

PNM RESOURCES INC
 Form 10-Q
 October 31, 2014
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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, 2014

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

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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 October 24, 2014, 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 24, 2014 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 24, 2014 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:

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
CCN	Certificate of Convenience and Necessity
CO ₂	Carbon Dioxide
CTC	Competition Transition Charge
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
Delta	Delta-Person Generating Station, now known as Rio Bravo
DOE	United States Department of Energy
DOI	United States Department of Interior
EGU	Electric Generating Unit
EIB	New Mexico Environmental Improvement Board
EIP	Eastern Interconnection Project
EIS	Environmental Impact Statement
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
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
KW	Kilowatt
KWh	Kilowatt Hour
Lightning Dock Geothermal	Lightning Dock geothermal power facility, also known as the Dale Burgett Geothermal Plant
Lordsburg	Lordsburg Generating Station

Luna

Luna Energy Facility

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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.
NERC	North American Electric Reliability Council
New Mexico Wind	New Mexico Wind Energy Center
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
NOx	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 2014 Term Loan Agreement	PNM’s \$175.0 Million Unsecured Term Loan Facility
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
PNM Term Loan Agreement	PNM’s \$75.0 Million Unsecured Term Loan Facility
PNMR	PNM Resources, Inc. and Subsidiaries
PNMR Development	PNMR Development and Management Corporation
PNMR Revolving Credit Facility	PNMR’s \$300.0 Million Unsecured Revolving Credit Facility
PNMR Term Loan Agreement	PNMR’s \$100.0 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

Red Mesa Wind
REP
Rio Bravo

Red Mesa Wind Energy Center
Retail Electricity Provider
Rio Bravo Generating Station, formerly known as Delta

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RMC	Risk Management Committee
RPS	Renewable Energy Portfolio Standard
RSIP	Revised State Implementation Plan
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
SJPPA	San Juan Project Participation Agreement
SNCR	Selective Non-Catalytic Reduction
SO ₂	Sulfur Dioxide
SPS	Southwestern Public Service Company
S&P	Standard and Poor's Ratings Services
TECA	Texas Electric Choice Act
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 \$50.0 Million Secured Term Loan
TNMP Revolving Credit Facility	TNMP's \$75.0 Million Revolving Credit Facility
TNP	TNP Enterprises, Inc. and Subsidiaries
Tucson	Tucson Electric Power Company
Valencia	Valencia Energy Facility
VaR	Value at Risk
WACC	Weighted Average Cost of Capital
WEG	WildEarth Guardians

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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,	
	2014	2013	2014	2013
	(In thousands, except per share amounts)			
Electric Operating Revenues	\$413,951	\$399,730	\$1,089,008	\$1,064,993
Operating Expenses:				
Cost of energy	132,499	114,674	354,532	325,039
Administrative and general	42,190	46,915	131,283	134,744
Energy production costs	43,287	41,142	136,422	131,546
Regulatory disallowances	—	1,735	—	1,735
Depreciation and amortization	44,295	42,743	128,424	125,189
Transmission and distribution costs	16,884	17,248	49,857	50,690
Taxes other than income taxes	17,997	17,534	51,641	49,739
Total operating expenses	297,152	281,991	852,159	818,682
Operating income	116,799	117,739	236,849	246,311
Other Income and Deductions:				
Interest income	2,084	2,264	6,241	7,731
Gains on available-for-sale securities	962	2,188	8,234	6,935
Other income	2,895	3,254	7,648	7,577
Other (deductions)	(2,084)	(5,970)	(7,185)	(13,516)
Net other income and deductions	3,857	1,736	14,938	8,727
Interest Charges	30,115	30,365	89,621	92,279
Earnings before Income Taxes	90,541	89,110	162,166	162,759
Income Taxes	31,055	30,296	53,368	58,600
Net Earnings	59,486	58,814	108,798	104,159
(Earnings) Attributable to Valencia Non-controlling Interest	(3,701)	(4,127)	(11,140)	(10,904)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)	(396)	(396)
Net Earnings Attributable to PNMR	\$55,653	\$54,555	\$97,262	\$92,859
Net Earnings Attributable to PNMR per Common Share:				
Basic	\$0.70	\$0.68	\$1.22	\$1.16
Diluted	\$0.69	\$0.68	\$1.21	\$1.15
Dividends Declared per Common Share	\$0.185	\$0.165	\$0.555	\$0.495

