species Act
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIP	Federal Implementation Plan
Four Corners	Four Corners Power Plant
FPPAC	Fuel and Purchased Power Adjustment Clause
GAAP	Generally Accepted Accounting Principles in the United States of America
Gallup	City of Gallup, New Mexico
GHG	Greenhouse Gas Emissions
GWh	Gigawatt hours
IBEW	International Brotherhood of Electrical Workers, Local 611
IRP	Integrated Resource Plan
KW	Kilowatt
KWh	Kilowatt Hour
Lordsburg	Lordsburg Generating Station
Luna	Luna Energy Facility
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MMBTU	Million BTUs
Moody's	Moody's Investor Services, Inc.
MW	Megawatt
MWh	Megawatt Hour
NAAQS	National Ambient Air Quality Standards

Table of Contents

Navajo Acts	Navajo Nation Air Pollution Prevention and Control Act, Navajo Nation Safe Drinking Water Act, and Navajo Nation Pesticide Act
NDT	Nuclear Decommissioning Trusts for PVNGS
NEC	Navopache Electric Cooperative, Inc.
NERC	North American Electric Reliability Council
Ninth Circuit	United States Court of Appeals for the Ninth Circuit
NMAG	New Mexico Attorney General
NMED	New Mexico Environment Department
NMIEC	New Mexico Industrial Energy Consumers Inc.
NMPRC	New Mexico Public Regulation Commission
NO _x	Nitrogen Oxides
NOPR	Notice of Proposed Rulemaking
NRC	United States Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NSR	New Source Review
OCI	Other Comprehensive Income
OPEB	Other Post Employment Benefits
OSM	United States Office of Surface Mining Reclamation and Enforcement
PNM	Public Service Company of New Mexico and Subsidiaries
PNM Revolving Credit Facility	PNM's \$400.0 Million Unsecured Revolving Credit Facility
PNM Term Loan Agreement	PNM's \$75 Million Unsecured Term Loan Facility
PNMR	PNM Resources, Inc. and Subsidiaries
PNMR Revolving Credit Facility	PNMR's \$300.0 Million Unsecured Revolving Credit Facility
PNMR Term Loan Agreement	PNMR's \$100 Million Unsecured Term Loan Facility
PPA	Power Purchase Agreement
PSD	Prevention of Significant Deterioration
PUCT	Public Utility Commission of Texas
PV	Photovoltaic
PVNGS	Palo Verde Nuclear Generating Station
RCRA	Resource Conservation and Recovery Act
RCT	Reasonable Cost Threshold
REA	New Mexico's Renewable Energy Act of 2004
REC	Renewable Energy Certificates
REP	Retail Electricity Provider
RMC	Risk Management Committee
RPS	Renewable Energy Portfolio Standard
SCE	Southern California Edison Company
SCR	Selective Catalytic Reduction
SEC	United States Securities and Exchange Commission
SIP	State Implementation Plan
SJCC	San Juan Coal Company
SJGS	San Juan Generating Station
SNCR	Selective Non-Catalytic Reduction
SO ₂	Sulfur Dioxide
SPS	Southwestern Public Service Company

S&P
TECA

Standard and Poor's Ratings Services
Texas Electric Choice Act

5

Table of Contents

Tenth Circuit	United States Court of Appeals for the Tenth Circuit
TNMP	Texas-New Mexico Power Company and Subsidiaries
TNMP 2011 Term Loan Agreement	TNMP's \$50 Million Secured Term Loan
TNMP Revolving Credit Facility	TNMP's \$75 Million Revolving Credit Facility
Tri-State Valencia	Tri-State Generation and Transmission Association, Inc. Valencia Energy Facility
VaR	Value at Risk
WEG	WildEarth Guardians

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended March 31,	
	2013	2012
	(In thousands, except per share amounts)	
Electric Operating Revenues	\$317,665	\$305,374
Operating Expenses:		
Cost of energy	104,706	91,847
Administrative and general	44,691	44,800
Energy production costs	43,573	45,128
Depreciation and amortization	40,807	38,414
Transmission and distribution costs	16,295	16,248
Taxes other than income taxes	16,889	15,208
Total operating expenses	266,961	251,645
Operating income	50,704	53,729
Other Income and Deductions:		
Interest income	2,634	3,292
Gains on investments held by NDT	1,533	4,454
Other income	1,707	2,645
Other deductions	(3,350)	(4,551)
Net other income	2,524	5,840
Interest Charges	31,297	29,566
Earnings before Income Taxes	21,931	30,003
Income Taxes	7,969	9,526
Net Earnings	13,962	20,477
(Earnings) Attributable to Valencia Non-controlling Interest	(3,204)	(3,265)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)
Net Earnings Attributable to PNMR	\$10,626	\$17,080
Net Earnings Attributable to PNMR per Common Share:		
Basic	\$0.13	\$0.21
Diluted	\$0.13	\$0.21
Dividends Declared per Common Share	\$0.165	\$0.145

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

Table of Contents

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

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Net Earnings	\$ 13,962	\$ 20,477
Other Comprehensive Income:		
Unrealized Gain on Investment Securities:		
Unrealized holding gains arising during the period, net of income tax (expense) of \$(3,111) and \$(7,415)	4,747	11,314
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of \$529 and \$3,546	(807)	(5,411)
Pension Liability Adjustment:		
Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of \$(631) and \$(476)	960	727
Fair Value Adjustment for Cash Flow Hedges:		
Change in fair market value, net of income tax (expense) benefit of \$(4) and \$59	8	(106)
Reclassification adjustment for losses included in net earnings, net of income tax expense (benefit) of \$(17) and \$(15)	31	27
Total Other Comprehensive Income	4,939	6,551
Comprehensive Income	18,901	27,028
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,204)	(3,265)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)
Comprehensive Income Attributable to PNMR	\$ 15,565	\$ 23,631

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

Table of Contents

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

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	\$ 13,962	\$ 20,477
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	51,818	48,777
Deferred income tax expense	7,795	9,601
Net unrealized (gains) losses on derivatives	4,902	(3,502)
Realized (gains) on investments held by NDT	(1,533)	(4,454)
Stock based compensation expense	1,903	1,236
Other, net	(348)	(471)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	4,062	13,671
Materials, supplies, and fuel stock	944	(3,058)
Other current assets	2,335	1,854
Other assets	8,774	(270)
Accounts payable	(17,895)	737
Interest and taxes	25,430	20,749
Other current liabilities	(38,761)	(29,474)
Proceeds from governmental grants	—	20,859
Other liabilities	(64,763)	(83,129)
Net cash flows from operating activities	(1,375)	13,603
Cash Flows From Investing Activities:		
Additions to utility and non-utility plant	(73,584)	(84,018)
Proceeds from sales of investments held by NDT	14,284	26,760
Purchases of investments held by NDT	(15,122)	(27,395)
Return of principal on PVNGS lessor notes	10,965	12,632
Other, net	1,241	2,431
Net cash flows from investing activities	(62,216)	(69,590)

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

Table of Contents

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

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	84,600	67,100
Proceeds from stock option exercise	2,293	5,005
Awards of common stock	(9,651)	(11,088)
Dividends paid	(11,683)	(10,089)
Valencia's transactions with its owner	(5,260)	(4,009)
Other, net	(584)	953
Net cash flows from financing activities	59,715	47,872
Change in Cash and Cash Equivalents	(3,876)	(8,115)
Cash and Cash Equivalents at Beginning of Period	8,985	15,091
Cash and Cash Equivalents at End of Period	\$5,109	\$6,976
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	\$4,817	\$4,312
Income taxes paid (refunded), net	\$(603)	\$1,500

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

Table of Contents

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

	March 31, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$5,109	\$8,985
Accounts receivable, net of allowance for uncollectible accounts of \$1,339 and \$1,751	89,634	87,093
Unbilled revenues	50,410	57,266
Other receivables	43,517	53,332
Materials, supplies, and fuel stock	58,699	59,643
Regulatory assets	41,478	39,120
Commodity derivative instruments	2,114	3,785
Income taxes receivable	100,699	101,477
Other current assets	40,414	31,490
Total current assets	432,074	442,191
Other Property and Investments:		
Investment in PVNGS lessor notes	43,752	54,325
Investments held by NDT	197,691	188,971
Other investments	8,363	9,139
Non-utility property, net of accumulated depreciation of \$135 and \$131	4,483	4,487
Total other property and investments	254,289	256,922
Utility Plant:		
Plant in service and plant held for future use	5,332,025	5,313,796
Less accumulated depreciation and amortization	1,789,039	1,774,223
	3,542,986	3,539,573
Construction work in progress	140,147	125,287
Nuclear fuel, net of accumulated amortization of \$49,605 and \$42,644	81,376	81,627
Net utility plant	3,764,509	3,746,487
Deferred Charges and Other Assets:		
Regulatory assets	543,074	555,577
Goodwill	278,297	278,297
Commodity derivative instruments	—	352
Other deferred charges	98,517	92,757
Total deferred charges and other assets	919,888	926,983
	\$5,370,760	\$5,372,583

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

Table of Contents

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

	March 31, 2013	December 31, 2012
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	\$243,300	\$158,700
Current installments of long-term debt	2,530	2,530
Accounts payable	77,435	99,177
Customer deposits	16,040	18,176
Accrued interest and taxes	77,000	52,003
Regulatory liabilities	—	15,173
Commodity derivative instruments	4,132	1,000
Dividends declared	13,271	11,679
Current portion of accumulated deferred income taxes	258	258
Other current liabilities	60,111	75,407
Total current liabilities	494,077	434,103
Long-term Debt	1,669,926	1,669,760
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	713,483	701,545
Accumulated deferred investment tax credits	13,694	14,242
Regulatory liabilities	426,208	423,460
Asset retirement obligations	87,651	85,893
Accrued pension liability and postretirement benefit cost	157,711	224,565
Commodity derivative instruments	1,785	1,933
Other deferred credits	111,206	116,523
Total deferred credits and other liabilities	1,511,738	1,568,161
Total liabilities	3,675,741	3,672,024
Commitments and Contingencies (See Note 9)		
Cumulative Preferred Stock of Subsidiary without mandatory redemption requirements (\$100 stated value; 10,000,000 shares authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNMR common stockholders' equity:		
Common stock outstanding (no par value; 120,000,000 shares authorized; issued and outstanding 79,653,624 shares)	1,176,912	1,182,819
Accumulated other comprehensive income (loss), net of income taxes	(76,691	) (81,630)
Retained earnings	504,482	506,998
Total PNMR common stockholders' equity	1,604,703	1,608,187
Non-controlling interest in Valencia	78,787	80,843
Total equity	1,683,490	1,689,030
	\$5,370,760	\$5,372,583