The accompanying notes, as they relate to PNMR, are an integral part of these 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,	
	2014	2013	2014	2013
	(In thousands)			
Net Earnings	\$59,486	\$58,814	\$108,798	\$104,159
Other Comprehensive Income:				
Unrealized Gain on Available-for-Sale Securities:				
Unrealized holding gains arising during the period, net of income tax (expense) of \$(137), \$(4,143), \$(3,946) and \$(7,544)	210	6,322	6,256	11,512
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of \$1,059, \$925, \$4,547 and \$3,639	(1,628)	(1,411)	(6,997)	(5,551)
Pension Liability Adjustment:				
Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of \$(508), \$(631), \$(1,524) and \$(1,893)	780	960	2,340	2,880
Fair Value Adjustment for Cash Flow Hedges:				
Change in fair market value, net of income tax (expense) benefit of \$0, \$128, \$53 and \$127	—	(238)	(100)	(236)
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of \$3, \$(19), \$(58) and \$(54)	(6)	35	109	99
Total Other Comprehensive Income (Loss)	(644)	5,668	1,608	8,704
Comprehensive Income	58,842	64,482	110,406	112,863
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,701)	(4,127)	(11,140)	(10,904)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)	(396)	(396)
Comprehensive Income Attributable to PNMR	\$55,009	\$60,223	\$98,870	\$101,563

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

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

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	\$ 108,798	\$ 104,159
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	157,687	157,856
Deferred income tax expense	55,553	57,878
Net unrealized (gains) on commodity derivatives	(67	) (5,858
Realized (gains) on available-for-sale securities	(8,234	) (6,935
Stock based compensation expense	4,680	4,315
Regulatory disallowances	—	1,735
Other, net	(642	) 1,384
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(22,158	) (23,731
Materials, supplies, and fuel stock	5,494	(724
Other current assets	(19,816	) (6,667
Other assets	30,502	21,656
Accounts payable	79	(17,786
Accrued interest and taxes	32,488	126,218
Other current liabilities	(21,197	) (32,111
Other liabilities	3,074	(70,379
Net cash flows from operating activities	326,241	311,010
Cash Flows From Investing Activities:		
Additions to utility and non-utility plant	(293,361	) (233,928
Proceeds from sales of available-for-sale securities	82,222	179,336
Purchases of available-for-sale securities	(81,644	) (181,423
Return of principal on PVNGS lessor notes	20,758	23,357
Purchase of Rio Bravo	(36,235) —
Other, net	(3,433	) 1,232
Net cash flows from investing activities	(311,693	) (211,426

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

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

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	(49,200	) (46,700
Long-term borrowings	255,000	75,000
Repayment of long-term debt	(125,000	) (26,037
Cash paid in debt exchange	—	(13,048
Proceeds from stock option exercise	5,495	3,500
Awards of common stock	(15,573	) (12,429
Dividends paid	(44,600	) (38,233
Valencia's transactions with its owner	(12,749	) (13,477
Other, net	(2,030	) (3,706
Net cash flows from financing activities	11,343	(75,130
Change in Cash and Cash Equivalents	25,891	24,454
Cash and Cash Equivalents at Beginning of Period	2,533	8,985
Cash and Cash Equivalents at End of Period	\$28,424	\$33,439
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	\$60,075	\$63,985
Income taxes paid (refunded), net	\$(2,529	) \$(95,472
Supplemental schedule of noncash investing and financing activities:		
Changes in accrued plant additions	\$(6,674	) \$2,535
Premium on long-term debt incurred in connection with debt exchange	\$—	\$36,297