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

Table of Contents

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

	Attributable to PNMR			Total PNMR Common Stockholder's Equity	Non- controlling Interest in Valencia	Total Equity
	Common Stock	AOCI	Retained Earnings			
	(In thousands)					
Balance at December 31, 2012	\$1,182,819	\$(81,630)	\$506,998	\$1,608,187	\$80,843	\$1,689,030
Proceeds from stock option exercise	2,293	—	—	2,293	—	2,293
Awards of common stock	(9,651)	—	—	(9,651)	—	(9,651)
Excess tax (shortfall) from stock-based payment arrangements	(452)	—	—	(452)	—	(452)
Stock based compensation expense	1,903	—	—	1,903	—	1,903
Valencia's transactions with its owner	—	—	—	—	(5,260)	(5,260)
Net earnings before subsidiary preferred stock dividends	—	—	10,758	10,758	3,204	13,962
Subsidiary preferred stock dividends	—	—	(132)	(132)	—	(132)
Total other comprehensive income	—	4,939	—	4,939	—	4,939
Dividends declared on common stock	—	—	(13,142)	(13,142)	—	(13,142)
Balance at March 31, 2013	\$1,176,912	\$(76,691)	\$504,482	\$1,604,703	\$78,787	\$1,683,490

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

Table of Contents

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

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Electric Operating Revenues	\$257,894	\$250,416
Operating Expenses:		
Cost of energy	91,660	80,557
Administrative and general	38,758	39,050
Energy production costs	43,566	45,128
Depreciation and amortization	25,834	23,634
Transmission and distribution costs	10,603	10,843
Taxes other than income taxes	10,234	9,099
Total operating expenses	220,655	208,311
Operating income	37,239	42,105
Other Income and Deductions:		
Interest income	2,673	3,335
Gains on investments held by NDT	1,533	4,454
Other income	1,311	1,834
Other deductions	(1,437)	(1,306)
Net other income	4,080	8,317
Interest Charges	19,957	18,493
Earnings before Income Taxes	21,362	31,929
Income Taxes	6,589	10,852
Net Earnings	14,773	21,077
(Earnings) Attributable to Valencia Non-controlling Interest	(3,204)	(3,265)
Net Earnings Attributable to PNM	11,569	17,812
Preferred Stock Dividends Requirements	(132)	(132)
Net Earnings Available for PNM Common Stock	\$11,437	\$17,680

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

Table of Contents

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

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Net Earnings	\$ 14,773	\$ 21,077
Other Comprehensive Income:		
Unrealized Gain on Investment Securities:		
Unrealized holding gains arising during the period, net of income tax (expense) of \$(3,111) and \$(7,415)	4,747	11,314
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of \$529 and \$3,546	(807	) (5,411
Pension Liability Adjustment:		
Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of \$(631) and \$(476)	960	727
Total Other Comprehensive Income	4,900	6,630
Comprehensive Income	19,673	27,707
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,204	) (3,265
Comprehensive Income Attributable to PNM	\$ 16,469	\$ 24,442

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

Table of Contents

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

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	\$14,773	\$21,077
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	34,655	31,498
Deferred income tax expense	6,685	10,852
Net unrealized (gains) losses on derivatives	4,902	(3,502)
Realized (gains) on investments held by NDT	(1,533)	(4,454)
Other, net	(343)	(195)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	5,467	9,920
Materials, supplies, and fuel stock	879	(3,117)
Other current assets	(84)	402
Other assets	8,772	(1,533)
Accounts payable	(18,857)	1,014
Interest and taxes	20,932	81,263
Other current liabilities	(44,068)	(18,379)
Proceeds from governmental grants	—	20,859
Other liabilities	(64,893)	(78,133)
Net cash flows from operating activities	(32,713)	67,572
Cash Flows From Investing Activities:		
Utility plant additions	(44,389)	(66,668)
Proceeds from sales of NDT investments	14,284	26,760
Purchases of NDT investments	(15,122)	(27,395)
Return of principal on PVNGS lessor notes	10,965	12,632
Other, net	1,214	180
Net cash flows from investing activities	(33,048)	(54,491)

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

Table of Contents

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

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	67,800	(21,900)
Valencia's transactions with its owner	(5,260	) (4,009)
Dividends paid	(132	) (132)
Other, net	(584	) 953)
Net cash flows from financing activities	61,824	(25,088)
Change in Cash and Cash Equivalents	(3,937	) (12,007)
Cash and Cash Equivalents at Beginning of Period	3,958	12,307
Cash and Cash Equivalents at End of Period	\$21	\$300
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	\$4,304	\$4,141
Income taxes paid (refunded), net	\$—	\$(63,114)

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

Table of Contents

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

	March 31, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$21	\$3,958
Accounts receivable, net of allowance for uncollectible accounts of \$1,339 and \$1,751	69,684	69,876
Unbilled revenues	43,557	49,085
Other receivables	42,905	50,975
Affiliate receivables	9,790	9,050
Materials, supplies, and fuel stock	55,911	56,790
Regulatory assets	37,273	36,490
Commodity derivative instruments	2,114	3,785
Income taxes receivable	80,320	80,223
Other current assets	37,052	27,457
Total current assets	378,627	387,689
Other Property and Investments:		
Investment in PVNGS lessor notes	43,752	54,325
Investments held by NDT	197,691	188,971
Other investments	4,196	4,034
Non-utility property	976	976
Total other property and investments	246,615	248,306
Utility Plant:		
Plant in service and plant held for future use	4,139,281	4,133,532
Less accumulated depreciation and amortization	1,361,199	1,355,240
	2,778,082	2,778,292
Construction work in progress	108,556	102,329
Nuclear fuel, net of accumulated amortization of \$49,605 and \$42,644	81,376	81,627
Net utility plant	2,968,014	2,962,248
Deferred Charges and Other Assets:		
Regulatory assets	423,208	431,956
Goodwill	51,632	51,632
Commodity derivative instruments	—	352
Other deferred charges	87,161	81,724
Total deferred charges and other assets	562,001	565,664
	\$4,155,257	\$4,163,907

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

Table of Contents

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

	March 31, 2013	December 31, 2012
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	\$88,900	\$21,100
Accounts payable	56,186	73,914
Affiliate payables	15,432	25,340
Customer deposits	16,040	18,176
Accrued interest and taxes	51,424	30,320
Regulatory liabilities	—	15,172
Commodity derivative instruments	4,132	1,000
Dividends declared	132	132
Current portion of accumulated deferred income taxes	3,447	3,447
Other current liabilities	40,667	54,150
Total current liabilities	276,360	242,751
Long-term Debt	1,215,589	1,215,579
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	584,511	573,881
Accumulated deferred investment tax credits	13,694	14,242
Regulatory liabilities	380,887	379,841
Asset retirement obligations	86,782	85,042
Accrued pension liability and postretirement benefit cost	143,307	208,618
Commodity derivative instruments	1,785	1,933
Other deferred credits	91,626	95,585
Total deferred credits and liabilities	1,302,592	1,359,142
Total liabilities	2,794,541	2,817,472
Commitments and Contingencies (See Note 9)		
Cumulative Preferred Stock		
without mandatory redemption requirements (\$100 stated value; 10,000,000 authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNM common stockholder's equity:		
Common stock outstanding (no par value; 40,000,000 shares authorized; issued and outstanding 39,117,799 shares)	1,061,776	1,061,776
Accumulated other comprehensive income (loss), net of income taxes	(76,514	) (81,414
Retained earnings	285,138	273,701
Total PNM common stockholder's equity	1,270,400	1,254,063
Non-controlling interest in Valencia	78,787	80,843
Total equity	1,349,187	1,334,906
	\$4,155,257	\$4,163,907

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

Table of Contents

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

	Attributable to PNM			Total PNM Common Stockholder's Equity	Non- controlling Interest in Valencia	Total Equity
	Common Stock (In thousands)	AOCI	Retained Earnings			
Balance at December 31, 2012	\$1,061,776	\$(81,414)	\$273,701	\$1,254,063	\$80,843	\$1,334,906
Valencia's transactions with its owner	—	—	—	—	(5,260)	(5,260)
Net earnings	—	—	11,569	11,569	3,204	14,773
Total other comprehensive income	—	4,900	—	4,900	—	4,900
Dividends declared on preferred stock	—	—	(132)	(132)	—	(132)
Balance at March 31, 2013	\$1,061,776	\$(76,514)	\$285,138	\$1,270,400	\$78,787	\$1,349,187

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

Table of Contents

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

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Electric Operating Revenues	\$59,771	\$54,958
Operating Expenses:		
Cost of energy	13,046	11,290
Administrative and general	11,119	10,468
Depreciation and amortization	11,681	11,287
Transmission and distribution costs	5,692	5,405
Taxes other than income taxes	5,179	4,717
Total operating expenses	46,717	43,167
Operating income	13,054	11,791
Other Income and Deductions:		
Other income	337	490
Other deductions	(129)	(385)
Net other income	208	105
Interest Charges	7,246	7,097
Earnings before Income Taxes	6,016	4,799
Income Taxes	2,290	1,788
Net Earnings	\$3,726	\$3,011

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

Table of Contents

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

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Net Earnings	\$3,726	\$3,011
Other Comprehensive Income (Loss):		
Fair Value Adjustment for Cash Flow Hedges:		
Change in fair market value, net of income tax (expense) benefit of \$(4) and \$59	8	(106)
Reclassification adjustment for losses included in net earnings, net of income tax expense (benefit) of \$(17) and \$(15)	31	27
Total Other Comprehensive Income (Loss)	39	(79)
Comprehensive Income	\$3,765	\$2,932

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

Table of Contents

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

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	\$3,726	\$3,011
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	12,686	12,604
Deferred income tax expense	2,448	1,720
Other, net	—	(276)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(1,405)	) 3,751
Materials and supplies	65	60
Other current assets	218	(721)
Other assets	(58)	) (50)
Accounts payable	4,130	(1,966)
Accrued interest and taxes	686	2,451
Other current liabilities	(1,278)	) 2,393
Other liabilities	1,076	(4,496)
Net cash flows from operating activities	22,294	18,481
Cash Flows From Investing Activities:		
Utility plant additions	(24,594)	) (13,082)
Net cash flows from investing activities	(24,594)	) (13,082)
Cash Flow From Financing Activities:		
Short-term borrowings (repayments), net	25,000	—
Short-term borrowings (repayments) – affiliate, net	(22,700)	) (700)
Net cash flows from financing activities	2,300	(700)
Change in Cash and Cash Equivalents	—	4,699
Cash and Cash Equivalents at Beginning of Period	1	1
Cash and Cash Equivalents at End of Period	\$1	\$4,700
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	\$171	\$104
Income taxes paid (refunded), net	\$(604)	) \$(1,952)