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

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

	September 30, 2014	December 31, 2013
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$28,424	\$2,533
Accounts receivable, net of allowance for uncollectible accounts of \$1,535 and \$1,423	105,516	90,251
Unbilled revenues	63,253	58,806
Other receivables	39,061	53,909
Materials, supplies, and fuel stock	63,637	67,223
Regulatory assets	41,606	24,416
Commodity derivative instruments	4,148	4,064
Income taxes receivable	6,723	7,066
Current portion of accumulated deferred income taxes	58,681	58,681
Other current assets	55,277	34,590
Total current assets	466,326	401,539
Other Property and Investments:		
Investment in PVNGS lessor notes	9,775	32,200
Available-for-sale securities	235,894	226,855
Other investments	1,667	1,835
Non-utility property	4,060	4,353
Total other property and investments	251,396	265,243
Utility Plant:		
Plant in service and plant held for future use	5,754,564	5,563,061
Less accumulated depreciation and amortization	1,913,361	1,838,832
	3,841,203	3,724,229
Construction work in progress	211,472	132,080
Nuclear fuel, net of accumulated amortization of \$52,119 and \$47,347	81,840	77,602
Net utility plant	4,134,515	3,933,911
Deferred Charges and Other Assets:		
Regulatory assets	479,138	523,955
Goodwill	278,297	278,297
Commodity derivative instruments	1,084	3,002
Other deferred charges	98,453	94,263
Total deferred charges and other assets	856,972	899,517
	\$5,709,209	\$5,500,210

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

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

	September 30, 2014	December 31, 2013
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	\$ 100,000	\$ 149,200
Current installments of long-term debt	333,066	75,000
Accounts payable	102,656	109,666
Customer deposits	12,483	13,456
Accrued interest and taxes	82,052	49,600
Regulatory liabilities	1,126	1,081
Commodity derivative instruments	1,370	2,699
Dividends declared	14,868	14,864
Other current liabilities	52,671	77,105
Total current liabilities	700,292	492,671
Long-term Debt	1,542,106	1,670,420
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	884,402	801,408
Accumulated deferred investment tax credits	24,232	25,855
Regulatory liabilities	472,054	460,649
Asset retirement obligations	102,115	96,135
Accrued pension liability and postretirement benefit cost	69,363	80,046
Commodity derivative instruments	688	1,094
Other deferred credits	104,270	109,805
Total deferred credits and other liabilities	1,657,124	1,574,992
Total liabilities	3,899,522	3,738,083
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 outstanding (no par value; 120,000,000 shares authorized; issued and outstanding 79,653,624 shares)	1,172,876	1,178,369
Accumulated other comprehensive income (loss), net of income taxes	(56,532	) (58,140)
Retained earnings	606,394	553,340
Total PNMR common stockholders' equity	1,722,738	1,673,569
Non-controlling interest in Valencia	75,420	77,029
Total equity	1,798,158	1,750,598
	\$ 5,709,209	\$ 5,500,210

The accompanying notes, as they relate to PNMR, are an integral part of these 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 Stockholder's Equity	Non- controlling Interest in Valencia	Total Equity
	Common Stock	AOCI	Retained Earnings			
	(In thousands)					
Balance at December 31, 2013	\$1,178,369	\$(58,140)	\$553,340	\$1,673,569	\$77,029	\$1,750,598
Proceeds from stock option exercise	5,495	—	—	5,495	—	5,495
Awards of common stock	(15,573)	—	—	(15,573)	—	(15,573)
Excess tax (shortfall) from stock-based payment arrangements	(95)	—	—	(95)	—	(95)
Stock based compensation expense	4,680	—	—	4,680	—	4,680
Valencia's transactions with its owner—	—	—	—	—	(12,749)	(12,749)
Net earnings before subsidiary preferred stock dividends	—	—	97,658	97,658	11,140	108,798
Subsidiary preferred stock dividends	—	—	(396)	(396)	—	(396)
Total other comprehensive income	—	1,608	—	1,608	—	1,608
Dividends declared on common stock—	—	—	(44,208)	(44,208)	—	(44,208)
Balance at September 30, 2014	\$1,172,876	\$(56,532)	\$606,394	\$1,722,738	\$75,420	\$1,798,158