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

Table of Contents

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

	March 31, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$1	\$1
Accounts receivable	19,950	17,217
Unbilled revenues	6,853	8,181
Other receivables	762	2,359
Materials and supplies	2,788	2,853
Regulatory assets	4,205	2,630
Current portion of accumulated deferred income taxes	1,131	1,131
Other current assets	841	1,107
Total current assets	36,531	35,479
Other Property and Investments:		
Other investments	281	281
Non-utility property	2,240	2,240
Total other property and investments	2,521	2,521
Utility Plant:		
Plant in service and plant held for future use	1,022,770	1,009,108
Less accumulated depreciation and amortization	346,365	339,315
	676,405	669,793
Construction work in progress	28,207	19,801
Net utility plant	704,612	689,594
Deferred Charges and Other Assets:		
Regulatory assets	119,866	123,621
Goodwill	226,665	226,665
Other deferred charges	8,747	8,349
Total deferred charges and other assets	355,278	358,635
	\$1,098,942	\$1,086,229

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

Table of Contents

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

	March 31, 2013	December 31, 2012
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	\$25,000	\$—
Short-term debt – affiliate	5,600	28,300
Accounts payable	12,045	8,848
Affiliate payables	2,597	4,381
Accrued interest and taxes	31,177	30,491
Other current liabilities	10,251	8,854
Total current liabilities	86,670	80,874
Long-term Debt	311,745	311,589
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	166,302	163,710
Regulatory liabilities	45,321	43,619
Asset retirement obligations	747	732
Accrued pension liability and postretirement benefit cost	14,404	15,947
Other deferred credits	6,174	5,944
Total deferred credits and other liabilities	232,948	229,952
Total liabilities	631,363	622,415
Commitments and Contingencies (See Note 9)		
Common Stockholder's Equity:		
Common stock outstanding (\$10 par value; 12,000,000 shares authorized; issued and outstanding 6,358 shares)	64	64
Paid-in-capital	390,366	390,366
Accumulated other comprehensive income (loss), net of income taxes	(177	) (216
Retained earnings	77,326	73,600
Total common stockholder's equity	467,579	463,814
	\$1,098,942	\$1,086,229

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

Table of Contents

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

	Common Stock	Paid-in Capital	AOCI	Retained Earnings	Total Common Stockholder's Equity
	(In thousands)				
Balance at December 31, 2012	\$64	\$390,366	\$(216)	) \$73,600	\$463,814
Net earnings	—	—	—	3,726	3,726
Total other comprehensive income	—	—	39	—	39
Balance at March 31, 2013	\$64	\$390,366	\$(177)	) \$77,326	\$467,579

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

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Significant Accounting Policies and Responsibility for Financial Statements

Financial Statement Preparation

In the opinion of management, the accompanying unaudited interim Condensed Consolidated Financial Statements reflect all normal and recurring accruals and adjustments that are necessary to present fairly the consolidated financial position at March 31, 2013 and December 31, 2012, and the consolidated results of operations, comprehensive income, and consolidated cash flows for the three months ended March 31, 2013 and 2012. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could ultimately differ from those estimated. The Notes to Condensed Consolidated Financial Statements include disclosures for PNMR, PNM, and TNMP. This report uses the term “Company” when discussing matters of common applicability to PNMR, PNM, and TNMP. Discussions regarding only PNMR, PNM, or TNMP are so indicated. Certain amounts in the 2012 Condensed Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2013 financial statement presentation.

These Condensed Consolidated Financial Statements are unaudited. Certain information and note disclosures normally included in the annual Consolidated Financial Statements have been condensed or omitted, as permitted under the applicable rules and regulations. Readers of these financial statements should refer to PNMR’s, PNM’s, and TNMP’s audited Consolidated Financial Statements and Notes thereto that are included in their respective 2012 Annual Reports on Form 10-K. Weather causes the Company’s results of operations to be seasonal in nature and the results of operations presented in the accompanying Condensed Consolidated Financial Statements are not necessarily representative of operations for an entire year.

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

Principles of Consolidation

The Condensed Consolidated Financial Statements of each of PNMR, PNM, and TNMP include their accounts and those of subsidiaries in which that entity owns a majority voting interest. PNM also consolidates the PVNGS Capital Trust and Valencia. PNM owns undivided interests in several jointly-owned power plants and records its pro-rata share of the assets, liabilities, and expenses for those plants.

PNMR shared services' administrative and general expenses, which represent costs that are primarily driven by corporate level activities, are charged to the business segments at cost. Other significant intercompany transactions between PNMR, PNM, and TNMP include interest and income tax sharing payments, as well as dividends paid on common stock. All intercompany transactions and balances have been eliminated. See Note 11.

(2) Segment Information

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

PNM

PNM includes the retail electric utility operations of PNM that are subject to traditional rate regulation by the NMPRC. PNM provides integrated electricity services that include the generation, transmission, and distribution of electricity for retail electric customers in New Mexico. PNM also provides generation service to firm-requirements wholesale customers and sells electricity into the general wholesale market, as well as providing transmission services to third parties. The sale of electricity

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

into the wholesale market includes the optimization of PNM's jurisdictional capacity, as well as the capacity excluded from retail rates. FERC has jurisdiction over wholesale and transmission rates.

TNMP

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

Corporate and Other

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

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

PNMR SEGMENT INFORMATION

	PNM Electric	TNMP Electric	Corporate and Other	Consolidated
Three Months Ended March 31, 2013	(In thousands)			
Electric operating revenues	\$257,894	\$59,771	\$—	\$317,665
Cost of energy	91,660	13,046	—	104,706
Margin	166,234	46,725	—	212,959
Other operating expenses	103,161	21,990	(3,703)	) 121,448
Depreciation and amortization	25,834	11,681	3,292	40,807
Operating income	37,239	13,054	411	50,704
Interest income	2,673	—	(39)	) 2,634
Other income (deductions)	1,407	208	(1,725)	) (110)
Net interest charges	(19,957)	) (7,246)	) (4,094)	) (31,297)
Segment earnings (loss) before income taxes	21,362	6,016	(5,447)	) 21,931
Income taxes (benefit)	6,589	2,290	(910)	) 7,969
Segment earnings (loss)	14,773	3,726	(4,537)	) 13,962
Valencia non-controlling interest	(3,204)	) —	—	) (3,204)
Subsidiary preferred stock dividends	(132)	) —	—	) (132)
Segment earnings (loss) attributable to PNMR	\$11,437	\$3,726	\$(4,537)	) \$10,626
At March 31, 2013:				
Total Assets	\$4,155,257	\$1,098,942	\$116,561	\$5,370,760
Goodwill	\$51,632	\$226,665	\$—	\$278,297
Additions to utility and non-utility plant included in accounts payable	\$8,211	\$1,055	\$12	\$9,278

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	PNM Electric (In thousands)	TNMP Electric	Corporate and Other	Consolidated
Three Months Ended March 31, 2012				
Electric operating revenues	\$250,416	\$54,958	\$—	\$305,374
Cost of energy	80,557	11,290	—	91,847
Margin	169,859	43,668	—	213,527
Other operating expenses	104,120	20,590	(3,326)	) 121,384
Depreciation and amortization	23,634	11,287	3,493	38,414
Operating income (loss)	42,105	11,791	(167)	) 53,729
Interest income	3,335	—	(43)	) 3,292
Other income (deductions)	4,982	105	(2,539)	) 2,548
Net interest charges	(18,493)	) (7,097)	) (3,976)	) (29,566)
Segment earnings (loss) before income taxes	31,929	4,799	(6,725)	) 30,003
Income taxes (benefit)	10,852	1,788	(3,114)	) 9,526
Segment earnings (loss)	21,077	3,011	(3,611)	) 20,477
Valencia non-controlling interest	(3,265)	) —	—	(3,265)
Subsidiary preferred stock dividends	(132)	) —	—	(132)
Segment earnings (loss) attributable to PNMR	\$17,680	\$3,011	\$(3,611)	) \$17,080
At March 31, 2012:				
Total Assets	\$4,031,859	\$1,037,616	\$128,421	\$5,197,896
Goodwill	\$51,632	\$226,665	\$—	\$278,297
Additions to utility and non-utility plant included in accounts payable	\$18,296	\$801	\$673	\$19,770

(3) Variable Interest Entities

GAAP determines how an enterprise evaluates and accounts for its involvement with variable interest entities, including determining the primary beneficiary of a variable interest entity, by focusing primarily on whether the enterprise has the power to direct the activities that most significantly impact the economic performance of a variable interest entity. GAAP also requires continual reassessment of the primary beneficiary of a variable interest entity. Additional information concerning PNM's variable interest entities is contained in Note 9 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Valencia

PNM has a PPA to purchase all of the electric capacity and energy from Valencia, a 145 MW natural gas-fired power plant near Belen, New Mexico, through May 2028. A third-party built, owns, and operates the facility while PNM is the sole purchaser of the electricity generated. PNM is obligated to pay fixed operations and maintenance and capacity charges in addition to variable operations and maintenance charges under this PPA. For the three months ended March 31, 2013 and 2012, PNM paid \$4.7 million and \$4.6 million for fixed charges and \$0.1 million and \$0.1 million for variable charges. PNM does not have any other financial obligations related to Valencia. The assets of Valencia can only be used to satisfy obligations of Valencia and creditors of Valencia do not have any recourse

against PNM's assets. PNM has concluded that the third party entity that owns Valencia is a variable interest entity and that PNM is the primary beneficiary of the entity under GAAP. As the primary beneficiary, PNM consolidates the entity in its financial statements. The assets and liabilities of Valencia set forth below are immaterial to PNM and, therefore, not shown separately on the Condensed Consolidated Balance Sheets. The owner's equity and net income of Valencia are considered attributable to non-controlling interest.

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Summarized financial information for Valencia is as follows:

Results of Operations

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Operating revenues	\$4,775	\$4,670
Operating expenses	(1,571	) (1,405
Earnings attributable to non-controlling interest	\$3,204	\$3,265

Financial Position

	March 31,	December 31,
	2013	2012
	(In thousands)	
Current assets	\$2,691	\$3,655
Net property, plant, and equipment	77,245	77,953
Total assets	79,936	81,608
Current liabilities	1,149	765
Owners' equity – non-controlling interest	\$78,787	\$80,843

PVNGS Leases

PNM leases interests in Units 1 and 2 of PVNGS under arrangements, which were entered into in 1985 and 1986, that are accounted for as operating leases. PNM is not the legal or tax owner of the leased assets. PNM has an option to purchase the leased assets at appraised value at the end of the leases, but does not have a fixed price purchase option and does not provide residual value guarantees. As set forth in the leases, PNM has options to renew the leases at fixed rates, which represent 50% of the amounts during the original terms of the leases, for two years beyond the termination of the original lease terms. The option periods on all of the Unit 1 leases and one of the Unit 2 leases, amounting to 14% of the Unit 2 capacity under lease, may be further extended for up to an additional six years (the "Maximum Option Period") if the appraised remaining useful lives and fair value of the leased assets are greater than parameters set forth in the leases. As discussed in Note 9 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K, PNM notified each of the lessors of the Unit 1 leases that it will extend each Unit 1 lease for the Maximum Option Period upon the expiration of the basic lease term on January 15, 2015. In addition, PNM notified each of the lessors in the Unit 2 leases that PNM will "retain" the assets leased under that lease upon the expiration of the basic lease term on January 15, 2016. PNM will be required to specify by notice to each of the lessors by January 15, 2014, whether on January 15, 2016 it will extend the Unit 2 leases or purchase the leased assets.