The accompanying notes, as they relate to PNMR, are an integral part of these 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 September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Electric Operating Revenues	\$334,993	\$326,026	\$873,434	\$863,609
Operating Expenses:				
Cost of energy	115,097	100,200	304,365	283,715
Administrative and general	37,519	40,679	116,731	116,058
Energy production costs	43,287	41,142	136,422	131,546
Regulatory disallowances	—	1,735	—	1,735
Depreciation and amortization	27,524	25,879	81,629	77,763
Transmission and distribution costs	10,693	11,686	32,202	33,420
Taxes other than income taxes	10,258	9,488	30,359	28,613
Total operating expenses	244,378	230,809	701,708	672,850
Operating income	90,615	95,217	171,726	190,759
Other Income and Deductions:				
Interest income	2,102	2,298	6,295	7,839
Gains on available-for-sale securities	962	2,188	8,234	6,935
Other income	1,804	2,398	5,359	5,329
Other (deductions)	(1,197)	(2,375)	(4,844)	(5,287)
Net other income and deductions	3,671	4,509	15,044	14,816
Interest Charges	20,092	20,124	59,927	59,971
Earnings before Income Taxes	74,194	79,602	126,843	145,604
Income Taxes	25,142	27,652	42,331	49,184
Net Earnings	49,052	51,950	84,512	96,420
(Earnings) Attributable to Valencia Non-controlling Interest	(3,701)	(4,127)	(11,140)	(10,904)
Net Earnings Attributable to PNM	45,351	47,823	73,372	85,516
Preferred Stock Dividends Requirements	(132)	(132)	(396)	(396)
Net Earnings Available for PNM Common Stock	\$45,219	\$47,691	\$72,976	\$85,120

The accompanying notes, as they relate to PNM, are an integral part of these 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 Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
	(In thousands)			
Net Earnings	\$49,052	\$51,950	\$84,512	\$96,420
Other Comprehensive Income:				
Unrealized Gain on Available-for-Sale Securities:				
Unrealized holding gains arising during the period, net of income tax (expense) of \$(137), \$(4,143), \$(3,946) and \$(7,544)	210	6,322	6,256	11,512
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of \$1,059, \$925, \$4,547 and \$3,639	(1,628)	(1,411)	(6,997)	(5,551)
Pension Liability Adjustment:				
Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of \$(508), \$(631), \$(1,524) and \$(1,893)	780	960	2,340	2,880
Total Other Comprehensive Income (Loss)	(638)	5,871	1,599	8,841
Comprehensive Income	48,414	57,821	86,111	105,261
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,701)	(4,127)	(11,140)	(10,904)
Comprehensive Income Attributable to PNM	\$44,713	\$53,694	\$74,971	\$94,357

The accompanying notes, as they relate to PNM, are an integral part of these 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 CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	\$84,512	\$96,420
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	108,069	104,161
Deferred income tax expense	45,313	49,870
Net unrealized (gains) on commodity derivatives	(67	) (5,858
Realized (gains) on available-for-sale securities	(8,234	) (6,935
Regulatory disallowances	—	1,735
Other, net	(355	) (1,342
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(16,782	) (14,123
Materials, supplies, and fuel stock	5,697	(744
Other current assets	(20,806	) (5,187
Other assets	29,796	21,977
Accounts payable	10,100	(4,953
Accrued interest and taxes	19,984	66,090
Other current liabilities	(21,586	) (43,935
Other liabilities	2,841	(67,062
Net cash flows from operating activities	238,482	190,114
Cash Flows From Investing Activities:		
Utility plant additions	(199,771	) (164,669
Proceeds from sales of available-for-sale securities	82,222	179,336
Purchases of available-for-sale securities	(81,644	) (181,423
Return of principal on PVNGS lessor notes	20,758	23,357
Purchase of Rio Bravo	(36,235) —
Other, net	(3,404	) 1,234
Net cash flows from investing activities	(218,074	) (142,165

The accompanying notes, as they relate to PNM, are an integral part of these 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 CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	(49,200	) (21,100
Short-term borrowings (repayments), affiliate, net	(26,000) —
Long-term borrowings	175,000	75,000
Repayment of long-term debt	(75,000) —
Valencia's transactions with its owner	(12,749	) (13,477
Dividends paid	(30,659	) (68,424
Other, net	(1,196	) (1,727
Net cash flows from financing activities	(19,804	) (29,728
Change in Cash and Cash Equivalents	604	18,221
Cash and Cash Equivalents at Beginning of Period	21	3,958
Cash and Cash Equivalents at End of Period	\$625	\$22,179
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	\$41,606	\$42,145
Income taxes paid (refunded), net	\$(215	) \$(44,999
Supplemental schedule of noncash investing activities:		
Changes in accrued plant additions	\$(10,586	) \$8,912