PNM is only obligated to make payments to the trusts for the scheduled semi-annual lease payments, which, net of amounts that will be returned to PNM through its ownership in related lessor notes, aggregate \$65.9 million as of March 31, 2013 over the remaining original terms of the leases. Under certain circumstances (for example, final shutdown of the plant, the NRC issuing specified violation orders with respect to PVNGS, or the occurrence of

specified nuclear events), PNM would be required to make specified payments to the beneficial owners and take title to the leased interests. If such an event had occurred as of March 31, 2013, PNM could have been required to pay the beneficial owners up to \$160.4 million, which would result in PNM taking ownership of the leased assets and termination of the leases. PNM has no other financial obligations or commitments to the trusts or the beneficial owners. Creditors of the trusts have no recourse to PNM's assets other than with respect to the contractual lease payments. PNM has no additional rights to the assets of the trusts other than the use of the leased assets.

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

PNM has evaluated the PVNGS lease arrangements, including the notices discussed above, and concluded that it does not have the power to direct the activities that most significantly impact the economic performance of the trusts and, therefore, is not the primary beneficiary of the trusts under GAAP. PNM has recorded no assets or liabilities related to the trusts other than the accrual of lease payments between the scheduled payment dates, which were \$11.8 million at March 31, 2013 and \$26.0 million at December 31, 2012 and are included in other current liabilities on the Condensed Consolidated Balance Sheets. For additional information regarding these leases, see Risk Factors, MD&A – Off Balance Sheet Arrangements and Note 7 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Delta

PNM has a PPA covering the entire output of Delta, which is a variable interest under GAAP. PNM makes fixed and variable payments to Delta under the PPA. PNM also controls the dispatch of the generating plant, which impacts the variable payments made under the PPA and impacts the economic performance of the entity that owns Delta. PNM makes fixed and variable payments to Delta under the PPA. For the three months ended March 31, 2013 and 2012, PNM incurred fixed capacity charges of \$1.6 million and \$1.5 million and variable energy charges of \$0.2 million and \$0.1 million under the PPA. PNM's only quantifiable obligation under the PPA is to make the fixed payments, which as of March 31, 2013, aggregated \$43.7 million through the end of the PPA in 2020. PNM will also pay variable costs, which cannot be quantified since the amounts are based on how much the generating plant is in operation.

This arrangement was entered into prior to December 31, 2003 and PNM was unsuccessful in obtaining the information necessary to determine if it is the primary beneficiary of the entity that owns Delta, or to consolidate that entity if it were determined that PNM is the primary beneficiary. Accordingly, PNM was unable to make those determinations and, as provided in GAAP, accounted for this PPA as an operating lease.

In December 2012, PNM entered into an agreement with the owners of Delta under which PNM would purchase the entity that owns Delta. At closing PNM would make a cash payment of \$23.0 million, which would be adjusted for actual working capital compared to a targeted working capital and certain prepayments of debt. Delta had project financing debt of \$18.5 million at March 31, 2013, including \$3.0 million due by March 31, 2014, which PNM would retire at closing of the purchase. The purchase is subject to approval of the NMPRC and FERC, as well as other customary closing conditions. Furthermore, closing is subject to the seller remedying specified operational, NERC compliance, and environmental issues. FERC approved the purchase on February 26, 2013.

Delta informed PNM that at March 31, 2013, it had total assets of \$26.1 million, including net property, plant, and equipment of \$22.4 million, and total liabilities of \$20.4 million. Delta also indicated its revenue for the three months ended March 31, 2013 was \$1.8 million and its net earnings were \$0.2 million. Consolidation of Delta would be immaterial to the Condensed Consolidated Balance Sheets of PNMR and PNM. Since all of Delta's revenues and expenses are attributable to its PPA arrangement with PNM, the primary impact of consolidating Delta to the Condensed Consolidated Statements of Earnings of PNMR and PNM would be to reclassify Delta's net earnings from operating expenses and reflect such amount as earnings attributable to a non-controlling interest, without any impact to net earnings attributable to PNMR and PNM.

(4) Fair Value of Derivative and Other Financial Instruments

Energy Related Derivative Contracts

Overview

The primary objective for the use of derivative instruments, including energy contracts, options, and futures, is to manage price risk associated with forecasted purchases of energy and fuel used to generate electricity, as well as managing anticipated generation capacity in excess of forecasted demand from existing customers. The Company's energy related derivative contracts manage commodity risk. PNM is required to meet the demand and energy needs of its retail and firm-requirements wholesale customers. PNM is exposed to market risk for its share of PVNGS Unit 3 and the needs of its firm-requirements wholesale customers not covered under a FPPAC. PNM's operations are managed primarily through a net asset-backed strategy, whereby PNM's aggregate net open forward contract position is covered by its forecasted excess generation capabilities or market purchases. PNM could be exposed to market risk if its generation capabilities were to be disrupted or if its load requirements were to be

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

greater than anticipated, to the extent not covered by the FPPAC. If all or a portion of load requirements were required to be covered as a result of such unexpected situations, commitments would have to be met through market purchases. Additional information concerning the Company's energy related derivative contracts, including how commodity risk is managed, is contained in Note 8 of the Notes to Consolidated Financial Statements in the 2012 Annual Reports on Form 10-K.