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

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

	September 30, 2014	December 31, 2013
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 625	\$ 21
Accounts receivable, net of allowance for uncollectible accounts of \$1,535 and \$1,423	78,811	70,126
Unbilled revenues	54,643	48,992
Other receivables	38,799	52,964
Affiliate receivables	9,572	10,054
Materials, supplies, and fuel stock	60,731	64,520
Regulatory assets	38,328	19,394
Commodity derivative instruments	4,148	4,064
Income taxes receivable	6,797	4,030
Current portion of accumulated deferred income taxes	43,826	43,827
Other current assets	49,533	30,510
Total current assets	385,813	348,502
Other Property and Investments:		
Investment in PVNGS lessor notes	9,775	32,200
Available-for-sale securities	235,894	226,855
Other investments	300	445
Non-utility property	752	976
Total other property and investments	246,721	260,476
Utility Plant:		
Plant in service and plant held for future use	4,460,035	4,314,016
Less accumulated depreciation and amortization	1,469,375	1,402,531
	2,990,660	2,911,485
Construction work in progress	167,180	107,344
Nuclear fuel, net of accumulated amortization of \$52,119 and \$47,347	81,840	77,602
Net utility plant	3,239,680	3,096,431
Deferred Charges and Other Assets:		
Regulatory assets	347,642	384,217
Goodwill	51,632	51,632
Commodity derivative instruments	1,084	3,002
Other deferred charges	85,902	83,356
Total deferred charges and other assets	486,260	522,207
	\$4,358,474	\$4,227,616

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

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

	September 30, 2014	December 31, 2013
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	\$—	\$49,200
Short-term debt - affiliate	6,500	32,500
Current installments of long-term debt	214,300	75,000
Accounts payable	83,741	84,643
Affiliate payables	14,692	20,498
Customer deposits	12,483	13,456
Accrued interest and taxes	51,188	27,665
Regulatory liabilities	1,126	1,081
Commodity derivative instruments	1,370	2,699
Dividends declared	132	132
Other current liabilities	35,576	50,392
Total current liabilities	421,108	357,266
Long-term Debt	1,176,347	1,215,618
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	714,983	651,239
Accumulated deferred investment tax credits	24,232	25,855
Regulatory liabilities	425,062	414,611
Asset retirement obligations	101,147	95,225
Accrued pension liability and postretirement benefit cost	66,183	76,611
Commodity derivative instruments	688	1,094
Other deferred credits	87,264	91,340
Total deferred credits and liabilities	1,419,559	1,355,975
Total liabilities	3,017,014	2,928,859
Commitments and Contingencies (See Note 11)		
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	(56,278	) (57,877
Retained earnings	249,013	206,300
Total PNM common stockholder's equity	1,254,511	1,210,199
Non-controlling interest in Valencia	75,420	77,029
Total equity	1,329,931	1,287,228
	\$4,358,474	\$4,227,616

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

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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, 2013	\$1,061,776	\$(57,877)	\$206,300	\$1,210,199	\$77,029	\$1,287,228
Valencia's transactions with its owner	—	—	—	—	(12,749)	(12,749)
Net earnings	—	—	73,372	73,372	11,140	84,512
Total other comprehensive income	—	1,599	—	1,599	—	1,599
Dividends declared on preferred stock	—	—	(396)	(396)	—	(396)
Dividends declared on common stock	—	—	(30,263)	(30,263)	—	(30,263)
Balance at September 30, 2014	\$1,061,776	\$(56,278)	\$249,013	\$1,254,511	\$75,420	\$1,329,931

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Electric Operating Revenues	\$78,958	\$73,704	\$215,574	\$201,384
Operating Expenses:				
Cost of energy	17,402	14,474	50,167	41,324
Administrative and general	9,230	10,641	27,839	32,446
Depreciation and amortization	13,432	13,850	37,276	37,810
Transmission and distribution costs	6,191	5,562	17,655	17,270
Taxes other than income taxes	6,830	6,923	18,238	17,558
Total operating expenses	53,085	51,450	151,175	146,408
Operating income	25,873	22,254	64,399	54,976
Other Income and Deductions:				
Other income	1,072	820	2,078	1,765
Other (deductions)	(279)	(104)	(583)	(356)
Net other income and deductions	793	716	1,495	1,409
Interest Charges	6,870	6,655	20,122	20,661
Earnings before Income Taxes	19,796	16,315	45,772	35,724
Income Taxes	7,441	6,209	17,081	13,554
Net Earnings	\$12,355	\$10,106	\$28,691	\$22,170

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

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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
September 30,
2014 2013

Nine Months Ended
September 30,