Commodity Risk

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

Accounting for Derivatives

Under derivative accounting and related rules for energy contracts, the Company accounts for its various derivative instruments for the purchase and sale of energy based on the Company's intent. Energy contracts that meet the definition of a derivative under GAAP and do not qualify, or are not designated, for the normal sales and purchases exception are recorded on the balance sheet at fair value at each period end. The changes in fair value are recognized in earnings unless specific hedge accounting criteria are met and elected. Normal sales and purchases are not marked to market and are reflected in results of operations when the underlying transactions settle.

During the three months ended March 31, 2013 and the year ended December 31, 2012, the Company was not hedging its exposure to the variability in future cash flows from commodity derivatives through designated cash flow hedges. The contracts recorded at fair value that do not qualify or are not designated for cash flow hedge accounting are classified as economic hedges. Economic hedges are defined as derivative instruments, including long-term power agreements, used to economically hedge generation assets, purchased power and fuel costs, and customer load requirements. Changes in the fair value of economic hedges are reflected in results of operations and are classified between operating revenues and cost of energy according to the intent of the hedge. The Company has no trading transactions.

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

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Commodity Derivatives

Commodity derivative instruments are summarized as follows:

	Economic Hedges	
	March 31, 2013	December 31, 2012
PNMR and PNM	(In thousands)	
Current assets	\$2,114	\$3,785
Deferred charges	—	352
	2,114	4,137
Current liabilities	(4,132	) (1,000
Long-term liabilities	(1,785	) (1,933
	(5,917	) (2,933
Net	\$(3,803	) \$1,204

Certain of PNM's commodity derivative instruments included in the above table are subject to master netting agreements whereby assets and liabilities could be offset in the settlement process. The Company does not offset fair value, cash collateral, and accrued payable or receivable amounts recognized for derivative instruments under master netting arrangements and the above table reflects the gross amounts of assets and liabilities. The amounts that could be offset under master netting agreements were immaterial at March 31, 2013 and December 31, 2012.

At March 31, 2013 and December 31, 2012, PNMR and PNM had no amounts recognized for the legal right to reclaim cash collateral. In addition, at March 31, 2013 and December 31, 2012, amounts posted as cash collateral under margin arrangements were \$1.9 million and \$1.9 million for both PNMR and PNM. PNMR and PNM had no obligation to return cash collateral at March 31, 2013 and December 31, 2012. Cash collateral amounts are included in other current assets on the Condensed Consolidated Balance Sheets.

PNM has a NMPRC approved hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC. The table above includes less than \$0.1 million of current assets and current liabilities at March 31, 2013 and December 31, 2012 related to this plan. The offsets to these amounts are recorded as regulatory assets and liabilities on the Condensed Consolidated Balance Sheets.

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

	Economic Hedges	
	Three Months Ended	
	March 31, 2013	2012
PNMR and PNM	(In thousands)	
Electric operating revenues	\$(4,603	) \$5,218
Cost of energy	756	(604

Total gain (loss) \$(3,847) \$4,614

33

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

	Economic Hedges	
	MMBTU	MWh
March 31, 2013		
PNMR and PNM	1,425,000	(2,042,657)
December 31, 2012		
PNMR and PNM	1,127,500	(2,477,520)

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

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

Contingent Feature – Credit Rating Downgrade	Contractual Liability (In thousands)	Existing Cash Collateral	Net Exposure
March 31, 2013			
PNMR and PNM	\$3,935	\$—	\$3,854
December 31, 2012			
PNMR and PNM	\$2,933	\$—	\$2,777

Sale of Power from PVNGS Unit 3

Since January 1, 2011, PNM has been selling power from its interest in PVNGS Unit 3 daily at market prices. PNM has established fixed rates for all of these sales through the end of 2013 through hedging arrangements that are accounted for as economic hedges. PNM is also partially hedged for 2014.

Non-Derivative Financial Instruments

The carrying amounts reflected on the Condensed Consolidated Balance Sheets approximate fair value for cash, receivables, and payables due to the short period of maturity. Available-for-sale securities are carried at fair value, which include unrealized gains on securities which have not been recognized in net earnings. Available-for-sale

securities for PNMR and PNM consist of PNM assets held in the NDT for its share of decommissioning costs of PVNGS and a trust for PNM's share of post-term reclamation

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

costs related to the coal mines serving SJGS , which investments are included in "other investments" on the Condensed Consolidated Balance Sheet. PNMR and PNM do not have any unrecognized losses on available-for-sale securities. The fair value and gross unrealized gains of investments in available-for-sale securities are presented in the following table.

	March 31, 2013		December 31, 2012	
	Unrealized Gains	Fair Value	Unrealized Gains	Fair Value
	(In thousands)			
Cash and cash equivalents	\$—	\$3,877	\$—	\$4,628
Equity securities:				
Domestic value	8,782	34,410	5,223	30,044
Domestic growth	18,184	55,435	15,212	51,650
International and other	803	15,420	247	14,868
Fixed income securities:				
U.S. Government	1,077	33,721	1,305	32,592
Municipals	3,845	43,459	4,069	43,861
Corporate and other	989	15,085	1,100	14,868
	\$33,680	\$201,407	\$27,156	\$192,511

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

	Three Months Ended	
	March 31, 2013	2012
	(In thousands)	
Proceeds from sales	\$14,284	\$26,760
Gross realized gains	\$1,391	\$2,332
Gross realized (losses)	\$(407)	\$(738)